

POLITICAL PARTY FINANCE: NEED SPECIFIC STANDARDS?

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Abstract: Political parties in Indonesia, have many problems related to finance. The Indonesian Corruption Watch (ICW) identifies that political parties do not have uniform accounting information systems, political party financial transparency is still in doubt, and there is no consolidation of financial reports between political parties at the central and regional levels, so that it has the potential to create dualism of financial reports which is of course very contradicting principles of transparency and accountability. Whereas the regulations regarding political party financial reports that must be transparent and accountable have been regulated in PSAK 45 issued by the Indonesian Institute of Accountants (IAI) for non-profit organizations including political parties. This research will show the urgency of the need for special financial accounting standards for political parties. Through searching the literature and previous research, this research is a qualitative study using the literature study method. Literature study is research using secondary data which can be obtained from literature, mass media archives and documents. The results of this literature research show that PSAK 45 has not been used effectively, while on the other hand the context of political parties is very different from what is regulated in PSAK 45. On the other hand, the very limited human resources in political parties affect the inability of political parties, especially in regions, providing financial reports that comply with standards.

Keywords: Political Party Finance, PSAK 45, Transparency

1. Introduction

Indonesian Corruption Watch (ICW) has identified issues related to political party finances (Wibowo, 2018). First, political parties have not yet had a uniformity of accounting information systems, so that it can lead to the diversity of account and transaction codes that have the potential to make it difficult for auditors to carry out audits. Second, the transparency of political parties' finances is still in doubt, because there has been no firm sanction if the financial reports do not comply with the applicable accounting standards. Third, there is no consolidation of financial reports between political parties at the central and regional levels, so that it has the potential to create dualism of financial reports which is of course contrary to the principles of transparency and accountability.

Although Indonesia has held several elections since 1999, the political party's financial problems have not seemed to get improved yet. This study will highlight the first problem that has been identified by ICW, namely the absence of a uniformity of accounting information system which, according to ICW, has an impact on the non-uniformity of account codes and

transactions which can then make it difficult for auditors. The practice, so far, has shown that political parties generally use PSAK 45 as a standard in financial report. Several previous studies have also examined the implementation of PSAK 45 in political parties in Indonesia, for example research conducted by Andayani (2015), Andini and Arfiyanto (2020), as well as Widayanti, Priyadi, and Ardini (2019). However, according to Hafild (2008), PSAK 45 which has long been used as the standard is actually very inadequate and contextual. The PSAK 45 does not accommodate the characteristics of political parties that are different from other non-profit organizations such as non-governmental organizations (NGOs), religious institutions, and others.

The lack of transparency and accountability on party financial reports is a triggering factor for crimes committed by members of political parties, such as corruption crimes which have recently been rampant in Indonesia. Therefore, transparency and financial accountability of political parties by publishing political party finances to the public will be able to overcome these problems. The regulations regarding political party financial reports that must be transparent and accountable have been regulated in PSAK 45 issued by the Indonesian Institute of Accountants (IAI) for non-profit organizations including political parties. Strict regulations regarding political party finances will make it easier for the public to obtain information about the origin of party funds and expenditures on political party spending.

The transparent and accountable financial records of political parties will provide an overview of the performance of political parties in joint efforts to prevent white collar crimes.

This research will show the urgency of the need for special financial accounting standards for political parties. Through searching the literature and previous research, this study would like to show the argument that the absence of specific financial accounting standards for political parties can affect the accountability of political parties which is also influenced by human resources in party institutions in managing finances, especially at the regional level.

2. Literature Review

a) Public sector accounting

The definition of accounting for the public sector is a process of collecting, classifying, analyzing, and preparing financial management reports in public institutions. These financial reports are used by public sector institutions to provide financial information to the parties in need, especially when making decisions.

Public sector accounting is closely related to the application and treatment of public domain accounting (Mardiasmo, 2009). The purpose of accounting in public sector organizations is to provide the information needed by the organization in order to manage an operation and the allocation of resources that can be entrusted to the organization appropriately, efficiently and economically, as well as to provide financial information to report the accountability of implementation regarding financial management and reporting results of operations and use of public or public funds. Thus, public sector accounting is concerned with providing information for management control and accountability. In order to properly achieve the objectives of accounting in public sector organizations, it is necessary to increase the effectiveness of accounting implementation.

b) Scope of Political Parties

The PSAK 45 states that political parties are non-profit entities that are regulated by law and have strict regulations. The role of political parties is very important for the political system in Indonesia because it becomes a guide in the democratic process. Political parties are not only a bridge for citizens' political participation to party members, but also for incorporating the aspirations of individuals and groups in society into the political system.

Political party financial accountability must be transparent because, as an entity using large public funds and also as a form of compliance with the Political Party Law and Election Law, political parties must be accountable for all of their financial resources. This form of accountability is by managing the finances of the election participants. This management is in the form of submitting campaign fund reports (all election participants) as well as financial reports (especially for political parties), which must be audited by a public accountant and submitted to the KPU and opened for public access (Bastian, 2007).

c) **Political Party Finance**

The purpose of political party financial management is to maintain the independence of political parties from the influence of money deposited by donors or contributors. This needs to be done because the mission of political parties - which have a monopoly to compete for political positions - is to fight for the interests of members, voters or society in general. So, political party financial regulation is not aimed at prohibiting political parties from accepting contributions from outside parties, but rather arranging in such a way that political parties still have the freedom to raise funds to finance political party activities, but at the same time political parties can maintain their independence (Johnston, 2007).

The main principles of political party financial regulation are accountability and transparency. The principle of transparency requires political parties to be opened to all financial management processes of political parties. Here a number of obligations must be carried out by political parties, such as opening a list of contributors and making regular financial reports, which record all income and expenditure of political parties throughout the year. The purpose of opening the list of donors and financial reports to the public is to test the principle of accountability, which is to ensure that the responsibility of political parties in the process of receiving and spending political party funds is rational, ethical and does not violate regulations (Junaidi, 2011).

In addition, the principle of accountability in political parties can be elaborated through the following various mechanisms (Surbakti, 2015). First, political party officials are obliged to answer questions, requests for clarification or requests for information / data / documents from agency officials who have authorizations to enforce political party financial provisions regarding suspected irregularities in political party finances. Second, each General Election Contesting political party is required to submit an Annual Receipt and Expenditure Report that has been audited by KAP to the general public. Third, comply with administrative, financial or criminal sanctions imposed by the authorized institutions.

On the basis of different characteristics, differences interests of users of financial reports and the existence of special transactions for political parties, it is necessary to have a special financial accounting standard that regulates the financial reports of political parties. With this improvement in financial accounting standards, it is hoped that the financial statements of political parties can be easier to understand, have relevance, are reliable and have high comparability. The resulting financial reports can be used by users of financial reports and are not misleading. Thus, transparency in the financial sector can be actualized, which, in turn, financial abuse and violations by political parties and money politics can be prevented or at least can be reduced. Up to now, there has been no financial accounting standard, either issued by the Indonesian Institute of Accountants as a forum for the professional organization of Indonesian accountants or by political party supervisory institution (Supreme Court and General Election Commission), which can specifically be used as a basis for preparing financial reports for political parties.

In order to create a political party accounting standard, first it must be determined who the user of the report is. After that, the form and type of report and the report entity are determined.

This financial report is a high report. Parties with an interest in the information in the financial reports of political parties: Management; Member; The government, including the Supreme Court and political party supervisory institutions; Contributor; Creditors; and Public or society at large, especially political party constituents.

3. Method

This research was a qualitative research. According to Sugiono (2010), qualitative research methods are research methods based on the philosophy of positivism, used to examine the conditions of natural objects (as opposed to experiments), data analysis is qualitative, and qualitative research results emphasize meaning rather than generalization. This qualitative research used a literature study method. Meanwhile, literature study is a research using secondary data that can be obtained from literature, mass media archives and documents (Moleong, 2002).

4. Result and Discussion

a) Why is the accountability of political parties low?

So far, PSAK 45 has been considered sufficient for all non-profit entities. In spite of in its practice, PSAK 45 cannot be contextualized for all types of non-profit entities. One type of non-profit entity that seems to have difficulty in implementing PSAK 45 is a political party. One of them can be seen in the research conducted in the National Democratic Party (NasDem) of Mamuju Regency. One of the obstacles for the NasDem Party in implementing PSAK No. 45 is the absence of party officials with an economic or accounting background, and the parties, in the regions, only make accountability reports for the use of funds. So it is not easy to implement PSAK No. 45 in the financial report of the NasDem Party (Dahlia and Karmila, 2019).

Research conducted by Nurimansyah and Ariyani (2020) during January to April 2019 on 3 political parties in South Sulawesi showed that transparency and accountability in the financial management of political parties were not effective enough yet. This finding was proven by the use of political party aid that did not go to the precise target and was closed to the public. The recording carried out was also not generally applicable as had been regulated. Similar findings can be seen in research conducted by Setyaningsih, Asrihapsari, and Setiawan (2019) in Surakarta. The research showed accountability issues due to conflicts of interest in the use of political party funds. This was reinforced by BPK's findings, which indicate that political parties had not yet received public trust. Political parties' financial bookkeeping was also still simple so that it did not reflect an overview of accounting financial report. In addition, the reports were not audited by external auditors. According to the research, these various conditions were caused by the mismatch of the management's educational background and lack of work experience in accounting.

Research in Malang City showed poor perceptions of the financial accountability of political parties. Research conducted by Kholmi (2010) in the context of a political party finance study in Malang City showed that the constituents' perceptions of the financial accountability of political parties were in the medium and low categories, both in annual financial reports and campaign finance reports. Efforts were made to make political parties increase financial accountability through the regulation and financial supervision of political parties from an independent team, but the issue of administrative order and good financial records was still a problem. However, this condition still needed to be balanced with the orderly administration of political parties by increasing the role of accountants. According to Kholmi, this condition was caused, in the context of Malang City, by the party treasurers who generally did not have

a background in accounting education, so they did not understand the issues of making financial reports, nor the management and financial accountability of parties. Kholmi's findings indicated the lack of understanding of party officials regarding PSAK 45 as a reference for preparing financial reports. Apart from the fact that the party treasurer did not have an accountant background, PSAK 45 as a guideline did not seem to be in accordance with the conditions of factual financial management of political parties as found by Dahlia and Karmila (2019). Later it needs to be further studied, how the incompatibility of PSAK 45 with the context of political parties affected the inability or reluctance of party officials to prepare financial reports.

b) Towards accounting standards for political parties

Until now, there has been no financial accounting standard that can specifically be used as the basis for preparing financial reports for political parties. Whereas according to Hafild (2008), these special standards are needed because of differences in characteristics, differences in the interests of users of financial statements and the existence of special transactions for political parties. The existence of this financial accounting standard is expected to have an impact on political party financial reports to be easier to understand, have relevance, reliable and have high comparability. The resulting financial statements can be used by users of financial statements and are not misleading. Thus, transparency in the financial sector can be actualized, which in turn the financial abuse and violations by political parties can be prevented or at least reduced (Hafild, 2008).

Previous studies showed that the inadequacy of political party reports so far was not only caused by human resources having an impact on the untidiness of financial reports, but inadequate political party financial reports were also caused by the absence of contextual financial accounting standards for political parties. The need for contextualization of financial standards for political parties is due to the following specific characteristics of political parties:

Non-Profit, Non-Political Party Entities	Political parties
There was no limit on donors	There was a limit on donors
There was no limit to the maximum amount of donations.	There was a maximum limit on the amount of donations. Limiting the maximum amount of contributions that a political party could receive was a form of controlling for conflicts of interest that might occur and how illegal loopholes might be used by political parties to increase the amount of contributions they could receive.
There was no obligation to report the list of donors (especially individuals).	There was an obligation to report the list of donors (especially individuals).
Accountability was in the form of activities in accordance with organizational goals and good management.	Accountability was in the form of being clean from money politics, compliance with the law.

Source: Hafild (2008)

The suitability of PSAK 45 as a standard for political parties needs to be reviewed by looking at these different characteristics. It, as an initial basis for creating specific accounting standards for political parties, sees the objectives of PSAK 45 for non-profit entities. According to IAI (2009) in PSAK No. 45, the main purpose of financial reports is to provide relevant information to meet the interests of donors, members of organizations, creditors, and other parties who provide resources to non-profit organizations. Meanwhile, the indicator of financial accountability of political party organizations is not only limited to those stakeholders, but also to constituents or non-constituents because political parties also use public funds (the society).

5. Conclusions

So far PSAK 45 has not yet been used effectively, while on the other hand the context of political parties is very different from what is regulated in PSAK 45. On the other hand, the very limited human resources in political parties affect the inability of political parties, especially in the regions, to provide financial reports based on the standards. This literature study, thus, shows the needs for further studies to examine the urgency of special accounting standards for political parties. The government then needs to follow up on these special standards with guidelines that are easy to understand by party officials up to the regional level.

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