

Phenomenon of Accounting Practice: The Case of Legislative Elections in Indonesia

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Abstract: The purpose of this study is to reveal the phenomena that occur related with accounting practice in legislative elections in Indonesia. The results of this study reveal the phenomenon of preparation of campaign funding reports conducted by using the services of accounting consultants and conducted by the administrators of political parties themselves. The phenomenon of campaign audit report audit practices revealed that the audit was conducted without examining the evidence directly but by phone and email. This research is a qualitative research, using the transcendental phenomenology of Moustakas in 1994 arguing that it focuses on Husserl's concept of "epoche" whose researchers have to get rid of their experience to gain a fresh perspective on the phenomenon under study in the case of legislative elections in Indonesia. This phenomenon indicates the lack of accountability of campaign funding reports and indicates the weakness of accounting practice in the political field.

Key words: Accounting practice, legislative elections and Indonesia, funding reports, audit practice, epoche, field

INTRODUCTION

Now a days, the paradigm on accounting has evolved from its origin as only a technical practice becomes accounting as a social practice (Gomes, 2008; Miller and O'Leary, 1993). As a social practice, accounting is required to be able to assist a social entity including in public sector to possess a better and accountable performance and certainly to be followed by a social audit that serves to assess performance and test accountability. The science of accounting has also been used as a tool to, assess the quality and accountability of the legislative election campaign finance report which is a major political event in Indonesia, this is because accounting is a flexible product that follows the needs of the accounting environment there and is practiced (Napier, 2006). As the beginning of the modern era, according to Quattrone (2004). Accounting can also be understood as the result of complex politics and compromises among various powers (theological, religious, political, institutional and social).

Most interesting discussion about political election is dealing with the topic of its campaign finance, even researches related to this topic have also begun to conduct. The most research topic relating to campaign finance of election is on the course of campaign finance reform (Abrams and Settle, 2004; Dahm and

Porteiro, 2008; Hashbarger and Davis, 2001; Lott and John, 2006). Campaign finance reform meant by the researches is the rearrangement of the management of campaign finance, especially the regulations on campaign finance donations and also proposals and the implementation of the campaign budget limitation. However, it is very difficult to find research on campaign financing with a focus on reporting and auditing. The issue of campaign finance reports is begun to be widely discussed in Indonesia, since, 2014 where during the legislative election that year, campaign finance reports became a mandatory for the contestants of the election, i.e., for both political parties and legislative candidates. Furthermore, penalties were given for those disobeyed as mandated by the law. Law of Republic of Indonesia (UU) No. 8 Year 2012 about General Election for Members of the House of Representative, Regional Representatives Council and Regional House of Representatives.

According to the Regulation of Election Commission Regulation of General Election Commission (PKPU) No. 17 Year 2013 about Guidelines for Financial Reporting Campaign Finances of Election Contestants for Members of the House of Representatives, Regional Representative Council and Regional House of Representatives which explains in detailed of campaign finance reports which have accommodated the elements of disclosures as suggested by Noveck (2010) and Primo (2013) and the

reporting formal models clearly show that the campaign finance reports are the domain of accounting. The above regulation also affirms the need for transparency and accountability of the report to be tested through an audit of campaign finance reports conducted by professional public accounting firms.

Philosophically, the science of accounting is a combination between rationalism and empiricism for accounting is a science which utilizes human thoughts in analyzing financial transaction data and presenting them in the form of financial statements that are concrete and responded by the human senses. Accounting science as a part of social sciences is used based on the needs of a particular activity (Triyuwono *et al.*, 2016).

Campaign finance reports must be prepared and reported in a transparent and accountable manner in accordance with the accounting principles and audited by professional accountants (Supriyanto and Wulandari, 2013). However, the essence of a recognized campaign finance report is a statement report that must be submitted on time according to the rules to avoid sanctions are ontological aspect of campaign finance reporting in Indonesia.

The function campaign finance reports is as the instrument for the contestants of general election to submit the financial information to the users of the reports including the donors, voters and Regional General Election Commission as the basis of decision making. However, the fact that campaign finance reporting is only used as a symbol of compliance alone is the manifestation of axiological aspect in campaign finance reporting.

To process of compiling campaign finance reports, the regulation of Election Commission has been issued that provides guidance that reports are presented in a transparent and accountable manner, although in practice campaign finance reports are made to the exclusion of existing guidelines is an aspect of epistemology in campaign finance reporting.

Philosophically, the truth contained in the financial statements of campaign finances is the truth determined by specific conditions that strengthen them according to the principles of accounting and compilation guideline which requires bookkeeping documents and transaction evidences. If it is associated with correspondence theory, these campaign finance reports contain truth based on the availability of compatibility between the numbers mentioned in the financial statements with bookkeeping and transaction evidences underlying.

As a novelty in the legislative general election which has never been applied before, the mandatory of campaign finance reporting during the past 2014 legislative election received a wide range of opinions

particularly from the contestants of the election which were the political parties and the candidates. Moreover, the mandatory of the compilation and submission of the campaign finance reports required knowledge on accounting which was not necessarily owned by the contestants and certainly added to the workload for them in addition to campaigning and winning the election.

The reality which shows that not all contestants understand accounting as the basis of bookkeeping and compilation of campaign finance reports that surely will result in the attitudes and behaviors of the legislative election contestants in preparing the mandatory reports is highly interesting to be disclosed as well as the process of auditing campaign finance that are very weakly supervised by Indonesian Institute of Certified Public Accountants. The phenomenon behind the reality is very interesting to be studied and can provide an overview of the portrait of political accounting in Indonesia

Accounting phenomenon in this research will be seen from two accounting activity that is process of preparation and audit campaign finance report. The research questions proposed in this study are: How do the contestants prepare the financial statements of campaign finance? and how is the audit process done?

This research aims at revealing the occurring phenomenon dealing with the attitudes and behaviors of the general election contestants in performing bookkeeping and preparing their campaign finance reports as well as phenomenon about the audit process undertaken. The significances of this research are in understanding the phenomenon about the attitudes and behaviors of general election contestants to interpret and perform the bookkeeping process and also prepare the campaign finance reports and following audit process. In addition, this research also observes the existence of accounting in the Indonesia political vortex.

Literature review: Researches on campaign finance have been conducted by Kholmi who viewed the campaign finance reports from the side of agency theory, where the public gives mandate to the political parties and as a form of the parties responsibility to submit their campaign finance reports that are accessible to the public. This research tends to take the viewpoint of stewardship theory in which the campaign finance report is a manifestation of obedience to the existing regulation.

The prominent topic of previous researches on general election campaign finance reporting was mostly on campaign finance reform (Abrams and Settle, 2004; Vimuela and Caselles, 2008; Harshbarger and Davis, 2001; Lott and John, 2006). In their research, Abrams and Settle

(2004) concluded that, a shift in the campaign financial will generate public policies that will provide better services to the public. However, Harshbarger and Davis (2001) found that the federal campaign finance reform system has proved to be difficult to implement due to strong political reasons.

Lott and John (2006) concluded that the regulation of campaign donations clearly reduced the competitiveness of political races. The regulation is also likely to reduce the number of candidates who is running for the election.

A research from Vinuela and Caselles (2008) on campaign finance reform found that the main outcome of the reform was to establish an effective limit of campaign costs. Further, Primo (2013) concluded that to assure the accountability of campaign finance, a detailed reporting and disclosure of campaign finance on the sources and usages are required and must be able to be supervised by the public.

In 2014 Legislative Election, a different implementation was issued and could be regarded as a historical moment for the development of accounting in Indonesia. During the 2014 election, the political parties and legislative candidates were required to compile and submit campaign finance reports. Those who failed to comply would face strict sanctions to the cancellation as the contestant of the election (Law of the Republic of Indonesia No. 8 Year 2012 on General Election for the Members of the House of Representatives, Regional Representatives Council and Regional House of Representatives)

In the regulation, regulation of general election commission about guidelines for financial reporting campaign finances of election contestants for members of the house of representatives, regional representative council and regional house of representatives, clarify the model and format of the forms required for the contestants of the election, consisting of detailed the 13 format of reporting form of the 13 form models, 4 forms are official declaration as the evidence of campaign financial donations and 9 forms are reporting models of campaign finance reports. The submission of campaign finance reports is carried out periodically:

- List of revenue sources of political party's campaign finances from individual campaign contestant (Model DK-1)
- Statement letter of individual donator (Model DK-2)
- List of revenue sources of political party's campaign from collective campaign contestant (Model DK-3)
- Statement letter of collective donator (Model DK-4)
- List of revenue sources of political party's campaign from business entity contestant (Model DK-5)

- Statement letter of business entity donator (Model DK-6)
- List of expenditure activity political party campaign (Model DK-7)
- Report of special account opening of political party (Model DK-8)
- Report of initial political party campaign finance (Model DK-9)
- Report of revenue and expenditure of political party campaign finance (Model DK-10)
- List of political party campaign finance balance (Model DK-11)
- Accountability report of political party (Model DK-12)
- Revenue and expenditure report of legislative candidates (Model DK-13)

The mandatory of compiling and reporting financial statement of general election campaign finances is a step forward in the organization of general election in Indonesia. Also, it is a massive step for the development of accounting science in Indonesia for the campaign finance report mandated must be supported by the separated revenue and expenditure bookkeeping and audited by Public Accounting Firm (Supriyanto and Wulandari, 2013).

In the regulation of election commission, also emphasized important matters related to accounting practice in legislative election 2014 in Indonesia including.

Require the contestants of the election to record campaign revenue and expenditure activities in their own bookkeeping in accordance with the accounting principles as a basis for preparing campaign finance reports. The contestants of the election are required to disclose details of campaign fund donations they receive and fund campaign spending transparently.

Affirmed the prohibited contributions of: from foreign parties, unclear donors, donations from government or state-owned enterprises. Public accounting firm conducting an audit of Campaign Finance Report shall be appointed by the General Election Commission and shall be required to submit the audit report to the General Election Commission no later than 30 days after receipt of the campaign finance reporting file.

In the last 2014 legislative general election, the compliance on the drafting and submission of the financial statement of the general election candidate's campaign finances were also monitored by non-government organizations and civil society organizations who were concerned over clean and

transparent election. One of the Coalition for Monitoring Campaign Finance consists of Transparency International Indonesia and Indonesian Corruption Watch which monitoring found the following conclusions.

The quality of the political party reports was still poor as marked by the discovery of unidentified donation sources. Hence, the party campaign finance did not guarantee any transparency and accountability of the 2014 election campaign finance from the public side.

Political parties were still reluctant to 100% open to public that indicated the reported campaign finance was still far from the efforts to build a good image in the public eyes. The impression of opacity was especially related to the identities of donors that can be sanctioned based on the Electoral Law, particularly related with unspecified donors as mentioned in the prohibitions of campaign finance revenue (Article 139 Paragraph (1) Law No. 8 Year 2012).

In addition to the related mandatory for the political parties in accordance with the Electoral Law, the political party candidates apparently have not utilized the momentum of the periodic initial campaign finance reporting to build a positive image before the voters by reporting the details of candidate's campaign finance.

The inclusion of candidate's donation amount with the category of services was questionable due to the unclear calculations of the services and there were indications that it would not be included in the special account of the party campaign finance. All of the parties did not include special account in their reports. It required further clarifications as mandated by Article 134 of Legislative Election Law. The above findings indicate weak accounting practices in legislative elections in Indonesia.

MATERIALS AND METHODS

This research is a qualitative study which aims at interpreting the occurring phenomenon by engaging several methods. Qualitative research is a research which employs naturalistic approach to search and find out a sense or understanding of a phenomenon in particular contextual background (Manen, 1990).

The research was conducted in four regions (Madiun City, Madiun Regency, Magetan Regency and Ngawi Regency) in East Java Province. East Java was chosen for this study because it is known as a political barometer in Indonesia while the selection of research sites is more focused on areas that do not have a public accounting firm. The object of analysis was mandatory reporting and auditing process of campaign finance during 2014 legislative election.

The data were gathered in 2015 till 2016 or 2 years after the 2014 legislative election being held. The data collection was done with in-depth interview method with informants consisting of local administrators of political parties and former legislative candidates for Regional House of Representatives at the pertinent areas. The interviews were conducted directly or telephone interview. Telephone interview was carried out once the informants were difficult to meet in face to face; besides, it was also performed as the follow-up of the results of direct interviews preceded.

The technical analysis used in this study is transcendental phenomenology (Moustakas, 1994), arguing that it focuses on Husserl's concept of epoche, whose researchers have to get rid of their experience to gain a fresh perspective on the phenomenon under study. This analytical technique has had systematic steps in its data analysis procedures to construct its technical descriptions and structural descriptions (Creswell, 2014). The steps of analyzing transcendental phenomenological studies by Moustakas (1994) were based on data from initial research questions.

Checking interview data and highlighting "important statements" about how participants experienced the phenomenon (horizontalization). Develop various groups of meaning from important statements into themes. Key statements and themes are used to write descriptions of what participants experience (textual descriptions). Important statements and themes are also used to write a description of the context or setting that affects participants experiencing the phenomenon (structural description). From these textural and structural descriptions, the researcher then wrote a composite description presenting the "essence" of the phenomenon (essential invariant structure or essence). This section focuses on the same experience of the participants.

RESULTS AND DISCUSSION

Accounting practice of campaign finance report preparation: As a new provision required, the campaign finance reports of 2014 legislative elections in Indonesia by some political party administrators and former legislative candidates was classified as a burden and extra job. Some other political party administrators and former candidates considered the campaign finance reports as "ngriwuk-ngriwuki" (disruptive) their main activity in holding campaigns and raking in mass of voters.

For some legislative candidates, efforts and challenges in "nyaleg" (running for the legislature) during the 2014 election were more difficult (tough). Besides trying to seize ballots with candidates from their parties, they must also fight with colleagues of the same party to compete for the most voters.

One of the informants from the political party administrators who considered the mandatory of campaign finance reports as a burden said:

Requires a person with expertise on bookkeeping accounting for reporting the campaign finance and the political parties at local levels do not prepare the person from the very beginning because there is no instruction from the Executive Board of Political Party at the headquarter, hence, the campaign finance mandatory becomes extra job burden for the campaign team

While the attention and focus of political parties clearly directed on the efforts of winning the election, thus, it was possibly that the mandatory to prepare the campaign finance reports were not addressed earlier with careful planning.

About the process of preparing the party's campaign finance reports, one of the political party administrators explained that they "Ndandakne" (ask for the services of others to arrange) the campaign finance reports by stating:

Our party remains on schedule to submit the reports, we ask other people outside the party who are expert in the drafting of campaign finance reports, we remain the subject to the obligation to avoid sanctions

The results of interviews with other political party officials revealed that in addition to hiring consultant services (outsiders) who were experts on drafting campaign finance reports, most of the political parties chose to assign one of their cadres to specifically study and create the financial reports of campaign finances. Similarly, one of the legislative candidates who also assumed that the campaign finance reports as a burden said:

Caleg (legislative candidates) obviously have no time to think about the reports and had better the campaign finance reports be prepared by the party alone not the candidates

The candidate further expressed about the reports he made by saying:

The report I made was sober, I just did what I could, most importantly I submitted it, if there is a receipt I reported it, if not then I just didn't

Further, results of interviews with some former candidates, either those who have become the member of the house or failed, about the process of drafting campaign finance reports showed that the candidates created the reports as they pleased with only to fulfill the obligation of submitting the reports in which most of campaign finance reports did not correspond to the real revenue and expenditure and tended to submit smaller numbers than they actually were. The main reason was that they were afraid once the real exposure would be performed and the huge numbers on the reports would likely bring disadvantages for them as the legislative candidates for some of the campaign activities done were without evidences or bookkeeping. In fact, many of them submitted the campaign finance reports with zero amounts (no revenue nor expenditure).

Although, the campaign finance reports were assumed as a burden, the political parties and legislative candidates tried their best to abide the regulation of campaign finance report submission to the Local Election Commission on the due date.

Audit practices of campaign finance report: The audit of the campaign finance report shall be made by the public accounting firm (Regulation of General Election Commission) stipulated by the Regional Election Commission in its implementation the auditor should perform the auditing procedures based on the audit standards established by the Indonesian Institute of Certified Public Accountants (IICPA) including complying with the standards of field work to obtain competent audit evidence, the auditor must go to the field and perform inspection of observation, request information and confirmation.

The results of our interviews with some political party officials revealed that they were never visited by auditors who audited the campaign financing report he made. The treasurer of one political party states:

We were once called by people who claimed to be campaign finance auditors and they asked us for some data to be emailed

The results of interviews with some other political party treasurers reveal the same thing which in essence they have never met or been approached directly by the auditors of the campaign finances but if they are called and questioned or emailed via email they are true. Even one of the treasurers of the political parties also stated that they were forced to not comply with data requests via email, stating.

I was forced to not send the data they requested because my officer who made the campaign finances report was not available and we were not sure if it was indeed a campaign finance audit process

From our interviews with some former legislative candidates, they made sure that no auditor contacted him, either in person or by phone.

I still remember that I was never contacted by the auditor in connection with my campaign financing reports, either verbally or by phone. It may be directly to the party because the campaign financing reports of legislative candidates are collected by the party

The results of our confirmation of one of the campaign finance auditors we interviewed confirmed the findings above, where they were at the time getting a lot of clients and had limited auditor numbers, so the confirmation of audit evidence was done by telephone.

At national level, the output of the study and monitoring of independent general election supervisors during the 2014 legislative election as disclosed by Transparency International Indonesia and Indonesia Corruption Watch concluded that the reporting of legislative campaign finance 2014 had a poor quality, lack of transparency and low accountability. The conclusion is consistent to the results of interview with one of the commissioners of Regional Election Commission which suggested:

Political parties and legislative candidates as the contestants of the election mostly still do not understand and earnestly in composing the campaign finance reports, although they have submitted the reports based on the timetable set, the quality is still poor

The contestants of legislative election both political parties and legislative candidates obeyed the schedule of submitting the mandatory reporting of campaign finance based on the timetable set. The motivation of campaign finance submission done by the majority of election contestants both political parties and candidates was only to avoid elimination as the contestants of the election, hence, the quality of the reporting was far from expected.

Audits of campaign finance have been made by telephone, without coming to the clients being audited and that only to political parties are not for legislative candidates. The procedure may be forced to do

considering that Indonesia has thousands of cities holding legislative elections simultaneously, so that, the number of public accounting firm and auditors does not cover the entire territory.

The phenomenon clearly illustrates that the poor quality of campaign finance reports during the 2014 legislative election where the philosophy of truth upon the campaign finance reports compiled by the contestants is doubtful due to the lack of compliance of appropriate epistemology aspect.

CONCLUSION

The phenomenon that occur, some political parties address the drafting of campaign finance reports by hiring consultant services who are expert in accounting and some other political parties prefer to assign their cadres to study and compile campaign finance reports the best they can. Another phenomenon is that legislative candidates compile the campaign finance reports as they please with only to fulfill the obligation mandated. In fact, the reports compiled tend to less correspond to the real conditions.

Unique phenomenon is the primary motivation of the election contestants in submitting the mandatory reporting of campaign finance is only to abort the obligation to avoid sanctions from the Election Commission. Audits conducted only by phone and email, without interviews and direct observation in the field are a tremendous phenomenon of the campaign finance audit process. Based on the above discussion results, it can be concluded that the phenomena that occur indicate the low quality and accountability of campaign finance reports and indicates the weakness of the existence of accounting in the political sphere.

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