Effective Financial Scrutiny: The Role of Parliament in Public Finance
Canberra 22-26 February 2010

This course was a combined initiative between the Centre for Democratic Institutions (CDI), the Bali Democracy forum Institute for Peace and Democracy (IPD) and the World Bank Institute (WBI). It was convened by Professor Kerry Jacobs at the Australian National University (ANU) in Canberra.

Background and Objectives

The size and complexity of government makes budgeting in the public sector inherently complex. Budget documents can comprise thousands of pages; the format of the budget is not always easily understandable; and thorough analysis can take considerable time. Accordingly, budget scrutiny can be a daunting challenge facing parliamentarians when they are asked to consider the annual revenue and expenditure proposals of the government. From a long-term perspective, the influence of parliaments on budget policy has declined in many countries. It now appears, however, that many parliaments such as that of Indonesia are rethinking their role in the budget process and reasserting themselves as more active players.

This is the first course run by CDI to support parliamentary financial scrutiny in Indonesia and represents a novel shift away from courses on parliamentary financial scrutiny run by groups such as the World Bank Institute. Previously these programs have been more general and delivered to delegates from many different countries.

The course was run in response to a request from Indonesia for a more focused course in the Indonesian language and was specifically targeted to address the needs of staff and elected members associated with the newly formed Public Accounts Committee within the Indonesian Peoples Representative Council (DPR). The new committee is known as the Badan Akuntabilitas Keuangan Negara (BAKN) [State Finance Accountability Committee] and was established under Paragraph 6 of Indonesian Law No.27 2009 enacted on the 29 August 2009 (appendix 1).

The course was run entirely bilingually through simultaneous translation including written documents. In addition the translators made themselves available to assist in group work and discussions.

The belief was that a more focused course would better serve the needs of the participants, would facilitate the use of non-English medium and would alter the power balance. The intention was to shift away from the advocacy of Australian (or indeed British or American) practices and institutions to consider which structures and practices would be most relevant and useful in the Indonesian context. While the goal was to facilitate learning from the
Australian and other international experience the objective is that this would inform an Indonesian model rather than the Indonesian practices being a copy.

The philosophy was to draw from academic and intellectual resources available at ANU and in the wider community and to combine this was the strong practical focus delivered by those actually involved in comparable roles in Australia.

Participants

There were seventeen workshop participants five of who were women. There was a mix of elected members and staff and four major institutions were represented – the DPR (Indonesian Peoples Representative Council), the DPD (the National Regional Representative Council), the DPRD (Provincial Regional Representatives Council and the BPK (State Audit Commission). There was also representative of the interests of the Indonesian Municipal councils. The delegation also covered most of the key political parties in Indonesia. Attendees were nominated by the key institutions involved – particularly the BPK, the DPR with a particular focus on those with financial oversight responsibilities and also the DPD with a similar focus on those with financial oversight responsibilities.

The seven of the nine BAKN members agreed to attend however three of these withdraw for political reasons days before the program commenced.

Program Structure

The course is composed of lectures, guest speakers and discussions. The central objective was to support the development of work plans by the participants. In addition, two social events are held – a welcoming event was conducted in the Reps Alcove at Parliament house where the group was addressed and welcomed by Sharon Grierson MP – current Chair of the Federal Joint Committee of Public Accounts and Audit (JCPAA). At the end of the course, a dinner was held, with presentations to each of the participants. The program was structured to deliver both an understanding of the key issues and structural alternatives for parliamentary financial scrutiny, to be able to discuss the practical challenges and issues associated with this work and to consider practices and models which were applicable to the Indonesian context.

Day 1 (Monday 22 February) was focused on welcome and introduction. The attendees were welcomed to ANU by the Dean Professor Andrew MacIntyre. Professor Jacobs started with an introduction to parliamentary accountability and the oversight of public accounts, Robyn McClelland – The Clerk Assistant (Table) in the Australian House of Representatives described the nature and profess of government budgets and Eve Bosak provided a historical background to the three major models of parliamentary oversight, the British or Westminster approach, the USA or Presidential model and the French or legal type.

Day 2 (Tuesday 23 February) began with a discussion and exploration of key Indonesian values and principles which should underpin the function of any systems of parliamentary oversight. The notion was that these values needed to drive any discussion about how things should operate as a counter-balance to the simple copying of potentially inappropriate or ineffective approaches from other jurisdictions. On the whole this discussion was welcome although many of the key elements of Indonesian values and
identity were seen as self-evident by the participants. Senator Marise Payne provided an engaging discussion of the workings of budgetary oversight within the Australian system. Her insights into the key political elements were clearly interesting and relevant to the elected representatives in attendance. In the afternoon Rick Stapenhurst provide a discussion of the key issues associated with Public Accounts Committee success based on the work conducted by the World Bank Institute around the work. The day closed with working groups where the delegates could start to consider the key issues and challenges which they would like to address when returning to Indonesia. The delegates were separated into institutional groups to facilitate this process – the DPR, the DPD,

Day 3 (Wednesday 24 February) began with a second presentation from Rick Stapenhurst on the relationship between parliamentary oversight and issues of corruption. We were joined by Bob Clarles – a previous long-standing JCPAA chair to discuss the practicalities of the function of a PAC and the associated organisational and political challenges. This was followed by Russell Chafer who is the current committee secretary to the JCPAA who discussed the practicalities of running a committee generally and the JCPAA specifically. The last session was conducted by Quinton Clements who facilitated a discussion of the issues associated with conducting committee hearing.

The morning of Day 4 (Thursday 25 February) was focused on the work of the Auditor General with a presentation from Mr Tom Clarke from the Australian National Audit Office. This was followed by an active discussion facilitated by both Tom Clarke and Kerry Jacobs on the issues associated with the relationship between public sector audit institutions and processes of parliamentary financial scrutiny and oversight. The afternoon started with brief presentations from the institutional groups outlining how their thinking was developing.

Day five (Friday 26 February) was devoted to group work and developing work-plans. There more developed plans were then presented and a discussion was held as a single group to identify how these plans could be integrated which resulted in a single combined objective. The program was concluded with an evaluation session and a closing dinner where course certificates were presented.
Speakers & Program Coordinators

Kerry Jacobs - Professor of Accounting Australian National University

Mr Quinton Clements - Deputy Director of the Centre for Democratic Institutions at the Australian National University.

Senator Marise Payne - Senator for NSW - Shadow Minister for COAG and Modernising the Federation, Liberal Party of Australia.

Eve Bosak – Ex Chief Financial Officer, South Asia Vice Presidency, The World Bank and director of Governance Asia.

Russell Chafer - Secretary to the Joint Committee of Public Accounts and Audit and the House of Representatives Standing Committee on Industry, Science and Innovation.

Robert (Bob) Charles – ex Member of the Australian House of Representatives, Chair of the Joint Committee of Public Accounts and Audit Committee and Australia’s Consul General in Chicago.

Dr Thomas Clarke - Executive Director, Performance Audit Services Group, Australian National Audit Office (ANAO).

Robyn McClelland - Clerk Assistant (Table) in the Department of the House of Representatives.
Frederick C. Stapenhurst - Senior Public Sector Management Specialist, World Bank Institute.

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Evi Fitriani – cultural Liaison and program assistant

Translators – Sue Piper & Phillip Gould, and technician Doug McLaren

CDI staff – Suzanne Francis & Luke Hambly

Crawford Executive training program staff – Emily Blizzard et. al

Outcomes and Conclusion

The course combined presentations by guest speakers followed by open discussions, group work and work-plan development. Participants were asked to present by institution their work plans which identified the three key issues or changes they wanted to make and to consider the strengths, weaknesses, threats and opportunities associated with those change.

A key and interesting outcome of the course was a shift in the power balance away from the course coordinators and towards the participants. This was due to the national focus on Indonesia and the fact that the program was conducted with full Indonesian translation. In addition this power shift was assisted by the open and flexible nature of the last two days. As a consequence the delegates from the four Indonesian groups represented who, through the course had time and space to work with each other in a way not often, if ever, possible back home. In the final sessions a general agreement was reached and the notion was advocated that financial oversight between the different levels of government should be integrated and represent a tiered system with corresponding follow-up of the respective BPK audit reports. This is an interesting and novel model would place Indonesia at the forefront of international best practice. However, the notion of a fully integrated system was the product of the discussion of the delegates and far exceeded the expectations of the course facilitators and speakers.

In addition the program built and enhanced the networks between relevant Indonesian and Australian institutions and individuals. These networks will be crucial to the subsequent development of the Indonesian oversight practices.

It is proposed that there will be two follow-up opportunities. First the participants have been invited to participate in a phone conference in April where they will be given a change to discuss with the course coordinators and presenters any issues they are experiencing in the implementation of the proposed changes. It is also proposed that later in the year that there will be a follow-up workshop in Bali possible involving other Asian countries such as Thailand and Malaysia.

Kerry Jacobs
March 2010
Appendix 1: Paragraph 6 of Indonesian Law No.27 2009

The BAKN is formed by the DPR and is a permanent complementary organ of the DPR (Clause 110).

The DPR determines the composition and membership of the BAKN at the commencement of the period of membership of the DPR and the commencement of the sessional year (Clause 111[1]).

BAKN members number no less than 7 and no more than 9 persons, from proposals from the DPR fractions determined at a plenary meeting at the commencement of the period of membership of the DPR and the commencement of sessional year (Clause 111[2]).

The BAKN leadership is a collective and collegial leadership entity (Clause 112[1]).

The BAKN leadership consists of one chair and one deputy chair who are selected from and by BAKN members based on the principle of discussion to reach agreement and paying attention to the representation of women according to the balance of the number of members of each faction (Clause 112[2]).

The selection of the BAKN leadership is undertaken in a BAKN meeting led by the DPR leadership after the determination of the composition and membership of the BAKN (Clause 112[3]).

The BAKN has the tasks of:

a. undertaking scrutiny of the findings of audit results of the BPK which have been transmitted to the DPR;

b. transmitting the results of its scrutiny under letter a to the commissions;

c. following up the results of commission discussions on findings of the audit results of the BPK at the request of the commissions;

d. giving input to the BPK in the matters of the annual audit work plan, audit impediments, as well as the presentation and quality of reports (Clause 113).

In undertaking the task under letter c, BAKN can request explanations from the BPK, the Government, regional government, other state institutions, the Bank of Indonesia, state enterprises, general service bodies, regional enterprises and other institutions and bodies which manage state finances (Clause 113[2]).

BAKN can recommend to the commissions that BPK undertake follow up audits (Clause 113[3]).

The results of work under a, b and d are transmitted to the DPR leadership at a plenary meeting on a periodic basis (Clause 113[4]).

In implementing its tasks, BAKN can be assisted by accountants, experts, financial analysts and/or researchers (Clause 114).

BAKN is to prepare a draft budget for the implementation of its tasks in accordance with its needs which is then transmitted to the Household Affairs Board (Clause 115).

Further requirements about the manner of BAKN's formation, composition, tasks, authority and work mechanisms are regulated by DPR regulations on order (Clause 116).