

THE ROLE OF THE PUBLIC ACCOUNTS COMMITTEE: AN INDONESIAN CASE STUDY

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Abstract

The role of the Public Accounts Committee in ensuring the effectiveness of the use of public funds is significant in the democratic Parliamentary system. The Public Accounts Committee is an arms-length of the Indonesian Parliament in exercising the oversight function on government accountability. The paper examines the current role of the Indonesian Public Accounts Committee and the relationship between the Committee and the Supreme Audit Institution. The research used the qualitative approach through interviews with the high ranking officers from both institutions. In addition, the document analysis was utilized in order to triangulate the data. The finding suggests that there is a need to strengthen the role of the Public Accounts Committee in carrying out its duties and reinforce the relations with the Supreme Audit Institution.

Keyword: Public Accounts Committee, Supreme Audit Institution, Public Accountability, Case Study

1. Introduction

In the democratic system, the power of people lies on the Parliament to oversight the government accountability. Accountability to public is important as a means to develop the credibility of State (Pelizzo & Stapenhurst, 2006). There are some committees build in the Parliamentary system in order to enhance its capacity. One of them is the Public Accounts Committee (PAC). The history of the Public Accounts Committee dated back to the Westminster tradition. The first country that adopted the Public Accounts Committee is the United Kingdom in 1861. The function of the PAC is to ensure that the government is honest and effective in spending public money and to improve stewardship over money raised through taxes. In the modern government the role of the PAC is not only to oversee the financial accountability of government but also the performance accountability. Through the rise of performance auditing or value for money auditing, the function of the PAC in supervising the government performance has become crucial.

The name of the Public Accounts Committee varies from one country to another. For instance in the United Kingdom they called as Public Accounts Committee, in Australia the name is the Joint Committee of Public Accounts and Audit or in India they called as Committee on Public Accounts. They exist as tool of the Parliament to oversee the accountability of government spending. The existence of the Public Accounts Committee solved the dilemma whether the parliament should oversee the public money spending by themselves or by the professional committee who has more capacity in technical aspect rather than in political aspect. The paper tries to examine the effectiveness of the current practice of the Indonesian Public Accounts Committee; to what extent the power of the Public Accounts Committee and how the relationship between the Public Accounts Committee and the Indonesian Supreme Audit Institution are explored in this paper.

2. The Indonesian Public Accounts Committee and the Supreme Audit Institution

The Indonesian Public Accounts Committee is called as *Badan Akuntabilitas Keuangan Negara* (BAKN) or the State Finance Accountability Committee. Unlike other countries such as the United Kingdom, Australia and India that have long standing history in the work of Public Accounts Committee, Indonesia has just started to introduce the

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mechanism of Public Accounts Committee in 2009.

Under the Constitutional system in Indonesia, the Indonesian PAC is formed as the complementary committee of the Parliament. The work of the PAC cannot be separated from the work of the Indonesian Supreme Audit Institution or *Badan Pemeriksa Keuangan* (BPK). The Indonesian Supreme Audit Institution has power and authority to scrutinize the use of public money through the audit mechanism. Based on the Constitution, the Supreme Audit Institution enjoys the position as the high state Institution same as the Parliament, the President, the Constitutional Court and the Supreme Court.

The Indonesian Supreme Audit Institution is undertaking three types of audit namely (1) financial audit, (2) performance audit and (3) special purpose audit. The financial audit focused on the examination of the financial statement of government institutions and state owned enterprises. The result of financial audit is an audit opinion on financial statement. The performance audit focused on the examination of the aspect of economy, efficiency and effectiveness of the programs/projects or organizations. The result of performance auditing is audit recommendations. The special purpose audit is carried out by the Indonesian Supreme Audit Institution for special purposes such as to investigate the corruption and fraud cases; to evaluate the specific aspect on the budget expenditures; to review specific internal control of organizations; and audit on specific topics based on the request of the Parliament.

The products of the Indonesian Supreme Audit Institution are audit reports which consist of the result of financial audit, performance audit and special purpose audit. The reports are compiled from the audit findings of the Supreme Audit Institution's headquarters and its branch offices. Currently the Supreme Audit Institution has one headquarters in Jakarta and 33 branch offices in every provincial capital. The reports are then submitted to the Parliament or *Dewan Perwakilan Rakyat* (DPR) and the President every semester each year and called as the *Ikhtisar Hasil Pemeriksaan Semester* (IHPS) or the semi-annually audit report. Then, the Public Accounts Committee analyses and scrutinizes the audit reports of the Supreme Audit Institution which have been transmitted to the Parliament.

3. Methodology

The research uses the qualitative paradigm. The research method is a case study with exploratory descriptive approach. Yin (2013) mentioned that a good case study include collecting, presenting and analyzing data fairly. Hence, the researcher will be to bring the case study to closure by writing a compelling report. The techniques through interviews and document analyses are employed in this research. Interviews conducted with the Members of Public Accounts Committee, Board Member of the Indonesian Supreme Audit Institution and the staff in the Secretariat Office of Public Accounts Committee. The interview data was collected from February 2012 to June 2012. The following table shows the number of people interviewed under the study.

Table 1. Interviewees and Number of Person

Interviewees	Number of Person
The Parliament (the Public Accounts Committee)	
- Interview with the Vice Chairman of the PAC	1
- Interview with the Member of the PAC	3
- Interview with the Expert staff of the PAC	1
- Interview with the Head of Secretariat of the PAC	1
Interview with the Director Legislative of the Parliament Secretariat	1
The Supreme Audit Institution	
- Interview with the Vice Chairman of the Indonesian Supreme Audit Institution	1
- Interview with the Board Member of the Indonesian Supreme Audit Institution	1
- Interview with the Principal Auditor (Echelon 1)	1
Total	10

Besides, data was also gathered from archival review. The documents such as the audit reports, the Parliament reports and releases, and the mass media including newspapers, internet and television interviews were used to triangulate the data. The coverage of mass media data is from year 2010 to 2014.

4. Empirical Findings

The empirical findings consist of two sections, the first section examines the structure and process of the Public Accounts Committee and the second section examines the relationship between the Committee and the Supreme Audit Institution.

4.1 The Structure and the Process of the Public Accounts Committee

In order to examine the structure and the process of the Public Accounts Committee, the McGee framework (2002) will be applied. The examination of the Public Accounts Committee falls into some categories, namely (1) the status of the Committee, (2) the selection of chairman and members of the Committee, (3) the examination of policy, (4) the working practices, and (5) the reporting and follow-up to reports.

4.1.1 The Status of the Committee

The committee is established under the Law no. 27 year 2009 on the Composition and Position of the Parliament. The Committee is set-up as complementary body of the Parliament to oversee the accountability of the government in using public funds. The tasks of the Committee are (1) to scrutiny the audit reports and transmit the result to the Commissions in the Parliament, (2) to follow-up the Commissions discussion on the findings of the audit reports at the request of the Parliament Commissions and (3) to give input to the Supreme Audit Institution in regard to the annual audit work plan, audit impediment, as well as the presentation and quality of reports.

4.1.2 The membership and the Selection of Chairman

In 2009 – 2014, the membership of the Public Accounts Committee consists of 9 members who represent each faction or party in the Parliament that won legislative election in 2009. The secretariat office has 7 staff and 5 expert staff to assist the Committee in carrying out its functions.

It is stated in the Law and guidelines of some countries (for example: United Kingdom, Canada and Uganda) that the Chairman of the Public Accounts Committee must be from the opposition party. In Canada, for instance, it stated in the Standing Orders of the Legislative Assembly of Ontario (Canada) Section 114(b) which prescribes that the Chair of the Standing Committee on Public Accounts shall be a member of the Party forming the Official Opposition. This could be understood because by appointing the chairman from the opposition party thus the process of accountability by the government could be less complicated and less conflict of interest. In Indonesia, there is no clear-cut rule in terms of the appointment of the chairman of the PAC in the Law or formal guidelines. The appointment of chairman is only based on the consensus among the Parties in the Parliament. One of member of Public Accounts Committee described about this as follows:

In our system, every committee in the Parliament is divided based on the consensus from the parties and factions in the Parliament. For example, party A has an allotment as the chairman in a Parliament committee while party B has an allotment as the chairman in another committee. This result is based on meeting between factions in the parliament and consensus amongst them [Interview, 2012].

In addition the Head of secretariat of Public Accounts Committee mentioned that:

There are no clear rules about who will be the chairman and vice chairman of the PAC. Everything is based on the agreement only between the factions² themselves and no voting among members of the PAC takes place to determine who are the chairman and vice-chairman [Interview, 2012].

Currently, the member of the PAC comes from the member of the Commission of Parliament thus they serve dual responsibility in exercising their job. This condition could hamper the independence of the Committee. Each year the members of the Committee could be changed by the factions where the member comes from. Therefore, the composition of the Committee members may change if a faction replaces its representative with others. This rapid rotation system will affect the learning curve of the Committee as an institution.

4.1.3 The Examination of Policy

In general, the Public Accounts Committee does not investigate the formulation of a policy but rather administrative

² Faction is party or group of party in the Parliament.

policies of the government (McGee, 2002; Jacobs & Moloney, 2007). This role also exists in Indonesia. The Indonesian Public Accounts Committee does not have authority to work on the examination of government policy behind a program. The Law no.27 year 2009 as an umbrella the establishment of the Committee does not provide mandate to the Committee in scrutinizing the formulation of a government policy. The power of the PAC is limited to conduct review and analysis of the audit reports since the position of the PAC is just as a supporting system of Parliament. Therefore, unless there is a mandate or evolving practice allows otherwise, the Indonesian Public Accounts Committee would not question the policy underlying government decisions.

4.1.4 The Working Practices

The Committee meeting held every Tuesday and Thursday (twice a week). The regular meeting of the PAC usually discusses about the progress reports submitted to the Parliament Commissions, the plan visits to regional districts and administrative matters. However, the meeting attendance of the members is also become an issue because there is an overlapping membership. From the interviews, it found that the Public Accounts Committee members are also members of the Parliament Commissions. Also, this could affect the impartiality of the Committee Members.

The access of the Committee publications and reports is limited. The current Committee website does not provide enough information regarding the reports produced by the committee. As comparison, the UK Public Accounts Committee put their reports on the website and posting their inquiry meeting on the internet (i.e.youtube) so that public can easily obtain information related to the work of the Committee.

4.1.5 The reporting and following up to reports

The PAC received the audit reports of the Indonesian Supreme Audit Institution from the Chairman of the Parliament. In practice, the expert staff will analyses and examine the reports based on some considerations and submitted the analysis report to the members of the Committee. Then, the Committee will evaluate and if agreed, they will distribute the analysis report on the audit reports to the Commissions in the Parliament. There are 11 Commissions in charge of their respective fields. Indeed, the Committee is not reporting all the audit findings because on average the Indonesian Supreme Audit Institution produced around 1,600 audit findings in its audit reports yearly thus there is a constraint in terms of the number of human resources in the Public Accounts Committee. Therefore, the Committee will select the most important audit findings based on some criteria such as (1) the audit findings that gain large public attention, (2) the findings that need to be resolved because the possibility of limited time and budget, (3) the findings that are very detrimental to the state/region, and (4) the findings that tend to occur repeatedly because of the lack of attention or responsiveness of the policy/financial manager.

In regard with the reporting and follow up to report mechanism, there are some problems need to be resolved. The problems are (1) the limitation of the Committee authority and (2) the follow-up of the Public Accounts Committee reports by the Parliament Commission is low. The current mechanism limits the power of the Public Accounts Committee. The committee should consult to the Parliament Commissions in order to make an inquiry to the auditees. As a comparison, the Public Accounts Committee in the United Kingdom, Australia and New Zealand has an independent power in making inquiry to the auditees and related party. In New Zealand, for instance, the Public Accounts Committee enjoys the high power status of its position. The Committee is able to set up its own inquiries (without reference from the House). The chairman comes from the opposition members. The Committee also enjoyed the support of staff from the Legislative department as well as the Audit office (McLeay, 2001).

The follow-up of the Committee reports by the Commission is low. Sometimes, the Parliament Commissions are not responsive to the review of audit reports submitted by the Public Accounts Committee. The overlapping of the membership of the Committee as a member of the Parliament Commissions also creates a potential conflict of interest. For Instance, based on the Public Accounts Committee report in 2010, the researcher found that only 5 out of 11 the Parliament Commissions did follow-up on the Public Accounts Committee report by making inquiry to the auditees/government institutions. A chairman of Public Accounts Committee stated that sometimes the reviews and recommendations from the PAC are neglected by their colleagues in the Parliament Commission (MetroTV, 2013). One of the Public Accounts Committee members also mentioned that the recommendations of the PAC on the review of the audit reports for the year 2012 including the financial audit reports, performance audit reports, special audit reports and Central Government Financial Statement report have not been acted upon yet or not acted upon by the Parliament Commissions [Jurnal Parlemen, 2013, p.1].

Meanwhile, the chairman of Public Accounts Committee stated this problem:

Of course, we expect that the Parliamentary Commissions do the follow-up audit reports thoroughly. Not

only write a letter to the auditees but also do something real if there is a potential loss of the state funds and return it to the state. The problem is that the Parliamentary Commissions often do not take any actions or less action in undertaking the follow-up audit reports. So the results are not clear [Kompas, 2012].

The condition is quite alarming in regard with the function of the Committee. It could be detrimental the role of the Committee in oversee the accountability of government. The existence of the Committee could be meaningless without the support of the Parliament Commissions since the power lies on the Commissions hand. However, this happened due to the power limitation of the Committee as it stated in the Law no. 27 year 2009 on the Composition and Position of the Parliament. The Law stated that the Public Accounts Committee could make follow-up the result of the Commission discussions on findings of BPK's the audit reports at the request of the Commissions. Thus, the power still lies on the Commission not on the Committee. In terms of democratic society, the insensitivity of the Parliament on the report of the Commission will erode the value of public accountability. Therefore, if the Parliament does not function properly then the society will pay the cost.

4.2 The Relationship between the Public Accounts Committee and the Supreme Audit Institution

Not all Parliamentary system has the Public Accounts Committee to oversee the budget expenditure. The establishment of the Committee in Indonesia is mirroring the Westminster tradition of government and was triggered by the spirit of the legislative reforms. The relationship between the Committee and the Supreme Audit Institution is important. They have the intertwined connection in practice. The performance of the Committee cannot be separated with the performance of the Supreme Audit Institution because it relies upon the quality of audit reports submitted by the Supreme Audit Institution. On the other hand the Supreme Audit Institution needs the Committee to work effectively in order to ensure that the audit findings have been taken seriously by the government. The relationship between the Public Accounts Committee and the Supreme Audit Institution formally stated in the Law no.27 year 2009 which mentioned that the Public Accounts Committee has task in undertaking scrutiny of the audit reports of the supreme audit institution and giving input to the supreme audit institution in the matters of the annual audit work plan, audit impediments, as well as the presentation and quality of reports.

In regard with the relationship between the Public Accounts Committee and the Indonesian Supreme Audit Institution, there are some findings namely (1) Low attention of the Parliament to the Supreme Audit Institution's audit reports, (2) The tendency of the Parliament to focus on the fraud and corruption aspects on audit findings rather than performance audit, (3) Inadequate capacity of the human resources in the Public Accounts Committee and (4) inadequate institutional capacity of the Public Accounts Committee.

4.2.1 The Attention from Parliament to the audit reports is Low

Every year, the Indonesian Supreme Audit Institution reports approximately 1,600 audit findings to the Parliament and the President. However, the work of the Supreme Audit Institution could be less effective when attention from the Parliament on the audit reports is low. One of the members of Public Accounts Committee expressed about this matter:

I feel sorry for the Supreme Audit Institution because their hard work is get less respond from the Parliament so that the problem is on the Parliament [Warta BPK, 2011, p.35].

Meanwhile, the head secretariat of the PAC mentioned that:

Sometimes the Parliament Commission does not have interest on the audit reports. . .Indeed, there are some Parliament Commissions which are responsive to the audit reports, but there are also some Commissions that are less responsive [interview, 2012].

The low response of the parliament on the audit reports could hamper the effectiveness of the audit work. There is a need to reinforce the parliament attention to the audit reports in order to make the audit findings more meaningful and useful. So that, the Parliamentary functions of reassuring public accountability would be better.

4.2.2 The Parliament focuses more on the fraud and corruption

The current focus of the Public Accounts Committee and the Parliament is more on the audit reports that relate to fraud and corruption findings. This is easily to find in the reports of financial audit and special purpose audit. It could be understand as corruption is still become public enemy in Indonesia. The cases of corruption are rampant in mass media day to day. Meanwhile, the current concept of public management is also to look at the value for money aspect which is represent in performance audit. Therefore, to large extent the Committee and the Parliament are focusing on

financial accountability rather than performance audit. The perception that the Parliament focus more on the fraud and corruption related audit is expressed by the Principal Auditor of the Indonesian Supreme Audit Institution:

The Parliament does not want this problem (performance audit findings)...this is not a sexy topic for them...they would prefer the audit findings on the corruption, fraud and so on [interview, 2012].

The emphasis on the fraud aspect could emasculate the work of performance audit. As the general objective of performance auditing is to improve the system on the audited organizations especially to enhance the public services and infrastructures thus there is a need to provide more attention on performance audit reports.

4.2.3 Inadequate capacity of the human resources of the Public Accounts Committee

The current condition of the human resources in the Public Accounts Committee could be improved because the capacity of human resources is the key to achieve organizational goals. Currently, the Committee is consisting of 9 members with 7 staff on the secretariat and 5 expert staff. They have to work on around 1,600 audit reports thus there is imbalance capacity between the resources and the responsibility. The responsibility of the Committee to handle a large amount of audit reports is considered enormous. Therefore, there should be improvement on the quantity and quality of human resources on the PAC in order to maximize its capacity. For instance, with a view to enhance the capacity and learning curve of the two institutions there is need to create the internship or the secondment program for the officer of those institutions. The staff of the Committee can do the internship in the Supreme Audit Institution and vice versa.

4.2.4 Imbalance institutional capacity of the Public Accounts Committee

After the financial reforms in Indonesia, the Supreme Audit Institution has expanded its institution by establishing its branch in every province of Indonesia. The Supreme Audit Institution has a headquarters in Jakarta and 33 branches in every provincial capital. Every province has its own local parliament. All reports from the branches are submitted to the Local Parliament as well as to the Supreme Audit Institution headquarters to be compiled as a semi-annually audit reports. Meanwhile, the Indonesian Public Accounts Committee only has a small office in the Parliament with little staff. In addition, there is no committee similar to the PAC in the provincial level. Therefore, the Supreme Audit Institution's representative office connects directly with the local Parliament. To some extent the local parliament also has little interest with the audit reports submitted by the Indonesian Supreme Audit's representative office. Hence, it is consider necessary to establish the local PAC representative office in the local Parliament in order to match the capacity work of the Supreme Audit Institution.

5. Conclusion and Policy Recommendations

It can be seen from the findings that there are some weaknesses in regard with the Public Accounts Committee and the relations with the Indonesian Supreme Audit Institution, namely (1) The power of the Public Accounts Committee is low; (2) Unclear status of the position of the Committee chairman whether it should be come from the opposition or the government; (3) The double memberships of the Committee Members (who are also serving members of Parliament) limit the Committee ability to undertake inquiries; (4) The high turnover of the Public Accounts Committee; (5) The level of availability of human resources or staff to assist the PAC; (6) The general lack of interest of the Committee in terms of the result of performance audit findings.

These issues should be resolved in order to enhance the effectiveness of the Indonesian Public Accounts Committee. The reinforcing the role of the Public Accounts Committee in overseeing the government accountability is necessary in order to gain the trust from the public. The firm of rule of the game should be implemented by the Parliament in a view to augment the authority of the PAC. Therefore, there is a need to strengthen the relations between the Public Accounts Committee, the Supreme Audit Institution and the Parliament in order to drive the Parliament to take full advantage of the audit work of the Supreme Audit Institution.

Some policy recommendations could be suggested such as (1) the reinforcement of the Committee authority by providing more power in exercising its work and making independent inquiry. This can be done through the amendment of the parliament Law in regard with the role of the PAC since the Law limits the authority of the Committee; (2) The Committee needs to improve its human resources; (3) there should be clear mechanism in terms of the rotation of the Committee members in order to heighten the capacity and learning curve of the Committee. (4) Matching the institutional capacity of the PAC to the Supreme Audit Institution's capacity by establishing the local PAC in every local parliament in Indonesia; (5) Improving the information availability to the public in regard with

the work of the Public Accounts Committee through the website or internet.

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Biography of author

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