

## **Term of Reference**

# **Implementation Support on Government Internal Control System (SPIP) and Internal Auditors Capability base on IA-CM model at Ministry and Local Government Level**

### ***Background***

The Government of Indonesia have targeted 85% of internal audit units in Indonesia to achieve a level 3 in Internal Auditors Capability by 2019. Internal Auditors Capability level 3 is imperative to support the Government Internal Control System (SPIP) implementation.

After the issuance of Government Regulation no 60/FY 2008 on Government Internal Control System (SPIP) implementation, all efforts has been put in place to implement the framework. Continuous monitoring and evaluation has been conducted by BPKP with support from internal audit units across the country. Due to big population of local governments (there are 508 districts/ municipalities and 34 provinces in Indonesia), Maturity of Government Internal Control System (SPIP) implementation is still weak in most local governments. As an evidence, the 2017 PEFA assessment on Indonesian PFM especially in the seventh pillar, which is external scrutiny and and audit shows an overall score of C+ (in a scale of A being the best to D being the worst). In addition, the assessment found that the challenges of Indonesian internal audit include nonexistent quality assurance process, not all audit plans are being executed, and a low rate of response of internal audit findings. As an effect of the aforementioned challenges, the target to achieve level 3 of IA-CM by 2019 for 85% of the internal audit practice in the local government level is a challenging task.

To alleviate the challenges found by the PEFA assessment it is deemed necessary to facilitate knowledge sharing in the form of a written publication of Internal Auditors Capability and Government Internal Control System (SPIP) implementation best practices given to a wider audience. This written publication is expected to provide implementation guidance of all elements of Internal Auditors Capability which includes roles and services of internal auditors, HRM, professional practices, accountability and performance management, organizational culture, and governance structure. By providing best practices in the organizational culture element, it is expected that internal audit units insure a quality assurance method in its business process. By providing best practices in the professional practices element, it is expected that internal audit units implement a risk based audit plan approach which considers budget and critical points of its auditee, so that all audit plans are effective, efficient, and completed. Additionally, by providing best practices in the professional practices element, internal audit units are expected to provide recommendations that are effective and can be implemented by its auditee, which in turn will increase the rate of internal audit findings response.

Based on these arguments, a written publication of Internal Auditors Capability and Government Internal Control System (SPIP) implementation best practices is expected to bolster the elements of Internal Auditors Capability especially in the organizational culture and the professional practices elements. Increasing the implementation of Internal Auditors Capability elements is imperative in supporting the Government Internal Control System (SPIP) implementation. By implementing Government Internal Control System (SPIP) and

Internal Auditors Capability Framework the Government of Indonesia will reach its target and solve the weaknesses in internal audits which will increase its PEFA score, and in the end strengthen its PFM.

This support from MDTF is expected to facilitate knowledge sharing from units which have implemented and benefited from Government Internal Control System (SPIP) framework and Level 3 Internal Auditors Capability in the form of a written publication given to a wider audience to encourage adoption.

## **Objectives**

The objective of this activity is to support the effort to expedite the implementation of Government Internal Control System (SPIP) framework at local government level and the effort to achieve Level 3 Internal Auditors Capability for internal audit units through books production about good practice in Government Internal Control System (SPIP) framework implementation and Level 3 Internal Auditors Capability implementation and its implication for the local government.

## **Scope of Works**

Vendor will be hired to create a high quality e-books and printed books on best practices of Government Internal Control System (SPIP) framework and Level 3 Internal Auditors Capability framework implementation in Ministries and local governments in Indonesia. Technical information on Government Internal Control System (SPIP) framework and Level 3 Internal Auditors Capability framework implementation will be provided by AAIPI and BPKP.

The vendor should possess editing skills in Bahasa and English languages, a good quality printing work, and an expertise to conduct a book road show.

## **Deliverables**

The expected deliverables for this activity will be as follows:

1. Printed book and e-book on Best Practices of Government Internal Control System (SPIP) framework Implementation in both Bahasa Indonesia and English
2. Printed book and e-book on Best Practices of Level 3 Internal Auditors Capability Framework Implementation in both Bahasa Indonesia and English
3. Road show for printed books and e-books on Best Practices of Government Internal Control System (SPIP) framework Implementation and Best Practices of Level 3 Internal Auditors Capability Framework Implementation.

All publication financed by PFM MDTF will embed the donor's logo in both the printed book and the e-book formats.

Payments will be divided in three terms based on the process of providing the deliverables:

1. 30% of the first payment will be conducted subsequent to the editing process of printed books and e-books on Best Practices of Government Internal Control System (SPIP) framework Implementation and Best Practices of Level 3 Internal Auditors Capability Framework Implementation.

2. 30% of the second payment will be conducted subsequent to the printing process of printed books and e-books on Best Practices of Government Internal Control System (SPIP) framework Implementation and Best Practices of Level 3 Internal Auditors Capability Framework Implementation.
3. 40% of the final payment will be conducted subsequent to the book roadshow of printed books and e-books on Best Practices of Government Internal Control System (SPIP) framework Implementation and Best Practices of Level 3 Internal Auditors Capability Framework Implementation.

### ***Consultants' Qualification***

Vendor is required to possess adequate staffs whose fluent in English and Bahasa in terms of speaking and writing to:

1. edit the content of the books,
2. translate the books and design the book covers;
3. organize the production of e-book and printing of the book;
4. organize the book road show:

Prior experiences in working with Indonesian government institutions in producing printed books and e-books, as well as organizing a roadshow will be considered as a strong advantage.

### ***Method of Consultant Qualification***

Competitive selection of cost-based selection for firms.

### ***Monitoring Arrangements***

#### ***Cost Estimate (US\$)***

|                                       |               |
|---------------------------------------|---------------|
| a. e-book and printing products       | 45,000        |
| b. Book road show (venue, meals, etc) | <u>15,000</u> |
| Total                                 | 60,000        |