

TO: Grant Harrison, Deputy Director, CDI
FROM: Paul Rowland, CDI Associate
SUBJECT: Proposed CDI Program for BAKN
DATE: Thursday, May 16th, 2013
CC: Stephen Sherlock, Director, CDI

Background

The *Badan Akuntabilitas Keuangan Negara* (BAKN) is a relatively new body of the Indonesian House of Representatives (DPR), formed in 2009.

The formation of a public accounts committee for the DPR was mooted as early as 2001 after meetings involving DPR members and international organisations including The World Bank Institute (WBI) and the National Democratic Institute (NDI). The idea was raised sporadically over the next five years but really only got any traction in 2006. At that point, a multi-party *Tim Kinerja* (improvement team) was working on some ways to improve the DPR's systems in the interest of improving links with citizens and achieving a support structure in line with the DPR's responsibilities. Once again, the WBI and NDI teamed up in 2005 to provide a videoconference for interested DPR members on the utility of PACs. Separately, interventions from the Australian National Audit Office (ANAO) encouraged the formation of audit committees. A formal recommendation was put forward to the DPR's plenary to form the BAKN and it was formally inaugurated in 2009. The House of Regional Representatives (DPD) formed a body called the *Panitia Akuntabilitas Publik* (PAP).

The structure is much simpler than most DPR bodies. The BAKN has nine members, each representing one of the *Fraksi* (party caucuses) in the DPR. While some argue that its compact size gives it less heft than the standing commissions (with fifty plus members), others point out that the BAKN is able to be more nimble than the more unwieldy commissions.

The secretariat is small and composed of a number of permanent DPR functionaries as well as some contracted professional staff (*tenaga ahli*), all trained auditors, whose job it is to review incoming reports from the *Badan Pemeriksaan Keuangan* (BPK), which is Indonesia's national audit agency, and provide analysis for the BAKN members. The analysis is then passed along to the relevant commission for action. No political staff or communications professionals are attached to the BAKN either permanently or on a contract basis.

First Steps

CDI was one of the first institutions to recognise the importance of the BAKN and engaged in conversations early on that led to a number of interventions culminating in an event in Bandung in October 2011 entitled "From Accounting to Accountability in the Indonesian Parliament - BAKN Practice Development Workshop" involving both members and staff of the body. As the proceedings are already covered in another report, I will not dwell on it here except to note that the participants deemed it a success both at the time and in subsequent interviews. I also highlight the suggestions the participants developed for follow-up from CDI:

1. to develop criteria to guide its assessment of which BPK audit findings warrant parliamentary attention – ensuring that ‘public value’ is considered and that deeper attention is given to fewer issues;
2. to gather information from a broader range of informants (including through public hearings) – deepening its understanding of audit findings and agency responses;
3. to present more targeted, evidence-based reports - to persuade readers (especially those on DPR committees) to take action; and
4. to provide advice to BPK (on behalf of parliament) about potential audit topics and on the quality & usefulness of BPK reporting.

Unfortunately, for a variety of reasons, including staff changes in Indonesia, CDI was unable to follow up immediately and momentum was, to some extent, lost. Interviews with members and staff of the BAKN in October 2012 and January 2013 revealed that, while they had positive impressions of the event and specifically mentioned the sessions on investigations and reports, they had trouble identifying specific results in the intervening year. Both staff and members of the body remain overwhelmed by the task at hand and there remains a gap in understanding between the members and the staff in terms of the role of the BAKN both inside of and outside the DPR.

Other players

In the intervening period, other organisations have picked up where CDI left off and have carried out a fair volume of activities with the BAKN.

1. USAID/ProRep implemented by Chemonics International: ProRep has established an ambitious program with the BAKN led primarily by reformist former MP Alvin Lie. While Mr. Lie is a member of a the *Partai Amanat Nasional* (PAN), he is widely regarded as even-handed in his dealings with other parties. Mr. Lie is leaving but his legacy will be felt in the on-going program. Chemonics has a number of prongs to their program:
 - a) They have taken the BAKN team members to the Netherlands and the UK to see their public accounts committees in action. The UK was chosen because it has the oldest and arguably the strongest PAC in the world while the Netherlands was chosen due to the similarity of their legal system to that of Indonesia and because they also have a proportional representation system. Both visits were deemed a success by both the BAKN and USAID.
 - b) ProRep has also engaged with the BAKN on their desire to promulgate the model to the provinces and has provide funding has a number of visits to provinces.
 - c) They have assisted the BAKN with expert papers drafted by Indonesian scholars with suggestions about revisions to the MD3 Law that governs legislative bodies in Indonesia to both broaden and strengthen the powers of the BAKN, particularly in regards to its ability to solicit input from bodies other than the State Audit Agency (BPK) and to investigate issues it deems of interest should the relevant commissions not pursue them.
 - d) They have other plans but those have seemed fluid of late as they have both budget issues and changes in their staff. In a meeting with Stephen and me in February, ProRep Chief of Party John Johnson made a pitch for CDI to fund some of BAKN’s ventures at the provincial level.

Grace and I met with Alvin Lie and I met with John Johnson separately to discuss their program. Alvin has been easing himself out of the consultancy over the last six months as he has taken a more active role in assisting PAN Chairman Hatta Rajasa. He was emphasized the importance of the proposed amendments to the MD3 Law [check with Grace whether we received a copy of ProRep's work] in enhancing the impact of the BAKN. The proposals include broader powers to call witnesses and pursue issues when the relevant commission lacks interest in or is actively obstructing deeper investigation of a given issue raised by the BAKN.

2. ANAO

The Australian National Audit Office (ANAO) maintains a counterpart presence at the BPK headed by Paul Nicoll, who has experience on the ANAO and parliamentary sides in Australia. He runs an ANAO program funded by AusAID with the goal of strengthening the BPK's performance and has built a solid relationship with the staff and senior management of the agency up to and including its chairman. Fortunately, he takes a catholic view of his role and has encouraged more interaction with the legislative branch including both the DPR and the DPD for some time and has taken a personal interest in the work of the BAKN. He has facilitated meetings between BAKN and BPK staff and members and has pointed out opportunities for BAKN participation in international capacity building activities. The ANAO does not have the mandate, however, for extensive work with the BAKN. During our first meeting, Mr. Nicoll pointed out that CDI's work with the BAKN was well regarded and that, in his view, should be more consistent in order to achieve impact. He is, in fact, very keen for ANAO to have an Australian counterpart with the mandate to engage both the BAKN and the PAP and to help manage the relationship with the JCPAA.

3. Other organisations with a history of engagement with the DPR, including on the issue of PACs, including the WBI, UNDP and NDI have reduced or eliminated their programs with the DPR and are not providing assistance to the BAKN.

Views of the members of the BAKN

Of the nine members of the BAKN, CDI was able to meet with two in the preparation of this report. Numerous attempts were made, including by the Chair, to engage other members but scheduling conflicts, public demonstrations related to issues of the day and, presumably, ambivalence, have thus far prevented the team from interviewing them. Even meeting the chair took three months of requests and two cancelled meetings to bear fruit. Fortunately, once the meeting took place, it became clear that she is anything but ambivalent.

The Chair, Ibu Sumarjati Arjoso from the Gerindra party, was clear that she thought the role of the BAKN is important and that she takes her position seriously. While she is relatively new to the BAKN and does not have a prior record of advocating for a PAC, she is keen to make a mark. She pointed to a number of issues on which the BAKN could and has weighed in, including possible corruption stemming from the awarding of contracts for the construction of vaccine plants by the ministry of health and the on-going investigation into the Hambalang Sports Facility that has embroiled senior members of the DPR, party officials and the former Minister of Youth and Sports. She had not really considered issues such as value for money or program effectiveness but that is probably understandable in a country where graft and corruption are ever-present. Structurally, she would like to see amendments to the DPR's rules to allow an expansion of the number of members of the BAKN in order to beef up its influence within the House and its commissions. She also commented on the difficulties of knowing when to involve outside bodies such as the police and the Anti Corruption Commission (KPK). Her

specific request for assistance from CDI was to help BAKN members and staff members engage internationally in order to build relationships with counterparts and to build skills.

A counterpoint to her position was put by veteran member Eva Sundari who would like to see the BAKN remain small and populated by members that actually care about its mission rather than those that are simply placed there by their *Fruksi* to observe and, potentially, obstruct. Ms. Sundari is in her second term in the DPR, representing PDI-P and has solid credentials as a reformer. In fact, she could be considered the midwife, if not the mother of the BAKN as she had advocated with the DPR leadership in the 2004-2009 term for the creation of a PAC. In a brief but productive interview she outlined a number of ways in which she would like to enhance the BAKN's role and effectiveness:

1. Develop a pre-audit capacity akin to that of the PAC in the UK.
2. Enhance communications within the DPR and externally about the work of the BAKN and BPK.
3. Enhance the recruitment and selection process for BAKN members.
4. Become the formal counterpart within the DPR for the BPK, rather than Commission 2 as is now the case.
5. Encourage the BPK to conduct performance audits and recommend solutions.
6. Expand the BAKN professional staff complement to at least twenty.
7. Encourage provincial and local councils (DPRDs) to create bodies akin to the BAKN.

While she would welcome CDI's assistance with any of the above, she particularly asked for assistance with the following:

1. Provide commentary on the academic draft of amendments regarding the BAKN to the MD3 law that governs the structures of legislatures at the national and sub-national level.
2. Assist with communications.
3. Train staff to think more politically.

Staff Views

Over the course of two lengthy meetings with the BAKN's professional staff, they acknowledged the fact that, while they are all experienced auditors, they are having trouble assimilating into the political world of the DPR. They feel more comfortable dealing with technical issues and numbers than they do with political issues. They pointed out that they receive more than 1800 audit reports a year and are expected to review them all and highlight important issues for the members but they do not have standard operating procedures that tell them what to look for in the reports so they revert to their comfortable role as auditors.

They requested some assistance in looking at strategic issues such as subsidies, how to assess public losses, how to organise public hearings and how to conduct investigations as well as comparative examples of PACs from countries that have a presidential system such as Korea.

Program Recommendations:

This memo recommends a program based on the following four elements:

1. Deepening BAKN findings on a narrower range of issues:

- To develop criteria to guide its assessment of which BPK audit findings warrant parliamentary attention – ensuring that “public value” is considered and that deeper attention is given to fewer issues.
2. Broadening information sources:
To gather information from a broader range of informants through public hearings, site visits and encouraging staff relationships with external groups.
 3. Enhancing communication to other bodies in the DPR:
Providing current, concise and timely information to commissions, *fraksi*, bodies such as the budget committees and individual members
 4. Become a source of advice and the formal counterpart to BPK within the DPR

Audience: BAKN members and staff.

Activities:

The first category is activities that can be implemented quickly within the parameters of CDI’s current financial constraints:

1. A follow-up meeting to the BAKN’s participation in the Australasian Council of Public Accounts Committees in March in Sydney. The meeting would involve the leadership of the BAKN, their counterparts in the PAP, the BPK leadership and, potentially, the KPK. Estimated cost: \$1000.
2. Monthly meetings between BAKN staff and CDI over lunch to discuss the challenges of working in a political environment. Estimated cost: \$150 per month.
3. If time allows, provide Australian expert commentary on the MD3 draft bill.

The second category are activities that could be developed in collaboration with the BAKN, and potentially with the participation of ProRep in some or all once CDI’s future funding is clear:

1. Series of one-day workshops to be held in Jakarta or close to Jakarta, each one dealing with a single issue. Issues to be addressed include: pre-audits; recruitment and selection of members; staff structure and management; internal and external communications.
2. Placements for BAKN staff members with National and State level PACs in Australia.
3. Provide comparative experience with other PACs in countries that have a presidential system of government such as Korea.
4. Provide an intern or fellow to work with BAKN members and staff on communications issues.
5. Ongoing visits by members of the BAKN to Canberra and other Australian capitals to build relationships with and learn from counterparts. Such activities might involve funding from the DPR’s budget.
6. The Ministry of Finance is planning to move from cash reporting to accrual reporting as of 2015. The move will provide opportunities as well as pitfalls for BPK. It is important that BAKN understands the technical and political aspects of the change and, hopefully, provide oversight of BPK in its preparations for the shift. While CDI’s value is not in technical aspects of auditing and financial reporting, this kind of project is one that could provide an issue around which to bundle a whole package of political and communications assistance. ANAO could provide the more technical points on accounting and auditing.