

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. The Asian Development Bank (ADB) approved a loan in the amount of \$57.75 million from its ordinary capital resources for the State Accountability Revitalization Project on 31 October 2012. The loan agreement was signed on 26 November 2012, and the loan was declared effective on 19 February 2013. The original closing date was 30 June 2018, which has been extended to 31 March 2020. The project supports a key government reform priority to improve government accountability, by increasing the capacity of the central and regional internal auditors and public finance officers. It focuses on (i) improving the competency and skills of auditors and finance officers and recognizing this via training and certification, (ii) improving trainer knowledge to provide training that meets the specialized needs of internal auditors and public finance officers, and (iii) implementing e-learning and a state accountability (internal audit) management information system—the Management Information System on Accountability (SIMA). These will improve governance in public financial management (PFM) and public service delivery for the benefit of Indonesian citizens.

2. The current project is aligned with the following outcome: accountability of public institutions to deliver high-quality public services strengthened. The project will have the following outcome: capacity of the government internal auditors and public finance officers in budget planning, reporting, internal audit, and asset management improved. The project has three outputs: (i) capacity development for government internal auditors and public finance officers; (ii) development of e-learning system and modules; and (iii) institutional strengthening through system improvement.

B. Performance of the Project

3. **Achievement of outcome.** The current project had three outcome indicators. The first outcome indicator was by 2017, the percentage of the Supreme Audit Board's (BPK) unqualified audit opinion increased to 100% at the central level (from 42.17% in 2009) and to 60% in the regions (from 2.73% in 2009). The target of 100% for central ministries and departments was not reached according to BPK's first half year of 2018 report. However, good progress was made, with the percentage increasing from 71% in 2012 to 84% in 2016 to 91% in 2017. Assuming the same trajectory, the target will likely be met in 2019. The achievement in the regions—76% in 2017 (up from 70% in 2016 and 23% in 2012)—was well in excess of the target of 60%.

4. The second outcome indicator—by 2017, 100% timely submission of financial reports to BPK—was met in full. The third outcome indicator—by 2017, internal audits are undertaken in accordance with professional standards and using a modern risk-based audit methodology—was only partially met. The government has adopted the government internal control system (GICS) maturity index based on the Internal Audit Capability Model.¹ Data from 2019 show that 44% of 628 internal audit offices are at level 3 on the 5-point scale. This is excellent progress from the

¹ GICS is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations. The GICS is based on the Internal Audit Capability Model (IA-CM) for the public sector which is a framework that identifies the fundamentals needed for effective internal auditing in government and the broader public sector. It illustrates the levels (from 1 to 5) and stages through which an internal audit activity can evolve as it defines, implements, measures, controls, and improves its processes and practices. Source: The Institute of Internal Auditors Research Foundation. 2009. Internal Audit Capability Model (IA-CM) For the Public Sector. Florida.

2012 baseline, when 74% of the offices were at level 1 and only two were at level 3. However, since none are yet at levels 4 or 5, there is potential for further improvement. There is also a need to adopt a risk-based approach and to move beyond simple compliance checks. In terms of audits being conducted in accordance with professional standards, the certification of internal auditors through the mandatory internal auditor functional position (JFA) by the Central Government's Internal Auditors (BPKP) will help achieve this aspect of the outcome target.

5. **Delivery of expected outputs.** Progress on the delivery of outputs was satisfactory as of 30 June 2019. Most of the output targets of the current project were exceeded. A total of 3,442 internal auditors and finance officers graduated with degrees versus the target of 2,500. Of the total, 1,162 were internal auditors and the remaining 2,280 were public finance officers. Combined figures for internal auditors and finance officers graduates show that 75% graduated with master's degrees, 44% were women, and 54% came from local governments. The target for nondegree training was 9,800 participants, with no disaggregated targets set in the design and monitoring framework by type of training. There were 22,213 participants in all types of nondegree training, far exceeding the target of 9,800 (female participation in nondegree training was 40%, again exceeding the 30% target). A breakdown of the types of training provided and the number of participants in each is provided in Table 1. The table shows that auditor training and certification and technical training were substantially directed toward local governments. For those who took certification exams, the pass rate was 96% for central government officials (against the target of 80%) and 91% for local government officials (against the target of 70%). Additionally, 272 trainers (against the target of 200) were trained under a train-the-trainer component.

Table 1: Participants by Type of Training, 2013-2018
(number)

Type of Training	Central Government Level	Local Government Level	Total
Functional auditor certification and training	1,180 ^a	10,456 ^a	11,636
Other types of certification and training ^b	1,305	486	1,791
Technical training (11 topics)	1,503	6,563	8,066
Overseas training			720
Total			22,213

^a Estimated.

^b Includes, among others, Certified Risk Management Professional, Certified Fraud Examiner, Certified Professional Human Resources Management, Certified Forensic Auditor, and Certified Professional Management Accountant.

Source: Government of Indonesia, BPKP. *Draft Project Completion Report: State Accountability Revitalization Project*. Unpublished.

6. Under output 2, e-learning system has been in operation since 2016, with e-learning modules progressively developed and rolled out, including for auditor certification training as envisaged. The e-learning system is provided in the form of online audio and video books, and live-chat or discussions with training facilitators. The draft project completion report of the Central Government Internal Auditor (BPKP) lists 39 e-learning modules developed under the project covering both functional auditor certification training and technical training.² A further 88 modules are identified as blended modules, covering both functional auditor certification training and technical training. The introduction of e-learning system under the current project has proven to

se of paper. In addition, the waiting time to enroll in a class has also been significantly reduced, as the training center is able to conduct more courses.

be about 30% more efficient than traditional classroom training.³ Although the creation of 14 centers of excellence in universities was targeted, only eight have been created; the other six are expected to be established during the period of additional financing, so the target remains unchanged.

7. The first target under output 3 was as follows: by 2016, SIMA, entailing four perspectives of accountability, developed, installed, and operating in BPKP, accessible by relevant working units. Under the current project, the operation of SIMA has improved the business process and integrated BPKP's systems on supervision planning, implementation, and reporting. SIMA has created seamless integration of information and data between BPKP's headquarters and its representative offices in 34 provinces. SIMA also provides key information to BPKP's senior management for monitoring of BPKP's operational activities. The two other targets for output 3 under the current project are as follows: by 2016 (i) two program-based policies in specific cross-sector or thematic programs evaluated (in recognition of BPKP's mandate to assess the performance of all government programs involving more than one ministry), and (ii) recommendation made to the government to improve cross-sector program policy. On the first of these, the current project funded six thematic evaluations during 2013–2018 on (i) the poverty reduction program, (ii) public drug and medicine utilization, (iii) the national export development program, (iv) fishing industry welfare improvement, (v) urban development, and (vi) teacher management and equality. On the second of these, BPKP made a recommendation to the President on the national export development program; the recommendation was submitted in a letter from the head of BPKP dated 23 August 2017. BPKP also sent a letter to Indonesia's vice president on the government's poverty alleviation program.

8. A significant number of other software systems were developed under the current project using loan savings, including the enterprise learning management system (an online training registration system that systematizes training participant selection and registration, and lessens opportunities for arbitrary decision-making), and the training and education management information system.

9. **Satisfactory implementation progress.** As of 31 May 2019 (89% elapsed time), the current project's physical progress was 98%. Cumulative contract awards amounted to \$57.16 million (98.98%) of the loan amount, and disbursements to \$57.12 million (98.91%).

10. **Satisfactory compliance with safeguard policy requirements.** The current project is category C for impacts on the environment, involuntary resettlement, and indigenous peoples. There has not been any safeguard impact under the current project.

11. **Successful management of risks.** The current project has successfully managed the risks identified during project preparation, and there have been no substantial issues during implementation. No substantial risk is expected to affect the proposed additional financing. The main risks are summarized in Table 2.

³ E-learning has reduced the training time by about 30% compared with a conventional classroom approach. It has also reduced training costs because of decreased use of paper. In addition, the waiting time to enroll in a class has also been significantly reduced, as the training center is able to conduct more courses.

Table 2: Management of Risks

Risks	Outcomes from the Actions Taken
Trained officers are assigned in nonrelevant positions	The current project conducted a trace study, which reported that the trained officers assigned to nonrelevant positions accounted for less than 7% of the total trained.
There is low interest from degree candidates because of low stipends and work pressure	Interest was very high, with 3,477 total graduates (against the target of 2,500).
Candidates who fulfill the selection requirements are inadequate (i.e., candidates are not necessarily selected on merit)	Candidate selection was merit based, aided by the newly deployed online registration system.
Trainers with competence in adult learning methodology for training of trainers are not available	Qualified trainers were available, with more than 200 trained to become trainers.
Low utilization rate of the e-learning system could jeopardize the investment	The total training conducted annually using e-learning has increased from 2016-2018.
Low utilization rate of SIMA	SIMA was enacted by BPKP's circular letter dated 4 January 2017 and has been rolled out to BPKP's 34 representative offices.
Cross sector evaluation methodology not developed	A methodology has been developed and implemented by BPKP since 2016.

SIMA = Sistem Informasi Manajemen Akuntabilitas (Management Information System on Accountability).

Source: Asian Development Bank and BPKP.

12. **On track rating.** The project is rated *on track* in the project performance rating and is expected to remain on track in 2019 based on contracts awards and disbursements projections.

C. Conclusion

10. The project is performing well in accordance with the criteria under the staff instructions.⁴ The commitment of BPKP's senior management and the strong capacity of BPKP, the executing agency, has contributed to the successful implementation of the current project.

⁴ ADB. 2018. *Staff Instruction on Business Processes for Additional Financing (Sovereign Operations)*. Manila.