

# THE ANALYSIS OF FINANCIAL REPORTING IN MINISTRIES/STATE INSTITUTIONS AND SUPERVISION OF BUMN FOR TRANSPARENCY & ACCOUNTABILITY

<sup>1</sup>Mirna Nurwenda, <sup>2</sup>Dedi Junaedi

<sup>1,2</sup> Universitas Langlangbuana, Bandung, Indonesia

## ABSTRACT

The background of the financial embezzlement incident committed by the Minister of Communication and Information, Johnny G. Plate, which turned out that the embezzled money came from contributions of cellular companies to build towers in the 3T area. This money is income for the Ministry of Information which comes from non-APBN. The problem is that the income and expenses of the business unit as a subsidiary have not been consolidated in the financial statements of Government Institution as parent. One of these business units is a State-Owned Enterprise (BUMN). The Ministry/Institution was established to serve the community, as a Public Service Agency (BLU), therefore it is non-profit oriented organization, while its subsidiary, namely BUMN, operates to seek profit. So there are different accounting standards in regulating both, namely governmental accounting standards and Financial Accounting Standards that regulate BUMN financial reporting. The research method used is descriptive and verifictive. Descriptive research is conducted by accessing the website of each ministry/state institution and local government agency. Verification research by distributing questionnaires to officials of Bappenas and to BPKP auditors. The result is the financial reporting variable, transparency and accountability have not been fully fulfilled by the Government Institution according to applicable regulations. The BUMN supervision variable has been implemented well, the BPKP auditors have worked professionally. Our suggestion is to revise the explanation/attachment of the Regulation of the Minister of Finance and the Minister of Home Affairs regarding BLU financial reporting so that the contents are in sync with its attachments.

**KEYWORDS:** Financial Reporting; Supervision; Transparency; & Accountability

## 1. INTRODUCTION

Minister of Communication and Information (Menkominfo) Johnny G Plate was arrested in connection with an alleged corruption case in the procurement of base transceiver station (BTS) infrastructure for the 2020-2022 period. This case is suspected of causing state losses of up to IDR 8 trillion (Burhanuddin Yusuf, May 2023). The money allegedly embezzled by the person concerned came from contributions from cellular companies as company social responsibility for the 3T (Outermost, Disadvantaged and Frontier) regions in the context of establishing BTS (base transceiver stations) for equal distribution of cellular networks throughout Indonesia. So this money is non-APBN revenue for the ministry. non-APBN in this case is Business\_Type for government agencies.

Yuniasih (2019) suggested: there was no correlation between financial statements opinion and the number of bribery cases. However, the increase in the amount of capital expenditure, also goods and services expenditure, were related to increase in number of bribery case. She recommended BPK (Audit Board) to consider improving quality of fraud detection.

The Ministry of Communication and Information and other Ministries in President Joko Widodo's cabinet are currently indirect supervisors of related BUMN (State-Owned Enterprises), while the Ministry of BUMN acts as a direct supervisor of BUMN. This causes confusion for BUMN itself, to which party is it responsible? In other words, there are two employers who are superiors of BUMN.

Financial reporting of government agencies such as the Central Ministry is regulated in the Regulation of the Minister of Finance Number 76/PMK.05/2008 Concerning Guidelines for Accounting and Financial Reporting of Public Service Agencies. Article one paragraph 5 of the regulation states "Financial Reports are a form of

BLU accountability in the form of Budget Realization Reports/Operational Reports, Balance Sheets, Cash Flow Reports, and Notes to Financial Reports." and in article 11 paragraph 2: "Financial Reports of business units organized by BLU are consolidated in the Financial Report". In the financial reporting of this government agency, there is no separation between governmental activities sourced from the APBN from Business\_Type activities, such as the example of the financial report in the attachment to the PMK above. In fact, as we know, this business activity is operated in the form of BUMN/D.

The government activities are distinguished from business activities, while in the explanation/attachment to the Regulation of the Minister of Finance number 232/PMK.05/2022 concerning the accounting system and financial reporting of agencies, there is no separation between government activities and business activities. This happens because of the consolidation process in the financial statements as stated in PMK number 76 above. In fact, the accounting standards that regulate the Government are different from the accounting standards that regulate Business. BUMN/D which purely operate as a business, are managed to make a profit, different from government agencies that are of a service nature to the community. BUMN/D operate by implementing entrepreneurial principles, different from government agencies that are not profit-oriented. This research is important to be carried out so that the financial reporting of government agencies is in accordance with its legal umbrella, namely the regulations of the Minister of Finance and the explanation/attachment to these regulations so that they are revised in accordance with the latest scientific sources. Another thing that also needs to be considered by the authorities is that the business/business activities carried out by government agencies (BLU) in the form of BUMN/D and others. So every BUMN/D is a subsidiary entity of the government agency that oversees it, therefore a consolidated report of BUMN/D with related agencies is required. There were not any supervision of BUMN by Ministry, but supervision of BUMN to its subsidiaries. Subekti (2022) suggested: the legal relationship that arises between the parent company and its subsidiaries is a contractual relationship limited to the position of the parent company as the majority shareholders is carried out by appointing the board of commissioners in its subsidiaries as representatives of BUMN in terms of supervision. Sudharmono (2021) said: the implementation of good corporate governance (GCG) at PT ABC, one of BUMNs, have been going very well. In this case, BUMN were audited by BPKP (audit independent performed by state apparatus).

The following image is an example of a report on the activities of the city of Golden (Beams, 2013):

CITY OF GOLDEN, COLORADO, STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014				
Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 7,480,751	\$ 2,039,950	\$ 4,725	\$—
Planning & economic development	1,915,287	284,859	—	—
Police	7,520,766	717,166	395,954	—
Fire	1,733,106	198,872	—	—
Public works	5,692,087	81,750	292,050	1,252,350
Parks and recreation	3,345,295	553,876	—	775,772
Unallocated interest on long-term debt	1,032,257	—	—	—
Total governmental activities	28,719,549	3,876,473	692,729	2,028,122
<b>Business-type activities</b>				
Water	5,192,955	5,668,271	—	1,888,848
Wastewater	1,745,956	2,312,333	—	455,338
Drainage	709,625	959,494	—	428,641
Fossil Trace Golf Course	3,089,033	3,318,353	—	—
Community Center	2,663,568	1,798,031	—	68,700
Splash Aquatic Park	569,265	403,566	—	63,812
Cemetery Operations	481,036	450,091	—	—
Rooney Road Sports Complex	230,882	70,476	—	—
Museums	508,265	101,621	57,096	5,390
Total business-type activities	15,190,585	15,082,236	57,096	2,910,729
Total Primary Government	\$43,910,134	\$18,958,709	\$749,825	\$4,938,851
<b>Component Unit</b>				
Golden Urban Renewal Authority	\$ 2,217,184	\$—	\$—	\$—
<b>General Revenues</b>				
Taxes				
Property				
Sales and use				
Franchise fees				
Other				
Grants and contributions not restricted to specific programs				
Investment income				
Miscellaneous				
Gain on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Prior Period Adjustment (in fiscal year 2013)				
Net position, beginning as restated				
Net position, ending				

Figure 1 : City Of Golden, Colorado, Report of Activities For The Year Ended December 31, 2014  
Source : Beams, 2013

From the explanation above, the research questions are: 1. Why the “Business-Type” column in the financial report of the Ministry/institution (BLU) has not been regulated in the explanation/attachment of the PMK?; 2. Why there is no supervision of BUMN by the related Ministry ?

## 2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Karunia (2019) suggested: accrual\_based financial statements have a significant difference in total quality, relevance, reliability and understandable value compared to Cash Toward Accrual (CTA)\_based financial statements.

Article 1 paragraph 5 of the Minister of Finance Regulation (2008): Financial Reports are a form of BLU accountability in the form of Budget Realization Reports/ Operational Reports, Balance Sheets, Cash Flow Reports, and Notes to Financial Reports. Article 4 states: Government Accounting Standards, hereinafter abbreviated as SAP, are accounting principles established in preparing and presenting Government financial reports.

Specifically, the objective of government financial reporting is to present information that is useful for decision making and to demonstrate the accountability of the reporting entity for the resources entrusted to it, by:

- a. provide information on the position of economic resources, obligations, and government equity;
- b. provide information on changes in the position of economic resources, obligations, and government equity;
- c. provide information on sources, allocations, and uses of economic resources;
- d. provide information on compliance with the realization of its budget;
- e. provide information on how the reporting entity funds its activities and meets its cash needs;
- f. provide information on the government's potential to finance the implementation of government activities;
- g. provide information that is useful for evaluating the reporting entity's ability to fund its activities.

The components contained in a set of financial reports consist of a budget implementation report (Statement of Budget Realization) and financial reports, so that all components are as follows:

- a. Budget Realization Report;
- b. Report on Changes in Excess Budget Balance;
- c. Balance Sheet;
- d. Operational Report;
- e. Cash Flow Report;
- f. Report on Changes in Equity;
- g. Notes to the Financial Statements.

According to Beams (2013), the Ministry as an agent of the central government, prepares the following report:

1. balance sheet—governmental funds;
2. statement of revenues, expenditures, and changes in fund balance—governmental funds;
3. statement of net position—proprietary fund
4. statement of revenues, expenses, and changes in fund net position—all proprietary and similar trust fund types (if applicable);
5. statement of cash flows—all proprietary and similar trust fund types (if applicable);
6. statement of fiduciary net position—fiduciary funds;
7. statement of fund changes in fiduciary net position—fiduciary funds; 8. the budgetary comparison statement.

The statement of net position contains columns for governmental activities, business-type activities, totals of the primary government, and component unit totals, if applicable Integrated Financial Management Information System (IFMIS) can be used in Financial reporting. Waweru (2019): Literature indicate that implementation and enforcement of IFMIS show enhanced processing of the accounting transactions whereby despite the many numerous transaction points, IFMIS is able to consolidate the processes in real time. The implementation of IFMIS is expected to enhance the procurement process in that the organization is bound to get value for its money at it will be able to get quality products and services at the lowest possible cost. IFMIS helps in efficient allocation of resources in the organization. IFMIS will also enhance the production of the real time financial reports for decision making. Finally, IFMIS will improve the budgeting process by providing real time feedback on expenditure in comparison to the budget estimates and extreme variations can be identified and corrective action taken on time. Anggadini (2023) concluded that an optimal financial Accounting System and competent human resources can influence quality of government financial reports.

Research of transparency in public sector accounting in 2023 by Mekar revealed: the importance of public sector accounting practices in promoting accountability and transparency. The analysis also uncovered keywords with fewer occurrences, such as „transparency “and „information system “, which highlight potential research gaps and areas that require further investigation. One Method in transparency studies introduced by Heimstadt (2020): „A constructive perspective turns transparency and accountability from analytical resources into topics of inquiry, allowing organization scholars to study how people in and around organizations put them to work and with what consequences. Ofoegbu (2014) in her study revealed: 1) the adoption and implementation of international public sector accounting standard (IPSAS) accrual accounting in Nigeria will significantly improve accountability and transparency in the Nigerian public sector; 2) quality of financial information will be significantly improved with the introduction and implementation of IPSAS in Nigerian public sector.

### 3. RESEARCH METHOD

This study uses descriptive and verification research methods. Descriptive financial reporting of Ministries/State Institutions, and verification of questionnaire answers to Bappenas officials and BPKP auditors.

#### 3.1.Data Collection Techniques

The data collection technique was carried out by distributing questionnaires in the form of google forms to the BPKP DKI Jakarta Auditors. The questionnaire was also distributed to officials in the Ministries/State Institutions. The completed questionnaires are in the attachment. Data analysis was carried out by calculating the percentage of respondents' answers to the questions asked. Secondary data analysis was also carried out on financial report data obtained from publication media. The data obtained was compared with scientific sources from textbooks, in this case the Advanced Accounting book studied in Semester V of the Bachelor's degree in Accounting study program.

#### 3.2.Operational Definitions of Variables

Variable X1 Financial Reporting. Concept: a set of financial reports consist of a budget implementation report (Statement of Budget Realization) and financial reports. Governmental financial reporting may use a cash basis for accounting, and may be on an accrual basis, or an accounting for an occurrence, as a modified cash basis and a modified accrual basis (Zdravkoski, 2018). Scale of measurement: Ordinal.

Indicators: 1) The Central Government prepares financial reports that are easy for users to understand; 2) The Central Government presents a complete financial statements consisting of: Budget Realization Report/Operational Report, Balance Sheet, Cash Flow Report, and Notes to the Financial Statements; 3) The Central Government presents financial reports on time; 4) The Central Government provides honest transaction information; 5) The Central Government provides financial reports that can be compared with financial reports from previous periods and 6) The Central Government provides information in the form of financial reports and meets the needs of its users.

#### Variable X2: Supervision of BUMN

Concept: supervision of BUMN is carried out by the Financial and Development Supervisory Agency (BPKP) as an external auditor, not BPK (Amdanata, 2021)

#### Scale of measurement: ordinal.

Indicators: 1) When accepting an assignment, the auditor establishes the audit objectives, scope and methodology; 2) In all jobs, I have to be reviewed by superiors at various levels before the audit report is made; 3) The process of collecting and testing evidence must be carried out to the maximum to support conclusions, audit findings and related recommendations; 4) The auditor ensures that audit documents are in the form of audit working papers and are stored properly so that they can be effectively retrieved, referred to and analyzed; 5) In carrying out audits, auditors must comply with the established code of ethics; 6) The audit results report contains objective audit findings and conclusions as well as constructive recommendations; 7) The report must be able to express recognition of a successful achievement or a corrective action that has been implemented by the audit object; 8) The report must provide an explanation or response from the audit object official/party regarding the audit results; 9) The report reveals matters that are problems that cannot be resolved by the end of the audit and 10) The reports produced must be accurate, complete, objective, convincing, clear, concise and timely so that the information provided is maximally useful

**Variable Y : Transparency & Accountability**

Concepts: transparency is the availability of information about an organization or actor allowing external actor to monitor the internal workings or performance (Mabillard, 2016)

**Scale of measurement: Ordinal.**

Indicators: 1) The Central Government provides timely access to information on financial reports; 2) The Central Government provides the availability of supporting documents for financial reports; 3) The Central Government provides openness, clarity and completeness of financial report information; 4) The Central Government provides transparency in the financial report management process; 5) The Central Government discloses information in accordance with Government Accounting Standards in its financial reports; 6) The Central Government presents honest financial information to the public; 7) The Central Government provides financial report information through mass media to the public; 8) The Central Government publishes financial accountability reports periodically and continuously; 9) The Central Government provides information on the achievements of a program openly to the public and 10) The Central Government provides financial accountability to higher authorities and to the wider community.

**3.3. Sample Collection Techniques**

Purposive sampling techniques was carried out in this research. There were 14 auditors from BPKP who answers to questionnaire. Only one person from ministry, from Bappenas, who answer the questionnaire. Questionnaire in google form.

**3.4. Data Analysis Techniques**

Data analysis was carried out by calculating the percentage of respondents' answers to the questions asked. Secondary data analysis was also carried out on financial report data obtained from publication media.

**4. RESULTS AND DISCUSSION****4.1. Results**

The results of descriptive research to the websites of Ministries and Institutions to find the completeness of Financial Reports consisting of Budget Realization Reports, Balance Sheets, Operational Reports, Budget Surplus Reports, Equity Change Reports and Notes to Financial Statements. List of complete/incomplete Financial Statement in Ministry in table below:

Sum	Complete/Incomplete (none)	Percentage
30	Complete	79 %
8	Incomplete	21%

Table 2 Summary of answers to financial reporting variables:

No.	Answer	Amount	Percentage (%)
1	Agree	4	67
2	Doubtful	2	33

From the table above, there are 2 doubtful answers to the financial reporting variable questions, namely for question no. 2 "The Central Government presents a complete financial report consisting of: Budget Realization Report/Operational Report, Balance Sheet, Cash Flow Report, and Notes to the Financial Statements", and question no. 4 "The Central Government provides honest transaction information".

Table 3 Summary of Answers to Transparency and Accountability Variables

No.	Answer	Amount	Percentage (%)
1	Agree	7	70
2	Doubtful	3	30

From the table above, the answer "doubtful" to question no. 4 "The Central Government provides transparency in the financial report management process", no. 6 "The Central Government presents financial information honestly to the public" and no. 7 "The Central Government provides financial report information through mass



media to the public”.

From the auditors' answers, it can be seen that they have worked professionally, as evidenced by the majority of answers "strongly agree" and "agree". There was one auditor who answered "doubtful" to question no. 3 "The process of collecting and testing evidence must be carried out optimally to support conclusions, audit findings and related recommendations".

#### 4.2. Discussion

As seen in the table above, there are still Ministries/State Institutions that have not (not) published their Financial Reports, which is 21%. Do they make them or not? This needs to be investigated for the reasons for the absence of Financial Reports.

From the auditors' answers, it can be seen that they have worked professionally, as evidenced by the majority of answers "strongly agree" and "agree". There was one auditor who answered "doubtful" to question no. 3 "The process of collecting and testing evidence must be carried out optimally to support conclusions, audit findings and related recommendations".

### 5. CONCLUSION& SUGGESTION

Based on the research results and discussion, it can be concluded:

1. The financial reports of ministries/government institutions do not comply with PMK which states that business units are consolidated with government activities. The separation between government and business activities is not visible.
2. Because BUMN is a subsidiary of a government agency, each BUMN should be related to the Ministry/Government Agency. For example, the Ministry of Energy and Mineral Resources as the parent entity of PT Pertamina. PT Pertamina's Financial Report should be consolidated with the LK of the Ministry of Energy and Mineral Resources.

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