

## Financial report and public accountability culture in Indonesia

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### ABSTRACT

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*This study investigates the quality of public accountability in Indonesia as represented by financial reports practices using the legitimacy theory. We found public accountability practices in Indonesia is still at the pragmatic legitimacy. Financial statements and audits of these statements are developed only for the primary users of financial statements. They are not prepared for the benefit of general public. DPR and the government as the representation of the public have yet to develop governance culture of financial statements and audits to ensure that accountability practices in Indonesia present true or fair information that is expected by the public. People need information about how effective is the government on using of state funds to fulfill their promises in the election campaign as well as their obligation as stipulated in many laws governing operations of the government. Public also needs information about security and grow of their the wealth deposited in the financial sector as promised by banks and non-bank financial institutions.*

### ABSTRACT

Studi ini mengkaji kualitas Akuntabilitas publik di Indonesia yang representasikan oleh praktik laporan keuangan menggunakan teori legitimasi. Kami menemukan praktik akuntabilitas publik di Indonesia masih di legitimasi pragmatis. Laporan keuangan dan audit laporan ini dikembangkan hanya untuk pengguna utama laporan keuangan. Mereka tidak disiapkan untuk kepentingan masyarakat umum, DPR dan pemerintah sebagai representasi dari masyarakat belum mengembangkan budaya tata kelola laporan keuangan dan audit untuk memastikan bahwa praktek akuntabilitas di Indonesia menyajikan informasi yang benar atau adil yang diharapkan oleh masyarakat. Masyarakat membutuhkan informasi tentang seberapa efektif pemerintah dalam menggunakan dana negara untuk memenuhi janji mereka dalam kampanye pemilu serta kewajiban mereka sebagaimana diatur dalam banyak hukum yang mengatur operasi dari pemerintah. Masyarakat juga perlu informasi tentang keamanan dan tumbuh dari kekayaan mereka disimpan di sektor keuangan seperti yang dijanjikan oleh bank dan lembaga keuangan non-bank.

### Introduction

Supposedly the demands for public accountability information on the use of public funds and public wealth in Indonesia is high. As the third largest democracy in the world, a culture of public accountability should be well understood by government leaders, leaders of organizations and business leaders because the democratic practice has been going on for some time in Indonesia. Each public leader will be held accountable for the use of public funds and/or public property to fulfill their promises and obligations to the public. Whether they are members of the parliament, the president, governors, or regents/mayors, they have to be accountable to the people who vote for them. Government regulations were issued to ensure the public accountability for the use of public funds and public property. Government leaders have incentives to encourage the emergence of a culture of public accountability since they have a great opportunity to be re-elected when public perceive them as accountable public officers.

In practice, however, the culture of public accountability as expected above has yet to come in Indonesia. Indonesia is still known as a country that has a high level of corruption in the public sector (Cochrane 2013). Members of the Indonesian Parliament (DPR) are not being seen as promoting a culture of public accountability (Sherlock 2007). This is amplified by the abolition of the State Agency for Financial Accountability (BAKN) from

the organization structure of the Parliament in July 2014 by the revision of the Law on the People's Consultative Assembly (MPR), House of Representatives (DPR), the Regional Representative Council (DPD), and House of Representatives (DPRD), known as the MD3 Law. Despite, BAKN was considered as an ideal Public Accounts Committee (PAC) to carry out its mission in order to improve public accountability of government agencies (Setiono and Prasetyo 2015).

In countries that have implemented a longer democratic system, such as Australia, the culture of public accountability has been formed and continue to be improved. In this country, campaign promises of major political parties must be valued in and estimated in the government budget by the government treasury. The Australian government issued guidelines for calculating the cost of campaign promises called the Charter of Budget Honesty (Commonwealth of Australia 2016). The results of calculation of the cost of the campaign promise affecting both government taxes revenues and government expenditures must be published to the public via the website so that the public can assess the implication of the promises to the government financial health.

This study explores the public accountability practices in Indonesia both at the public sector (the government) and the public corporations. This study used documents and news analysis method to answer the question on how public accountability are practices in Indonesia. Public accountability is important concept in a democratic system as well as in a well-developed capital markets. It is an obligation of public organization leader to answer to the public for public resources given to them (Boven 2005; A. Gray and Jenkins 1993). Public accountability is a dynamic social relationship through which civil society seeks to control and challenge the state (Smith 2007). However, it is elusive concept to apply it in developing countries (Belal, Cooper, and Khan 2015). Using qualitative method will give opportunity to better understand of challenges in implementing public accountability in developing countries (Creswell 2014).

Paper is organized with the following structure. After the first part of the introduction, the second section describes the theory behind the practice of public accountability undertaken by an organization and public accountability expected by society as represented by the products of law makers in the Parliament. The third section contains the analysis of public accountability that has been developed and practiced in Indonesia. The fourth part is the conclusion.

## Literature Review

### Public Accountability and Legitimacy Organization

Besides fulfilling legal obligations, a leader of public organizations also need legitimacy from communities. Public approval on the performance of public organizations would give legitimacy to the existence of an organization and to continue growing. Suchman (1995) divides the three levels of legitimacy that can be obtained from communities. *First*, pragmatic legitimacy, i.e. organizations only seek legitimacy of stakeholders that directly affect the organization's existence. This is an organization self-interest to get legitimacy from direct stakeholders. *Second*, the moral legitimacy, which is a legitimacy obtained due to normative assessment since the organization has done something right based on the values held by stakeholders. There are three ways of evaluating moral legitimacy, from outputs and consequences (sometimes difficult to measure), from the techniques and procedures that is conform with the moral values of society, and from categories and structures of the organizations. Sometimes, moral legitimacy is also evaluated by the personality of the leader of the organization. *Third*, the cognitive legitimacy (mental processes), which has recognized the legitimacy of an organization in the mental process of stakeholders. There is no self-interest motive or evaluation from stakeholders for legitimacy of an organization. Cognitive legitimacy is gained through the process of comprehensiveness and taken for grantedness. If the comprehensiveness of the organization does not happen, then the public will have a social and economic crisis. Similarly, if the taken-for-granted does not occur in the organization, the acceptance of the legitimacy of the public is not going to happen because the legitimacy born from the values that are believed by the public.

Financial accounting information as presented in annual reports has been used by organizations to legitimize their existences and roles to the society (see, for example, Campbell, Moore, and Shives 2006; Campbell 2000; De Villiers and Van Staden 2006; Deegan 2002; R. Gray, Kouhy, and Lavers 1995; Neu, Warsame, and Pedwell 1998). Financial accounting information is the main form of public accountability in public financial management and public wealth (see, for example Peecher, Solomon, and Trotman 2013; Thinggaarda 2008; Carnegie and West 2005; Burchell et al. 1980; Kemp 1963). Honest and true financial statements are a form of accountability of an organization's leaders expected by the public. To achieve the goal of public accountability, the various regulations and standards have been developed by the government and various professional organizations to ensure that the public interest is completely protected.

The public has an interest in finance and wealth managed by an organization as they become investors or creditors, saving deposits, paying insurance premiums, or pay taxes and other government levies to the organi-

zations. In general, public interests can be divided into two major groups, namely public interests in the public sector (state finance) and public interests in the public financial sector such as those organizations engaged in capital markets, banking, insurance and pension funds.

Development of public accountability generally focused on the following three paths: 1) accounting to determine the performance of public finance and wealth management as presented in financial statements of organizations; 2) governance to produce a true and fair financial statements; and 3) independency and quality auditors who provide assurance on the organization's financial statements. Economic system adopted by a country will determine the matters set forth in the foregoing. In a capitalist system, proprietary funds and public property is dominated by individuals who managed to control the sources of economic wealth. Individuals having significant wealth in the economy become investors and creditors of companies. As a result, the rules and standards of presentation of financial statements that are developed in the world are more geared to the interests of investors and creditors. Given the accounting standards, governance and audit of those standards will also be directed to meet the needs of investors and creditors. While on the other hand, the interests of the general public who have deposits in banks, which pay insurance premiums on the insurance company, or who pay taxes to the government received less attention than it deserves.

### **Expected Public Accountability**

This section will discuss about public accountability expected by society, both represented by the legislature (Parliament) through legislation, represented by the People's Consultative Assembly (MPR) through its provisions, as well as public opinion related to public finance and wealth management. Discussion is grouped into three factors that most affect the quality of the organization's financial statements.

### **Financial Accounting Standards for Public Performance Measure**

#### **State finance**

The community hopes the government can fulfill its promise when they elected and the public also expect that they can feel the presence of the government in serving the community. The whole promise of the government can be measured by money. Promises can be spelled out in detail in the form of programs or activities that can then be arranged in the form of the government budget. Implementation of the program or activity can be recorded, set the value, and then summarized in a financial statement which will be communicated to the public. The financial statements are the elaboration government promises to the public. Society hopes promises are implemented effectively and efficiently, and they expect the public finance and wealth continue growing.

Members of the Parliament, *Dewan Perwakilan Rakyat* (DPR), and the government agreed that state finances<sup>1</sup> should be managed in an orderly manner, abide by laws and regulations, effective, efficient, economical, transparent, and accountable paying attention to the sense of justice and propriety (Article 3 of Law No. 17 of 2007). President as the head of government holds sway public finance management to achieve the purpose of the state by determining national and regional budgets every year. The central government prepares The First Semester Budget Realization Report and prognosis for next 6 (six) months to be submitted to DPR. The same process also performs by local governments to the local parliaments, *Dewan Perwakilan Rakyat Daerah* (DPRD). President submits the Central Government Financial Statement (LKPP) to DPR after being audited by the Supreme Audit Agency (BPK) not later than six (6) months after the fiscal year ends. LKPP consists of Budget Realization Report, Balance Sheet, Cash Flow Statement, and Notes to the Financial Statements, compliment with the financial statements of state-owned enterprises and other entities. Governor/regent/mayor has to do something similar to the Parliament. They make a Local Government Finance Report (LKPD) and submit to DPRD. The form and content of government financial statements are prepared and presented in accordance with governmental accounting standards determined by an independent standard committee.

Unfortunately, accounting standards for reporting performance of the state financial management as set out in the Statement of Government Accounting Standards (PSAP) are essentially similar to those for reporting financial performances of the private sectors as guided by the Statement of Financial Accounting Standard or *Pernyataan Standar Akuntansi Keuangan* (PSAK). PSAK is the accounting standards for the private sector that is governed by profit motive. Government organizations are not managed for searching for the maximum profit.

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<sup>1</sup> The State finance includes the right to tax, the circulation of money, loan, obligation to perform the state government public services, paying the third party invoices, revenues and expenditures of the state, local revenues and expenditures, state assets/local government assets managed by government agencies or third parties in the form of money, securities, accounts receivable, goods, and other rights that can be valued in money, including those assets separated in the state/regional companies, the wealth of others controlled by the government in respect of the duty of government and/or for the public interest, and the wealth of third party obtained by using the facilities provided by the government (Article 2 of Law No. 17 of 2003).

They are set up serve public and improve public welfare. Government agencies should be governed by efficiency and effectiveness motives. LKPP prepared based on PSAP should be developed by considering the budget as public policy, government investment, and information needed by users of government financial statements. PSAP and LKPP were developed to provide information to the public in general. LKPP designed not only for the information needs of the communities. Nevertheless, LKPP should give information on the elements required by the provisions of law (statutory reports) and meet the information needs of the taxpayers because the tax is a major source of government revenue.<sup>2</sup>

Government financial reports should provide information that is useful for users in assessing accountability and make a good decision-making of economic, social, and political. Therefore, the government's financial statements should provide information about the source, the allocation and use of financial resources, revenues and the amount of economic resources used and the results that have been achieved. The financial statements of the government should be relevant, reliable, comparable, and can be understood by users. The financial statements should present the complete information required by the user. Information needed by users of financial statements can be placed on the cover sheet of financial statements or notes to the financial statements, known as full disclosure. Therefore, the government's financial statements are designed for all segments of society, and then the report should be understood by the whole community. However, users of government financial statements is assumed to have sufficient knowledge on the activities and the reporting entity's operating environment and have a willingness to study the information in the financial statements.<sup>3</sup>

Public expectations on the PSAP and LKPP is in line with the expectations of the Chairman of the Supreme Audit Board of the Republic of Indonesia (BPK-RI) on the relationship between the government's financial statements with the welfare of society. Harry Azhar Azis (BPK Chairman) questioned the relationship between the auditor's opinions on the financial statements of local governments with the conditions of poverty in the area. Why is an area that is already ten years obtaining an unqualified opinion (WTP) but still having no improvement in reducing poverty in the area.<sup>4</sup>

Unfortunately DPR and DPRD never ask the government to submit reports on their operational performance in using and managing state finances entrusted to the government other than financial statements. There are no laws on government performance reports. However, the government based on Government Regulation (PP) No. 8 of 2006 stipulates that ministers/leaders of institutions as budget users shall prepare a report summarizing the performance of the output of each of the activities and results achieved by each program set out in the State Budget/Budget. The form and content of the performance reports are tailored to the form and content of the work plan and budget and not necessarily consistent with the content of the financial statements of the minister/head of the institution. Since, they are not requested by Parliament, ministers/leaders of institutions only submit operational performance reports to the Minister of Finance, Minister of National Planning, and Minister of State for Administrative Reform no later than 2 (two) months after the fiscal year ends.

### **Public finance**

DPR and the government has established the Financial Services Authority or *Otoritas Jasa Keuangan* (OJK) to regulate and supervise the financial services sector in order to achieve three things: (1) providing financial services on a regular basis, fair, transparent, and accountable; (2) the establishment of a sustainable and stable growing financial system; and (3) protection of the public interest. DPR and the government expect the OJK to became an independent institution and free from interference by other parties since it has a great power to regulate and supervise financial services in banking, capital markets, insurance, pension funds, non-bank financial institutions, and other financial institutions to protect consumers and society. To finance its operations, OJK impose a levy to the parties who perform activities in the financial services sector. OJK receives, manages, and administers these charges and should manage the funds accountably and independently. However, if the fee received in the current year exceeds the OJK requirements for the next fiscal year, the excess shall be deposited into the state treasury.

OJK informed the Deposit Insurance Agency (LPS) of the troubled banks that are in the restructuring efforts by the OJK. In supervising banking activities, the OJK requested by Parliament and the government to coordinate with Bank Indonesia (BI). This supervising activities include determining the banking institutions that fall into the category of systematically important banks. BI can check the bank after first notify his intention to the OJK. But regulators can not give an assessment of the health of the bank. If the OJK indicates that a particular bank is experiencing liquidity problems and/or health conditions are deteriorating, the OJK will immediately inform the Bank Indonesia to take steps in accordance with the authority of Bank Indonesia.

<sup>2</sup> Government Accounting conceptual framework, Appendix I.01 PP 71 in 2010.

<sup>3</sup> Ibid

<sup>4</sup> WTP 10 Tahun, Rakyat Tambah Miskin, Tak Ada Gunanya BPK, Republika, 16 October, 2014, <http://www.republika.co.id/berita/ekonomi/keuangan> (accessed 19 October 2014).

DPR and the government have established a Financial Stability Coordination Forum, *Forum Koordinasi Stabilitas Sistem Keuangan* (FKSSK) to maintain the stability of the financial system. FKSSK consists of the Minister of Finance (coordinator), Governor of Bank Indonesia, Chairman of the Board of Commissioners of the OJK, and Chairman of the Board of Commissioners of the Deposit Insurance Agency (LPS). FKSSK task is to conduct monitoring and evaluation of the stability of the financial system and make recommendations to each member to perform the actions and/or policies in order to maintain the stability of the financial system. If the Minister of Finance, the Governor of Bank Indonesia, Chairman of the Board of Commissioners of the OJK, and/or Chairman of the Board of Commissioners of LPS indicate a potential crisis or have a crisis in the financial system, then each can ask FKSSK to immediately decide preventive measures or crisis management. FKSSK policies related to state finances should be submitted for approval by DPR.

DPR requires OJK accountability through submission of financial statements and periodic reports out such activities as a form of accountability to the public. However, DPR gave authority to the Board of Commissioners of the OJK to set standards and accounting policies in the preparation of financial statements as well as the shape and content of the OJK activities report. OJK's annual financial statements are audited by BPK-RI or public accounting firm appointed by the BPK-RI. As a form of public accountability, the OJK must announce the OJK's annual report to the public through print and electronic media (Article 38 of Law No. 21 of 2011).

Public accountability of financial service providers are governed by OJK. As part of the regulation and supervision of the health of banks, the OJK regulates bank's reports related to the health and performance of the bank and bank accounting standards. OJK also can perform audit on the health of a bank (Article 7 of Law No. 21 of 2011). OJK has the authority to regulate public accountability of other financial services in accordance with Article 8 of Law No. 21 in 2011.

In practice, Bank Indonesia also regulates public accountability for the banking company. Bank Indonesia Regulation No. 3/22/PBI/2001 dated December 13, 2001 governing the Transparency of Financial Condition Bank, among others, states that the change in Indonesian Banking Accounting Guidelines will be determined by Bank Indonesia Circular Letter. Bank Indonesia Circular letter No. 11/4/DPNP dated January 27, 2009 regulates the implementation of Indonesian Banking Accounting Guidelines. This circulate letter requires banks to prepare and present financial statements in accordance with PSAK relevant for banks, Indonesian Banking Accounting Guidelines or *Pedoman Akuntansi Perbankan Indonesia* (PAPI), and other conditions set by Bank Indonesia. PAPI aims to improve the transparency of the financial condition of banks and the preparation of financial statements that are relevant, comprehensive, reliable and comparable. PAPI will adjust to changes in PSAK issued by the Financial Accounting Standards Board or Dewan Standar Akuntansi Keuangan (DSAK) of the Indonesian Institute of Accountants (IAI). PAPI is prepared with the cooperation between the Bank Indonesia, banking industry, and IAI.<sup>5</sup>

### **Governance of Financial Report for Presenting Public Performances**

DPR and the government do not regulate the governance so that the president, the minister/head of the institution, the governor/regent/mayor may prepare honest and true financial statements as expected by general public. DPR and the government only regulate the government accounting system. Minister of finance/local government financial officers, as the state treasurers organize accounting for financial transactions, assets, debt, and equity funds, including financing transactions and calculations in accordance with government accounting standards. Minister/Head of institution/head as the local work unit budget users also do the same for transactions that are within his responsibility (Article 51 of Law No. 1 of 2004). The finance minister prepares Government Financial Statements (LKPP) to be submitted to the president as the accountability of the state budget. No later than three months after the fiscal year ends, the president must submit LKPP to the Audit Board of Indonesia (BPK-RI). Minister/Head of institutions as budget users provide a statement that the management of the state budget has been organized by an adequate system of internal control and financial accounting has been conducted in accordance with government accounting standards (Article 55 of Law No. 1 of 2004).

DPR and the government only requires the OJK to form its supporting units which include secretarial support, the board of audit, ethics committees, and other organs based on the need. DPR and the government do not regulate corporate governance so that the financial statements and the activity reports of OJK can be presented honestly and correctly, so as to describe the achievement of the FSA's performance as expected by the public.

### **Independency and Quality Auditor**

#### **State finance**

DPR and the government agreed that the independence and quality of auditors of the state finance is the authority of BPK-RI as stipulated in Law No. 15, 2006. BPK-RI is set to become an independent and free institution in

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<sup>5</sup> <http://www.bi.go.id/id/perbankan/pedoman-akuntansi/Contents/Default.aspx> (diunduh tanggal 14 November 2014).

examining the management and accountability of state finances. BPK has nine (9) members elected fully by DPR. In taking a decision on the selection of members of BPK, DPR takes into considerations recommendations from the House of Regional Representatives, *Dewan Perwakilan Daerah* (DPD) as well as public's aspirations.

As a form of public accountability to the public, the results of BPK audits after being submitted to DPR, DPD, and DPRD are open for public. BPK submit the results of audits of the state finance to DPR, DPD, and DPRD in accordance with their relevant authority. If it found criminal offences, BPK will report the matter to the relevant authorities. For the purposes of follow-up results of the audit, BPK also submit the audit reports to the President, governors, and regents/mayors in accordance with their authority. BPK monitor the implementation of the follow-up results of the examination conducted by the officials and the results are notified in writing to DPR, DPD, DPRD as well as the government.

DPR and the government requires the BPK-RI financial statements to be audited by a public accountant appointed by DPR based on recommendation from DPR and the Ministry of Finance as a form of public accountability of BPK-RI. The audit results of public accountant then be submitted to DPR with a copy to the government for the preparation of LKPP. To ensure the quality of audit, quality control system of BPK reviewed by a Supreme Audit Institution auditing of other countries appointed by BPK after a consideration of DPR.

### **Public finance**

Auditor's independence and quality of public finances is stipulated in Law No. 5 2011. DPR and the government give authority to the finance minister to provide guidance and oversight of public accounting, public accounting firms (KAP) and KAP branch. Only public accountants can provide Assurance services on the organization's financial statements. Permission is granted by a public accountant finance minister. Public accountants can establish a public accounting firm (KAP) whose licenses are also given by the finance minister. Public accountant shall assemble in the public accounting profession association, the Association of Indonesian Public Accountants (IAPI) set by the finance minister. Public accountants in providing the services required by the firm adhere to and implement Accepted Accounting Standards (SPAP) and adhere to and implement the code of professional conduct. SPAP is set to be the reference quality measure that must be obeyed by a public accountant in the provision of services.

In providing Assurance services, public accountants and the firm must maintain independence and free from conflicts of interest. Public accountant and/or associated parties shall maintain the confidentiality of the information obtained from the client, except when used for the benefit of oversight by the finance minister. The finance minister shall maintain the confidentiality of information obtained from public accountant and/or associated parties.

The finance minister has established the Committee for Public Accounting Profession, Komisi Profesi Akuntan Publik (KPAP) with 13 (thirteen) members consisting of elements from the Ministry of Finance, Association of Certified Public Accountants, the Association of Professional Accountants, BPK, capital market authority, banking authorities, academics accounting, public accounting service users, the Ministry of National Education, DSAK, Islamic Accounting Standards Board, the Board of SPAP and the Government Accounting Standards Committee. KPAP give consideration to the policy of empowerment, development, and monitoring and the firm of public accountants, accounting standard setting and SPAP, and other things necessary with regard to the public accounting profession. KPAP also serves as an appeal body on the results of the examination and administrative sanctions set by the finance minister on public accountant and KAP.

### **Discussions**

#### **Analysis Of Public Accountability In Indonesia**

Analysis of the condition of public accountability in Indonesia is done by using the theory of legitimacy that was developed by Suchman (1995) as described in the second part of this paper. What kind of legitimacy is currently being development by DPR and the government? Is pragmatic legitimacy, moral legitimacy, or has reached cognitive legitimacy?

#### **State finance**

Public accountability of state finances is focused on the preparation of the financial statements by the government and the examination of financial statements by BPK-RI. The results of the examination conducted by BPK-RI can be opened to the public after it was delivered to DPR or DPD. In general, the government's financial statements and the audit results of BPK are not easy to obtain and are not easily understood by the public. The information generated by these reports is difficult to understand by the general public, although conceptually preparation of financial statements is intended for all segments of society.

People really expect the government (president and vice president) can fulfill its promise during the campaign and promises should be explained in the financial statements. In accordance with the concept of full

disclosure in the financial statements of government, the implementation of campaign promises should be disclosed in the financial statements of the government and in the examination report by BPK-RI. State Finance Act is currently in effect has not been set explicitly how to account for the campaign promises to the public. In the State Finance Act should also be set on the fulfillment of a campaign promise governance president and vice president to ensure consistency between campaign promises with the national development plan and budget development in each of the ministries and government agencies formed by the president and vice president elected.

Jokowi government promise and JK (JKW-JK) written clearly in Nawa Cita which contains the vision and mission of the President and Vice President of the Republic of Indonesia Period 2014-2019 (Widodo and Kalla, 2014). JKW-JK government promises to achieve three things during his reign, namely: (1) present a working state, (2) independence welfare, and (3) a mental revolution to Indonesian people more able to work better. To achieve these three goals, JKW-JK promising nine (9) program. State Finance Law least ask the government to describe the vision, programs, activities, and budget related ministries as shown in Table 1.

**Table 1.** Campaign Promise Budgeting Process

Purpose/Vision	Program	Activity	Related Ministry
Presenting countries working	Security and protect	<ul style="list-style-type: none"> <li>• Carry out independent and active foreign policy</li> <li>• Protecting immigrant workers</li> <li>• The defense budget to 1.5% of GDP</li> <li>• Develop industry</li> <li>• National defense</li> <li>• Build a professional police</li> <li>• Protect children, women and marginalized communities</li> <li>• Resolving issues of past human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Foreign Affairs</li> <li>• Ministry of Labor &amp;</li> <li>• Ministry of Foreign Affairs</li> <li>• The Ministry of Defense</li> <li>• Ministry of Industry, Ministry of Enterprises Owned State, Ministry of Defense</li> <li>• Police</li> <li>• Ministry of the Role of Women</li> <li>• Ministry of Law and Human Rights</li> </ul>
Eradication corruption and law enforcement		<ul style="list-style-type: none"> <li>• Strong legislation to combat corruption and enforcement</li> <li>• Human rights, environmental protection, and reform of the law enforcement agencies</li> <li>• Strengthening the corruption eradication commission</li> <li>• Combating the mafia</li> <li>• Combating illegal logging, illegal mining and illegal fishing</li> <li>• Combating drugs and psychotropic</li> <li>• Combating crime and money laundering banking</li> <li>• Legal certainty of land title</li> <li>• Build a culture of law</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Justice and Human Rights</li> <li>• Ministry of Justice and Human Rights</li> <li>• Ministry of Justice and Human Rights, Corruption Eradication Commission, Center for Financial Transaction Reports and Analysis, the Attorney General,</li> <li>• Police, the Supreme Court</li> <li>• Corruption Eradication Commission, Center for Financial Transaction Reports and Analysis, the Attorney General, Police, Ministry of Forestry and Environment, Ministry of Maritime Affairs and Fisheries, the Ministry of Energy and Mineral Resources</li> <li>• Police, the Attorney General,</li> <li>• Ministry of Justice and Human Rights</li> <li>• OJK, PPATK, BI, Ministry of Finance,</li> <li>• Police, Attorney General's Office, Ministry of Justice and Human Rights</li> <li>• Ministry of Agrarian &amp; Spatial,</li> <li>• Ministry of Justice and Human Rights</li> </ul>
Public service		<ul style="list-style-type: none"> <li>• Effective Presidential Office</li> <li>• Reform of the bureaucracy</li> <li>• Reform of the party system</li> <li>• Transparency of governance</li> <li>• Public participation</li> <li>• Indonesia Smart Program</li> <li>• Healthy Indonesia Program</li> <li>• The new road 2,000 Km</li> <li>• Investment services one roof</li> <li>• Technopark</li> <li>• Welfare teachers</li> <li>• Poor access to higher education</li> </ul>	<ul style="list-style-type: none"> <li>• Secretary of State</li> <li>• Ministry of Administrative Control and Bureaucratic Reform</li> <li>• Ministry of Justice and Human Rights, Election Commission</li> <li>• Ministry of Administrative Control and Bureaucratic Reform, Ministry of Home Affairs</li> <li>• Ministry of Administrative Control and Bureaucratic Reform, Ministry of Internal Affairs, Ministry of Communications and Information Technology</li> <li>• Ministry of Culture of Primary and Secondary Education</li> <li>• Ministry of Health</li> <li>• Ministry of Public Works and Public Housing</li> <li>• Investment Coordinating Board, the Ministry of Finance, Ministry of Industry, Ministry of Commerce</li> <li>• Ministry of Culture of Primary and Secondary Education, Ministry of Research Technology and Higher Education</li> <li>• Ministry of Culture of Primary and Secondary Education</li> <li>• Ministry of Research Technology and Higher Education</li> </ul>

Purpose/Vision	Program	Activity	Related Ministry
Independence Welfare	Food sovereignty-based agribusiness populist	<ul style="list-style-type: none"> <li>• Decentralization asymmetric</li> <li>• Balancing the Development of inter-regional</li> <li>• Structuring a new autonomous region</li> <li>• Implementation of the Village Law</li> <li>• Agrarian Reform</li> <li>• 5000 new traditional markets</li> <li>• Build food sovereignty</li> <li>• Establishing Bank Farmer/Fisherman</li> <li>• SMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Internal Affairs</li> <li>• The Ministry of Rural Development of Disadvantaged</li> <li>• Ministry of Internal Affairs, Ministry of Finance, Ministry of Internal Affairs,</li> <li>• Ministry of Rural Development of Disadvantaged</li> <li>• Ministry of Agrarian &amp; Spatial, Ministry of Forestry and Environment, Ministry of Agriculture</li> <li>• Ministry of State-Owned Enterprises</li> <li>• Ministry of Agriculture</li> <li>• Ministry of State Owned Enterprises, Ministry of Cooperative Micro Small and Medium Enterprises, Ministry of Agriculture, Ministry of Marine Fisheries</li> </ul>
	Energy sovereignty based on national importance	<ul style="list-style-type: none"> <li>• Energy sovereignty</li> </ul>	<ul style="list-style-type: none"> <li>• The Ministry of Energy and Mineral Resources</li> </ul>
	Indonesian Maritime Economic Restoration	<ul style="list-style-type: none"> <li>• Maritime sovereignty</li> <li>• Build 10 new ports and renovate the old</li> <li>• Build 10 new airports</li> <li>• Build 10 new industrial zones</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Marine Fisheries</li> <li>• Ministry of Transportation</li> <li>• Ministry of Transportation</li> <li>• Ministry of Public Works and Public Housing</li> </ul>
Mental revolution	Emancipation	<ul style="list-style-type: none"> <li>• Representation of women</li> </ul>	<ul style="list-style-type: none"> <li>• The Ministry of Women's Role</li> </ul>
	Autonomy	<ul style="list-style-type: none"> <li>• Financial sovereignty</li> <li>• National innovation system</li> <li>• Research to support science and technology</li> <li>• Mutual cooperation as social capital</li> <li>• Restoration of social</li> <li>• Incentives for local culture</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Finance, the Ministry of State-Owned Enterprises, OJK, BI</li> <li>• Ministry of Research Technology and Higher Education</li> <li>• Ministry of Research Technology and Higher Education</li> <li>• Ministry of Social</li> <li>• Ministry of Social</li> <li>• Ministry of Culture of Primary and Secondary Education</li> </ul>
	Diversity	<ul style="list-style-type: none"> <li>• Civic education</li> <li>• Evaluation of the national education system</li> <li>• Educational diversity</li> <li>• Space dialogue among citizens</li> <li>• Cultural exchange</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Culture of Primary and Secondary Education, Ministry of Research Technology and Higher Education</li> <li>• Ministry of Internal Affairs</li> <li>• Ministry of Culture of Primary and Secondary Education, Ministry of Research Technology and Higher Education</li> <li>• Ministry of Culture of Primary and Secondary Education</li> </ul>

From the above process, we will be able to know the amount of the budget required by each ministry in support of the president and his deputy in achieving its vision. Based on the above analysis, the Ministry of Youth and Sports has lesser role in achieving the vision of President Jokowi. Effectiveness of public accountability of state finances is reduced since in practice, the Government Accounting Standards Committee, Komite Standar Akuntansi Pemerintah (KSAP) is not an independent committee of government as desired by the community. DPR and the government have not set about creating an independent KSAP. KSAP published the Government Accounting Standards (SAP) as the accounting principles applied in preparing and presenting the financial statements of the government. SAP is expressed in the form of statement the Government Accounting Standards (PSAP). Government implements accrual-based SAP. PSAP is created by Government Regulation No. 71 year 2010. When PSAP needs to be changed, the changes will be introduced by regulations of the Minister of Finance after a consideration of the BPK-RI. The draft of PSAP changes is prepared by KSAP and submitted to the Minister of Finance. Finance Minister submit the proposed draft amendments to the BPK-RI to receive consideration. Under Presidential Decree No. 21 In 2013, the number of members KSAP is nine (9) persons who mostly worked for the government and all its members have accounting background and education.

Effectiveness of public accountability of state finances is also reduced as DPR abolished the State Financial Accountability Board, *Badan Akuntabilitas Keuangan Negara* (BAKN) as a vital organization in DPR. BAKN should be able to play to increase the quality of public accountability in Indonesia. In Australia, a committee like BAKN involved in maintaining the independence of public accountants and KAP. Joint Standing Committee on Public Accounts and Audit of the Australian Parliament (JCPP) involved in efforts to improve the independence and quality of auditors in Australia. MPs Australia considers that the issue of auditor independence is very important for the Australian government auditors. Government auditors are very important actors (essential) in the process of government accountability to parliament and also to ensure good business governance (GCG) in the

public sector. Through the hearing process (inquiry) by experts in the field of auditing and corporate governance, JCPP can understand issues on auditor independence in general including government auditor independence (JCPP 2002).

### **Public finance**

OJK has great authority to protect the public from financial crimes that occurred in the capital markets, banking, insurance, pension funds, and other financial institutions. OJK shall submit financial statements and activity report to the Parliament and the president. The financial statements should be published through the national media. However, DPR and the government do not regulate the procedure for making the financial statements and reports of activities so that people feel protected by OJK.

The Ministry of Finance is responsible for the independence and quality of public accountants and accounting firms that perform audit on the financial statements of financial service providers. However, DPR and the government did not require public accountability of the Ministry of Finance to implement this authority. Society does not have sufficient information to assess the independence, quality of public accountants, and the quality of the accounting firms.

Who can determine the auditors' independence and quality? Is it the market or government regulation? Houghton (2003) states that the market should determine the independence, quality of public accountants, and the quality of the accounting firms. This opinion is supported by JCPP (2002) because Australia did not experience such a failure condition that occurs in the United States. Houghton argued that in fact the examination or auditing is simply a "product compliance" (good compliance) since it has to be done, but do not have value added to users. This happens due to the fact that the financial statement disclosures are the result of a compromise between management of companies and company's auditors. The role of the auditor will have value if and only if the audit carried out with sufficient competence and independent from the preparers of financial statements. Unfortunately the quality of the audit and the auditor's independence can not be seen by the market. Usually reputation and business name (brand name) is used as a surrogate measure of the quality of the audit and the auditor's independence. According to Houghton (2003), the rotation of auditors does not have a positive impact on audit quality and auditor independence. Even otherwise, the rotation of auditors have a negative impact because the audit industry dominated by a few firm that has the ability to maintain audit quality and independence. He argued accounting firms that can explain to the market about how they maintain audit quality and independence would be much appreciated by the company management who understands that true and honest financial statements will increase the wealth of shareholders. Since 2002, PwC (PricewaterhouseCoopers) and KPMG (Klynveld, Peat, Marwick, and Goerdeler) in Australia developed a mechanism to measure their auditor independence. PwC formed an intra-firm independent board, while KPMG form an independent team to examine the independence of the auditor in each of these accounting firms.

Financial accounting standards currently implemented in Indonesia were developed by the International Accounting Standards Board (IASB) and DSAK. IASB is part of the International Accounting Standards Committee (IASC) Foundation or who is now known as the International Financial Reporting Standard (IFRS) Foundation. IFRS Foundation is managed by a trustee managed by 22 people to elect members of the IASB and its board and its committees. Trustee should also provide funding for the organization of the IASB.<sup>6</sup> The whole trustee has the educational background and work experience as a regulator of financial services, regulatory accounting, financial industry, or academia finance and accounting. None of the trustee has the educational background and work experience with the community, labor, environmental activists, and even the government. Current IASB members are 14 experts who have the same educational background and experience with the IFRS Foundation trustees. They are permanent employees of IFRS.<sup>7</sup>

DSAK is an organization under the National Governing Council (NCC) Indonesian Institute of Accountants (IAI). Currently the number of members is 14 persons appointed by the Chairman of IAI.<sup>8</sup> Members of DSAK come from accounting firms, academia, and government (BPK and CPC). DSAK member is not a permanent employee of IAI. IAI DPN members of 20 people, including the chairman of the accounting educational backgrounds and work in the office of government auditors (BPK and BPKP), public accounting firms, academia, the tax office, and head of the company.<sup>9</sup> The member of DPN is not a permanent employee of IAI and legal entity is a legal person or association of professional organizations whose members individually. Supreme sovereignty for member organizations and fully implemented in the congress.<sup>10</sup>

<sup>6</sup> IFRS Foundation: Preface to International Financial Reporting Standards

<sup>7</sup> <http://www.ifrs.org/About-us/IASB/Members/Pages/Members-of-the-IASB.aspx> (diunduh tanggal 13 November 2014)

<sup>8</sup> <http://www.iaiglobal.or.id/v02/berita/detail.php?catid=&id=516> (diunduh tanggal 13 November 2014)

<sup>9</sup> [http://www.iaiglobal.or.id/v02/tentang\\_iai.php?sbid=31](http://www.iaiglobal.or.id/v02/tentang_iai.php?sbid=31) (diunduh tanggal 13 November 2014)

<sup>10</sup> Anggaran Dasar dan Anggaran Rumah Tangga IAI tahun 2010.

## Conclusion

Overall this paper seeks to provide an initial assessment of the assessment or public accountability in Indonesia, especially the assessment of the legitimacy of the government by the people of Indonesia. This study shows that public accountability in Indonesia is still in the level of pragmatic legitimacy. Policies and practices of accountability is still focused on the fulfillment of the preparation of the financial statements and the audit of the financial statements for following regulations. This condition is valid for the state financial sector and the public company sector. The financial statements are prepared only for the primary users of financial statements, DPR, the government, and investors.

DPR and the government has yet to develop the governance of financial statements to ensure that the financial statements for the state finance and the public corporations present a true and fair information that is expected by the public. People need information about the use of state finances by the government in order to fulfill the promises that were delivered in their election campaign as well as their public obligation as stipulated in many laws. Public also needs information about security and growth of their wealth that is placed in the financial sector and they expect these funds growing sustainably.

This study was limited to an analysis of the documents and news related to public expectations represented by DPR and government official in charge of making laws. This study needs to be extended by involving focus group discussion (FGD) and interview members of DPR and the government that are preparing the relevant regulations on public accountability and to officials who hold the power of the people in carrying out public accountability.

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