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Comparative Study of the Financial Reporting Act: A Case Study of Indonesia

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Abstract:
Research aims: This study evaluates the Indonesian Financial Reporting Bill (hereafter: Bill) and provides a recommendation to the Bill.
Design/Methodology/Approach: A comparative study was carried out by comparing the Bill with Financial Reporting Acts and other related statutory from the United States of America, the United Kingdom, and twenty-seven members of the Asian-Oceanian Standard-Setters Group (AOSSG).
Research findings: From the total of 24 countries, 60 documents were found, which were then manually analyzed for content and themes. Based on the study results: standard-setting board, accountant certification, and practice monitoring program were proposed to be included in the Bill.
Theoretical contribution/Originality: There are few studies on the Financial Reporting Act; therefore, this study seeks to contribute to this gap.
Practitioner/Policy implication: This study's results provide insight for regulators and strengthen the accounting professions as preparers and auditors of financial statements and other related professions.
Research limitation/Implication: The limitation of this research is to conduct a comparative study of the Indonesian Financial Reporting Bill with the selected countries' Financial Reporting Acts and similar statutory.
Keywords: A Comparative Study; Evaluation Case Study; Financial Reporting Act; Stakeholder Theory

Introduction

A financial statement is a form of managements or agents' responsibilities in carrying out their obligations to manage the business that has been entrusted by the owner or principal (Jensen & Meckling, 1976). As the managing party, agents have more information about the entity than the principal and tend to attempt to monopolize information and not disclose it to shareholders, regulators, and other stakeholders, known as information asymmetry (Scott, 2015). Even though agents should have good intentions to prepare financial reports that are free from material misstatement (Tuanakotta, 2013), the fact is that there have been many cases of manipulation of financial statements in Indonesia, especially in recent years, causing enormous losses to the state and society. The most recent case in 2018 was PT Asuransi Jiwasraya (Persero), which caused losses to the state up to 16.81 trillion Rupiahs (Audit Board of the Republic Indonesia, 2020) by manipulating financial reports since 2006 (Audit Board of the Republic Indonesia in Katadata, 2020a).

Previously, there were also several other cases of financial statement manipulations, such as PT Garuda Indonesia (Persero) Tbk for the 2018 Annual Financial Report Audit (LKTA) (Otoritas Jasa Keuangan, 2019), PT Sunprima Nusantara Financing for LKTA 2017 and interim financial reports as of March 31, 2018 (PEFINDO, 2018), and PT Tiga Pilar Sejahtera for LKTA 2017 (Katadata, 2020b). The state and corporate losses may be calculated, but the losses caused by reduced or even loss of public trust cannot be measured due to a damaged reputation. Therefore, it is essential for the government to play a role in regulating financial reporting to reduce information asymmetry and potential exploitation in the form of financial statement manipulation. In the 1945 Constitution Article 1, Paragraph 3, it is written that Indonesia is a law state (House of Representatives, 2002), which means that all aspects of life in the Indonesian state must be based on the law without exception regarding financial reporting. The legal basis for financial reporting in Indonesia is dominated by government or public sector financial regulations, and there is no specific law to cover financial reporting for entities other than the public sector (Figure 1).

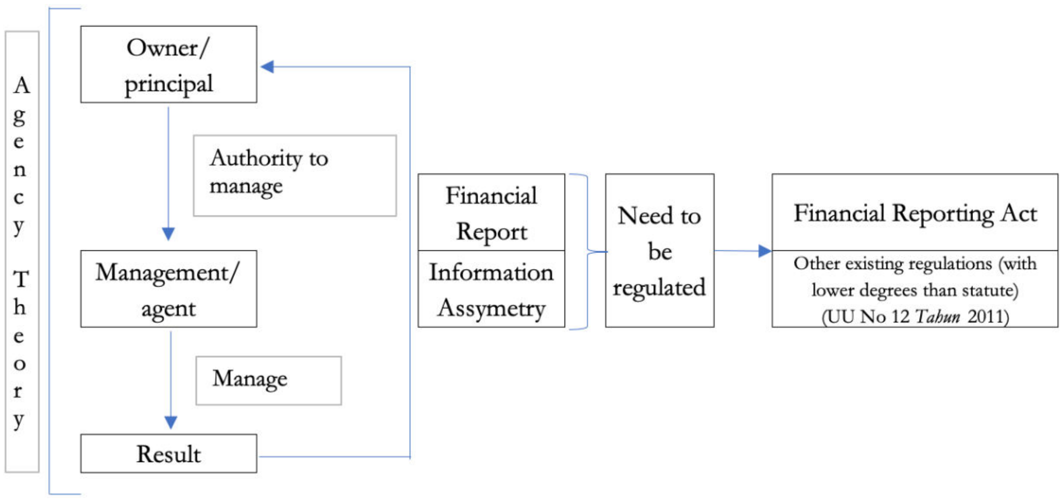


Figure 1 The Urgency of the Financial Reporting Act
Source: processed data

By the end of 2019, Indonesia's government still discussed the Indonesian Financial Reporting Bill (hereinafter: Bill). This study was conducted to evaluate the Bill to help regulators formulate it as a legal basis that covers and protects all relevant stakeholders through comparisons to improve quality and obtain the highest standards (Bhutta & Huq, 1999). Since the Bill was just recently available, there was no research or study regarding this topic in the Indonesian context. Therefore, it is crucial to conduct a study to evaluate the Bill. In this research, a comparative study of the Bill with the Financial Reporting Act and similar statutory of other countries was carried out. The samples and references in evaluating the Bill were obtained from countries whose standard setters are members of the Asian-Oceanian Standard-Setters Group (AOSSG) along with the USA and the UK.

The AOSSG is a group of accounting standard-setting organizations, including the Institute of Indonesia Chartered Accountants (IAI or *Ikatan Akuntan Indonesia*).

Therefore, it is relevant to the Indonesian Financial Reporting Bill's discussion compared to the countries in the same group. United States of America has the Sarbanes-Oxley Act in response to the turmoil in the U.S. capital markets resulting from bankruptcies and other accounting scandals to restore investor confidence (Abdullah & Al-jafari, 2011). Therefore, the Sarbanes-Oxley Act will be a good model in evaluating the Bill. The UK was selected because it was the first country to launch a Code of Corporate Governance in 1992, which became a Code of Best Practice to be used as a benchmark.

The study's scope is limited to laws related to financial reporting acts (with keyword searches: financial reports, annual reports, accountants, accounting) to obtain similar relevant statutory to be compared with the Indonesian Financial Reporting Bill. The analysis scope was carried out only for financial reporting of business entities other than the public sector because public sector entities refer to Law No. 17 of 2003 on State Finance (Indonesia, 2003). This study's contribution is that there are few studies on the Financial Reporting Act in the Indonesian context. Therefore, this study seeks to contribute to the gap, provides insights for regulators, and strengthens the accounting professions as preparers and auditors of financial statements and other related professions.

Literature Review

Stakeholder Theory

Robert Edward Freeman, who pioneered the stakeholder theory, explained that stakeholder means any individual or group that has the potential to influence or be influenced by an entity's achievements (Freeman, 1984). Freeman explained that the organization evolved from a relatively simple activity, namely buying raw materials from suppliers, processing them, and selling them to customers. As technology develops and business expands, the factors affecting the company also expand. Companies may also experience separation due to ownership and control called the "Managerial View" of the company (Donaldson & Preston, 1995; Freeman, 1984) and then become scattered due to banks and shareholders' funding. Therefore, the company leader (top management) must simultaneously consider and aim to satisfy all parties, which are the stakeholders.

Freeman explicated that management tends to react to short-term decision-making compared to long-term decisions that may impact the public. As a democratically authorized entity, the government must intervene in the public interest (Freeman, 2004). Therefore, in this case study, the government's role is vital to make regulations that cover and protect all relevant stakeholders and, ultimately, for the public interest. Besides, Deloitte argued that management, audit committees, regulators, standard setters, investors, and auditors are parts that are interconnected with one another and form what is called the financial reporting ecosystem. The financial reporting ecosystem aims to serve the public interest with complete, accurate, and transparent financial disclosures of entities. It can be realized if all stakeholders of the financial reporting ecosystem carry out a significant assessment. Benefits to the public from stakeholders in the financial reporting ecosystem that raise awareness of emerging challenges and require more oversight, specific assessments, and documentation are clarity regarding the responsibilities of management, audit committees, regulators, standard setters, investors, auditors, and other stakeholders (Deloitte, 2020).

Previous Studies

There are not many previous studies related to laws or regulations regarding financial reporting; therefore, this study seeks to contribute to this gap. One report that describes topics related to financial reporting regulation is the World Bank report entitled Reports on the Observance of Standards and Codes (ROSC), which focuses on three policy areas: (a) Accounting and Auditing, (b) Corporate Governance, and (c) Bankruptcy and Creditors' Rights. ROSC Accounting and Auditing is the closest to the topic in this case study as it focuses on regulations related to financial reporting (World Bank, 2018). In the report, the World Bank stated that financial reporting and auditing requirements are fragmented and inconsistent across different types of entities; therefore, legislative support is essential for all financial reporting. Also, there are several agencies that carry out quality supervision and assurance activities, such as Financial Professional Development Center (PPPK or Pusat Pembinaan Profesi Keuangan), Financial Services Authority (OJK or Otoritas Jasa Keuangan), Indonesian Public Accountants Association (IAPI or Ikatan Akuntan Publik Indonesia), and Audit Board of the Republic Indonesia (BPK or Badan Pemeriksa Keuangan), but the roles and responsibilities have some overlaps and duplications.

Another study with a similar scale but a different focus from this study is Mamic-Sacer's research, which analyzed the accounting regulatory framework and the application of national standards in the European Union (hereinafter: EU) to determine the basic features of accounting standard-setting in 28 EU member countries. She found that some EU member states did not have national accounting standards, accounting principles were incorporated into corporate actions and accounting laws, and the national accounting standard-setting bodies were government organizations in almost half of the member countries (Mamic-Sacer, 2015). Besides, Hossen conducted a SWOT (Strength, Weakness, Opportunity, and Threat) analysis of the Bangladesh Financial Reporting Act. He found that all businesses need transparent financial accounting reports from small to large entities and comply with applicable standards. Also, Bangladesh Financial Reporting Act will increase investors' confidence in the capital market because they can rely on financial reports that are guaranteed transparency, accountability, and corporate governance to make investment decisions (Hossen, 2016). This study is different from previous studies as it focuses on analyzing the Bill, which will be used as the legal basis for preparing the financial report.

Research Framework

Figure 2 shows the research framework, an evaluation case study of the Indonesian Financial Reporting Bill, comparing to the Financial Reporting Acts and similar statutory published by selected countries. A comparison was made between the 2019 Bill with the

Financial Reporting Acts and similar statutory of the selected countries in the first stage. Then, the selected countries' Financial Reporting statutory against the 2019 Bill was compared.

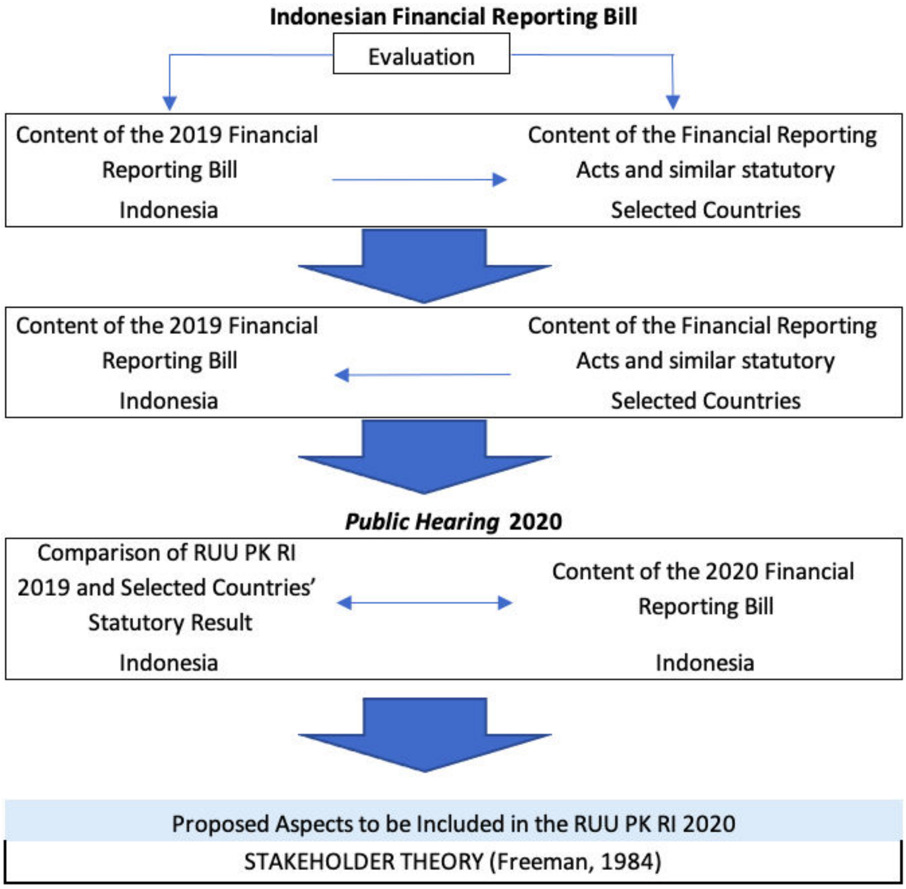


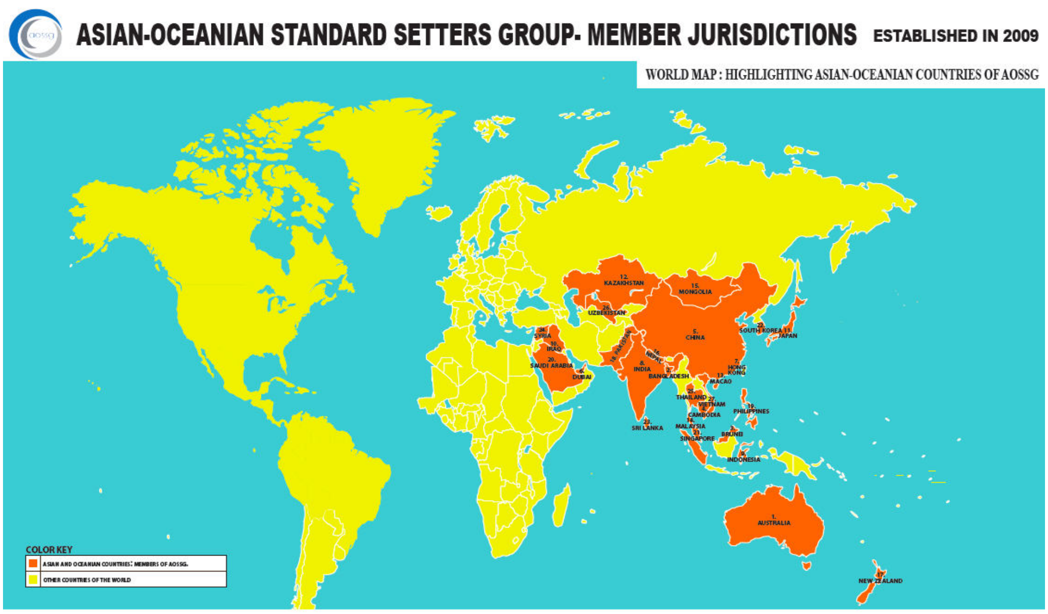
Figure 2 Research Framework
Source: Data processed

Based on this process, it was found several aspects regulated in the selected countries' Financial Reporting statutory but not yet regulated in the 2019 Bill. These aspects were then analyzed for recommendations. However, PPPK held a public hearing on the 2020 Bill at the end of December 2020, in which the content is different from the 2019 Bill. In response to the public hearing and the 2020 Bill, this study compared the results of the comparison of the 2019 Bill and the selected countries with the 2020 Bill and then analyzed the aspects proposed to be added in the Indonesian Financial Reporting Bill.

Research Method

Sampling Countries

Countries used as comparison were member countries of the Asian-Oceanian Standard-Setter Group (AOSSG), the USA, and the UK. The AOSSG comprises 27 accounting standard-setting organizations from countries in the Asia-Oceania region, as seen in Figure 3, including the Institute of Indonesia Chartered Accountants (IAI or Ikatan Akuntan Indonesia). One of the main objectives of AOSSG members is to discuss the application of International Financial Reporting Standards (IFRS) to contribute to the development and implementation of the IFRS Standards by collaborating with the governments, regulators, and related international organizations (for example, International Accounting Standards Board or IASB) to improve the quality of financial reporting (Asian Oceanian Standard Setters Group, 2020). Besides, the United States of America has the Sarbanes-Oxley Act in response to the turmoil in the U.S. capital markets resulting from bankruptcies and other accounting scandals to restore investor confidence by improving internal control, corporate governance system, and disclosure requirements, which at the same time, increasing the reliability of financial reporting (Abdullah & Al-jafari, 2011).Therefore, the Sarbanes-Oxley Act will be a good example to evaluate the Bill. Meanwhile, United Kingdom was selected because it was the first country to launch a Code of Corporate Governance in 1992, which became a Code of Best Practice (Committee on the Financial Aspects of Corporate Governance, 1992). Therefore, in this comparative study, UK was chosen to be used as a benchmark.



LIST OF ASIAN AND OCEANIAN COUNTRIES: MEMBERS OF AOSSG.

	COUNTRIES		COUNTRIES		COUNTRIES		COUNTRIES		COUNTRIES		COUNTRIES		COUNTRIES		COUNTRIES		COUNTRIES
1	AUSTRALIA	4	CAMBODIA	7	HONG KONG	10	IRAQ	13	MACAO	16	NEPAL	19	PHILIPPINES	22	SOUTH KOREA	25	THAILAND
2	BANGLADESH	5	CHINA	8	INDIA	11	JAPAN	14	MALAYSIA	17	NEW ZEALAND	20	SAUDI ARABIA	23	SRI LANKA	26	UZBEKISTAN
3	BRUNEI	6	DUBAI	9	INDONESIA	12	KAZAKHSTAN	15	MONGOLIA	18	PAKISTAN	21	SINGAPORE	24	SYRIA	27	VIETNAM

Figure 3 Asian-Oceanian Standard Setters Group Member Jurisdictions
Source: www.aossg.org (2020)

The AOSSG country members, namely the People's Republic of China and South Korea, were exempted from this study because they had a scope of regulation that in Indonesia was already regulated in Law no. 17 of 2003 concerning State Finance. Also, there were no Acts relating to financial reporting publicly available in Syria and Uzbekistan, leaving the total number of countries selected to be compared with the Bill of 24 countries and 60 documents.

Data Collection and Analysis

Data collection was carried out by downloading all the acts and similar statutory relating to financial reporting, with keywords "(name of the country selected) Financial Reporting Act". A total of sixty-nine documents were found and then analyzed the content by reading the table of contents and based on the keywords "financial reporting", "financial reports", "accounting", "accountants". Data analysis started with skimming the Bill 2019 and the Financial Reporting Acts of the selected countries. An evaluation (Ellet, 2018) was performed by comparing the contents of the Bill 2019 with the selected countries, then categorized them based on the themes compiled from the contents of the Bill 2019. Furthermore, the content found in selected countries' Acts that had not been regulated in the Bill 2019 was added to the existing theme. In the Bill drafting development, a Public Hearing was conducted by PPPK in December 2020. Bill 2019 was then compared to the Bill 2020 based on the framework of Bill 2020 and was analyzed further to recommend aspects as an insight for Bill 2020.

Result and Discussion

Comparison of the Indonesian Financial Reporting Bill

Comparison of Bill 2019 with Selected Countries' Statutory

Based on the comparison with 60 statutory from 24 selected countries and content analysis of the Bill 2019, 10 contents were obtained and classified by theme, as follows:

Theme I: The reporting entity or management

1. Reporting Entities

This aspect defines the categories of entities that are required to prepare the financial report. In Australia, all entities must disclose financial reports: public companies, large proprietary companies, and registered schemes, while in Bangladesh, only public companies are required. The categories of entities required to prepare financial reports in the State of Kazakhstan are individual companies, individual entrepreneurs, small business subjects, legal entities, big business, and public interest organizations, while in the State of Nepal, public companies are required. For New Zealand, large companies, public entities, and companies with ten or more shareholders are obliged to prepare annual reports. Besides, the Philippines requires share-issuer companies to give the annual reports within 135 days after the end of the issuer's fiscal year. The State of Singapore exempts dormant companies, Thailand requires registered partnership, limited company or public limited company, and joint venture, and Vietnam obliges representative offices of foreign companies operating in Vietnam, individual business and cooperation or joint venture. The United States of America (hereinafter: USA) governs in the Sarbanes-Oxley Act 2002 regarding public corporate's responsibility for financial reporting, and the United Kingdom (hereinafter: UK) regulates the duty of all companies to maintain accounting records in the Companies Act of 2006.

2. Preparers' Qualifications

This aspect outlines the qualification required for the financial report preparers. The state of Cambodia regulates that individual or legal entity can practice the accounting profession unless registered as a member of the professional accounting board and have a professional license(s) from the National Accounting (Cambodia, 2016). Cambodia also stipulates the Qualifications of Directors, stating that any legally competent person over 18 years old may serve as a director and not be required to be a shareholder or meet any other qualification (Cambodia, 2005). In Vietnam, a director or general director must meet the criteria to have relevant professional qualifications and business management experience (Vietnam, 2005). Meanwhile, Thailand regulates that the person charged with the accounting duty must provide accountant qualifications (Thailand, 2000).

3. Accounting Standards

This aspect obliges the preparation of financial statements to comply with the accounting standards. The state of Australia regulates that the financial report for a financial year must comply with the accounting standards (Australia, 2017). Brunei Darussalam obliges compliance with the accounting standards' requirements, which gives a true and fair view of the profit or loss arising out of the company's operation (Brunei Darussalam, 2018). Cambodia's state requires that enterprises prepare financial statements yearly in compliance with the conceptual framework and Cambodian Accounting Standards and align with the International Accounting Standards (Cambodia, 2016). Dubai also regulates that companies shall apply the International Accounting Standards and Practices upon preparing their periodical and annual accounts (Dubai, 2015). Besides, Hong Kong stipulates the financial statement that must contain a statement that it has been prepared according to the applicable accounting standards (Hong Kong, 2014).

Also, the State of India regulates that financial statements should give a true and fair view of the company's situation and comply with the accounting standards (India, 2013). Kazakhstan obliges that financial reporting be prepared according to international standards and requirements of the Republic of Kazakhstan legislation on accounting and financial reporting (Kazakhstan, 2007). Malaysia stipulates that financial statements required to be lodged under any law administered by the Securities Commission, the Central Bank, or the Registrar of Companies must be prepared in accordance with the approved accounting standards (Malaysia, 2012). In Mongolia, a business entity and organization's financial statement shall conform with the international accounting standards (Mongolia, 2002). New Zealand requires companies to ensure that the company's financial statements comply with generally accepted accounting practices (New Zealand, 1993). Meanwhile, the State of the Philippines regulates that financial statements must be consistent with generally accepted accounting principles adopted by the Accounting standards council (Philippines, 2000).

Moreover, Singapore regulates that the financial statements should comply with the Accounting Standards requirements and give a true and fair view of the company's financial position and performance (Singapore, 2006). In Sri Lanka, it is regulated that every specified business enterprise must prepare its accounts in compliance with the Sri Lanka Accounting Standards (Sri Lanka, 1995). The state of Thailand sets that a securities company shall prepare its accounts stating true and accurate business operation and financial condition, which must conform to the accounting standards (Thailand, 2019). Meanwhile, the USA instructs that financial statements must reflect all material matters under generally accepted accounting principles and regulations of the Commission (United States, 2002).

4. Signature

This aspect describes a requirement for a company’s financial statements to be approved and signed by a responsible party. Australia's law regulates this requirement; it stipulates that an annual financial report must be signed by a director of an entity (Australia, 2017). Brunei Darussalam regulates that two of the directors signed financial statements on behalf of the board (Brunei Darussalam, 2018). In Hong Kong, the company’s financial statements must be approved by the board of directors and signed on behalf of the board by the company's director (Hong Kong, 2014). The state of India requires that the Board of Directors approve financial statements before they are signed on behalf of the board, at least by the company’s chairperson (India, 2013). Kazakhstan regulates that financial reporting shall be signed by the management and the chief accountant of an organization (Kazakhstan, 2007). In Macau, the annual or accounting period accounts shall be signed by the entrepreneur (in the case of an individual) and all administrators (in the case of collective person commercial entrepreneurs) (Macau, 2000).

The State of Mongolia obliges that either the director, chairman, and head of a financial department, senior accountant of the business entity, and organization or the contracted accountant shall sign and stamp in the financial statements (Mongolia, 2002). In Nepal, the annual financial statements and the board of directors’ report should be approved by the board of directors and signed by the board of directors' chairperson and at least one director (Nepal, 2006). New Zealand regulates that an annual report must be signed on behalf of the board by two company directors (New Zealand, 1993). Vietnam State sets that financial statements must be signed by the compilers, chief accountants, and the representatives at law of the accounting units, and it must be accountable for their contents (Vietnam, 2003). In the USA, the principal executive officer(s) and the principal financial officer(s), or persons performing similar functions, should certify in each annual or quarterly report submitted (United States, 2002). Besides, the United Kingdom requires that the company's financial statements be approved by the board of directors and signed on behalf of the board by a company's director.

5. Audit

This aspect explains the requirement of financial statements of certain reporting entities to be audited by independent auditors. This requirement is also regulated by other statutory from selected countries as follows: Australia (large companies), Bangladesh (public interest entities), Brunei Darussalam (exemption for dormant companies), Cambodia (general and limited partnership, private and public limited company), Dubai (Joint Stock Companies and Limited Liability Companies), Hong Kong (listed corporations), Iraq (mixed and private companies), Malaysia (limited liability partnership and foreign limited liability companies), Mongolia (limited liability and public companies), Nepal (public companies), New Zealand (large companies (including overseas, public entity, and companies with 10 or more shareholders (with exemption)), Singapore (every company), Sri Lanka (specified business enterprises), Thailand (listed companies), Vietnam (shareholding companies), the United States (issuer or publicly traded shares companies), and the UK (exemption for small companies, dormant companies, and nonprofit-making companies subject to public sector audit).

6. Eligible Parties to Receive Financial Statements

This aspect defines the parties who are eligible to receive financial statements. The Bill 2019 states parties eligible to receive financial reports from reporting entities, namely: (a) Financial Reporting Authorities, (b) institutions that are authorized to handle the entity, and (c) other relevant stakeholders. Some of the selected countries regulate their Corporations Act regarding the shareholders' right of a financial report and/or compulsory lodge to specific regulators. The state of Australia regulates that financial statements are to be submitted to the Australian Securities and Investments Commission (hereinafter: ASIC) and be made available for all shareholders (Australia, 2017). Cambodia stipulates that a company's shareholders and creditors may examine the corporate records during the company's usual business hours and may take extracts free of charge. Payment of a reasonable fee is charged to the person who extracts information from a public limited company (Cambodia, 2005). Whereas, the State of India standardizes shareholders' right to audited financial statements and the obligation to file a copy of the financial statement company to the (companies) Registrar (India, 2013).

The state of Iraq regulates that statements and reports shall be sent to the (companies) Registrar, and shareholders have the right to obtain copies of the annual report, other statements, and reports (Iraq, 2004). In New Zealand, a company or an overseas company must register the financial statements and auditor's report to the Registrar (New Zealand, 1993). Philippines State sets shareholders' right to financial statements as required by the Commission (Philippines, 2018). Singapore stipulates that a copy of the financial statements, which is duly audited, should be sent to all persons entitled to receive notice of the company's general meetings (Singapore, 2006). Sri Lanka instructs the duty of specified business enterprises to submit to the Sri Lanka Accounting and Auditing Standards Monitoring Board a copy of the annual accounts (Sri Lanka, 1995). In Thailand, a securities issuing company should prepare the following financial statements and submit them to the SEC Office (Thailand, 2019). Meanwhile, Vietnam regulates that such shareholding companies' annual financial statements must have been audited before submission to the General Meeting of Shareholders and must be sent to the Inspection Committee for evaluation (Vietnam, 2005).

Theme II: Institutions

7. Establishment of the Financial Reporting Council

This aspect specifies the establishment, powers, and duties of the regulator in charge of financial reporting matters. Australia established ASIC to maintain, facilitate, and improve the performance of the financial system and the entities within that system and receive, process, and store efficiently and quickly the information given to ASIC. Members of ASIC is to consist of not fewer than three nor more than eight members and must have experience in one or more of the following fields: (a) business; (b) administration of companies; (c) financial markets; (d) financial products and financial services; (e) law; (f) economics; (g) accounting (Australia, 2018).

In Bangladesh, the regulator in charge of financial reporting matters is the Financial Reporting Council (hereinafter: FRC), with one of the objectives to enhance the reliability of the financial reports by setting necessary regulations, standard guidelines, and codes. FRC also ensures the qualitative standard of financial reporting, accounting, and auditing enforcement, as well as the compliance of reporting requirement, and gives recommendation or advice to the government about the financial and nonfinancial report, financial statement, annual report, accounting and auditing, or subjects related (Bangladesh, 2015). In the State of Hong Kong, the establishment of Financial Reporting Council monitors the compliance by listed entities of regulatory requirements for financial reports; the members of the FRC must have knowledge in accounting, auditing, finance, banking, law, administration, or management (Hong Kong, 2020). Besides, Nepal State regulates Nepal Securities Board's establishment to get the financial statements and financial reports submitted by any corporate body having issued securities to be reviewed or examined by accounts experts as required (Nepal, 2007). Whereas, Philippines State stipulates Securities and Exchange Commission's function to develop and implement an electronic filing and monitoring system, including submission of reports (Philippines, 2018).

In Singapore State, the establishment of Accounting and Corporate Regulatory Authority functions to establish and administer a repository of documents and information relating to business entities and provide access to the public to such documents and information (Singapore, 2005). In Sri Lanka, there is Sri Lanka Accounting and Auditing Standards Monitoring Board who receive and examine reports from specified business enterprises to determine whether it has been prepared in compliance with the Sri Lanka Accounting Standards (Sri Lanka, 1995). Meanwhile, Vietnam establishes the State administration of enterprises, whose functions are to examine, inspect, and deal with breaches of the observance of business conditions, organizing the administration of business operation, formulating the system of Vietnamese Standards, and dealing with offenses of quality standards (Vietnam, 2005).

8. Financial Accounting Standards Board

This aspect identifies the board's establishment, powers, and duties in charge of preparing the accounting or financial reporting standards. In Australia, Australia Accounting Standards Board (hereinafter: AASB) is the party in charge to make accounting standards (Australia, 2017), while the FRC oversees the processes for setting accounting and auditing standards but does not have the power to direct the AASB concerning the development or making of a particular standard (Australia, 2018). In Bangladesh, the power and functions of the FRC are to set, implement, and ensure compliance with internationally accepted quality standards set by the International Accounting Standards Board (IASB), International Auditing and Assurance Standards Board (IAASB), or related other international bodies (Bangladesh, 2015). Then, the State of Cambodia regulates the establishment of the National Accounting Council (hereinafter: NAC), and one of its functions is to prepare, update, and approve drafts of accounting and auditing standards and their enforcement (Cambodia, 2016). Whereas, India sets that the Central Government may prescribe the standards of accounting as recommended by the Institute of Chartered Accountants of India, in consultation with and after examining the recommendations made by the National Financial Reporting Authority.

The state of Malaysia regulates the establishment of the Malaysian Accounting Standards Board as the standard-setting body whose function is to determine and issue accounting standards to prepare financial statements (Malaysia, 2012). Mongolia State orders that the Central State Administrative Body organize the implementation of legislation on accounting and monitor its fulfillment to develop the accounting standard in conformity with the International Accounting Standard (Mongolia, 2002). In New Zealand, the External Reporting Board's functions are to prepare and issue financial reporting standards (New Zealand, 2018). Meanwhile, the Philippines State establishes Financial Reporting Standards Council (FRSC) as an accounting standard-setting body and the Auditing and Assurance Standards Council (AASC) as an auditing standard-setting body (Philippines, 2003).

In Singapore State, the Accounting Standards Council's establishment functions to formulate accounting standards (Singapore, 2008). In Sri Lanka, it regulates that Accounting Standards Committee make recommendations and assist the Institute of Chartered Accountants of Sri Lanka in adopting accounting standards (Sri Lanka, 1995). Besides, the State of Thailand legalizes that accounting standards are set by the Institute of Certified Accountants and Auditors of Thailand and the Federation of Accounting Professions (Thailand, 2000). Vietnam stipulates that the Ministry of Finance should prescribe the accounting standards based on international accounting standards (Vietnam, 2003).

9. Professional Association Institutions

This aspect defines the establishment, powers, and duties of the professional association institution that supports financial reporting. The state of Bangladesh regulates the incorporation of a body corporate by the name of the Institute of Chartered Accountants of Bangladesh (Bangladesh, 1973). In Cambodia, the accounting and auditing professions shall be governed and supported by only one professional body, and individuals or legal entities can be accountants and/or auditors only if registered in the list of members of the accounting and auditing professional body (Cambodia, 2016). The state of India stipulates the incorporation of the Institute of Chartered Accountants of India (Institute of Chartered Accountants of India, 2013). Kazakhstan polices that professional organization has rights to participate in the development of national standards and participate in developing regulatory legal acts on issues of accounting and financial reporting (Kazakhstan, 2007). In the State of Malaysia, it establishes Malaysian Institute of Accountants, and it functions to determine the qualifications association members, provide for the training and education of persons practicing or intending to practice the profession of accountancy, approve and supervise the qualification examination, and regulate the practice of the profession of accountancy in Malaysia (Malaysia, 2016).

New Zealand establishes an Accountants' association under the name New Zealand Institute of Chartered Accountants (New Zealand, 2013). Pakistan State regulates the incorporation of the Institute of Cost and Management Accountants of Pakistan as an Accountants Association Institution (Institute of Cost and Management Accountants of Pakistan, 2014). In Thailand, the Federation of Accounting Professions has the objectives to promote and develop the accounting professions and promote unity and uphold honor of members and provide welfare and assistance among members (Thailand, 2000). In the UK, it is regulated in the Companies Act that one of the qualifications of public companies secretary is that he/she is a member of any of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in Ireland, the Institute of Chartered Secretaries and Administrators, the Chartered Institute of Management Accountants, and the Chartered Institute of Public Finance and Accountancy (United Kingdom, 2006).

Theme III: Legal Aspects

10. Forms of Violation, Investigation, and Penalty

This aspect explains the forms of violation and the consequences regarding financial reporting. The state of Australia regulates that falsifying information and concealing books relevant to the investigation are violations and subjected to sanctions (Australia, 2018). In Bangladesh, if any director, manager, officer, or contributory of any company destroys or alters of fraudulently any books papers or is privy to the making of any fraudulent entry belonging to the company with the intent to deceive any person, he shall be liable to fine and imprisonment of maximum seven years (Bangladesh, 1994). Brunei Darussalam stipulates that for any unqualified person actions as a director of the company, he shall be liable to a fine of $50 for every day between the day he ceased to be qualified and the earliest day on which it is proved that he acted as a director (Brunei Darussalam, 2018). In Cambodia, a person who makes or assists in making a misleading report is guilty of an offense, as well as a company that without reasonable cause fails to send copies of financial statements to shareholders (Cambodia, 2005). Dubai sets that concealing the company's true financial position is subjected to imprisonment and fines (Dubai, 2015).

In Hong Kong, it is regulated that a person knowingly or recklessly provides any misleading, false, or deceptive information in a particular material is a form of violation and punished to a fine and imprisonment. In India, giving false statements, falsifying, and destroying documents during the course of inspection or investigation will be imprisoned (India, 2013). The state of Iraq regulates that failure to submit the required statements and information will be subject to punishment of a fine of not more than 300,000 dinars for every day of delay, and company official who purposely gives inaccurate information will be subject imprisonment for a period of not more than one year, or a fine of not more than 12,000,000 dinars, or both (Iraq, 2004). Besides, the State of Mongolia regulates that if a business entity fails to maintain accounting records and prepare financial statements, a fine of 30000 – 60000 tugrugs shall be imposed upon officials and 60000 - 250,000 tugrugs the entity (Mongolia, 2002). In Nepal, the officers who prepare any false annual financial statements and the directors who approve shall be liable to punishment (Nepal, 2006). Meanwhile, New Zealand regulates that if a company's financial statements are not completed and signed within the time specified or fail to comply with an applicable financial reporting standard, the company is liable on conviction to a fine maximum of $50,000 (New Zealand, 1993).

In Pakistan, where a company has committed an offense with the consent or due to any neglect of the director, manager, secretary, or other officers of the company, such persons shall also be deemed guilty and punished accordingly (Institute of Cost and Management Accountants of Pakistan, 2014). Whereas, the State of Philippines regulates that any person willfully certifies a report, knowing it contains incomplete, inaccurate, false, or misleading information or statements, shall be punished with a fine ranging from ₱20,000.00 to ₱200,000.00. When the wrongful certification is injurious to the public, the punishment will be ranging from ₱40,000.00 to ₱400,000.00 (Philippines, 2018). In Sri Lanka, any person or a party to the destruction or falsification of any register, accounting records, book, paper, or other document belonging to a company shall be guilty of an offense and liable to a fine maximum of one million rupees or a term of imprisonment maximum five years or both (Sri Lanka, 2007). Thailand makes regulations that any person who makes a false entry or modifies supporting documents to distort the company's true condition shall be liable to imprisonment maximum of two years or a fine maximum of forty thousand Baht, or both (Thailand, 2000). Besides, Vietnam State describes the forms of violation such as forging, falsely declaring, not recording in accounting books, destroying or deliberately damaging accounting records before archival time limit, and threatening on accountants in the duty of accounting work (Vietnam, 2003). In the USA, tampering or concealing a record or document and obstructing or influencing any official proceeding, or attempts to do so, shall be fined or imprisoned not more than 20 years, or both (United States, 2002). Lastly, the UK regulates that it is an offence for knowingly or recklessly deliver to the Registrar, a document that is misleading or deceptive in a material matter. This offence is subject to imprisonment maximum two years or a fine, or both (United Kingdom, 2006).

Table 1 Bill 2019 Compared to Selected Countries' Statutory

Theme	Content	Countries
Reporting Entity/ Management	Reporting Entities	Australia, Kazakhstan, Nepal, New Zealand, Philippines, Singapore, Thailand, Vietnam, the USA, and the UK
	Preparers' Qualification	Cambodia, Thailand, and Vietnam
	Accounting Standards	Australia, Brunei Darussalam, Cambodia, Dubai, Hong Kong, India, Kazakhstan, Malaysia, Mongolia, New Zealand, Philippines, Singapore, Sri Lanka, Thailand, and the USA
	Signature	Australia, Brunei Darussalam, Hong Kong, India, Kazakhstan, Macau, Mongolia, Nepal, New Zealand, Vietnam, and the USA
	Audit	Australia, Bangladesh, Brunei Darussalam, Cambodia, Dubai, Hong Kong, Iraq, Malaysia, Mongolia, Nepal, New Zealand, Singapore, Sri Lanka, Thailand, Vietnam, the USA, and the UK
	Entitlement to Receive Financial Statements	Australia, Cambodia, India, Iraq, New Zealand, Philippines, Singapore, Sri Lanka, Thailand, and Vietnam
Institution	Establishment of the Financial Reporting Council	Australia, Bangladesh, Hong Kong, Nepal, Philippines, Singapore, Sri Lanka, and Vietnam
Institution	Financial Accounting Standards Board	Australia, Bangladesh, Cambodia, Malaysia, Mongolia, New Zealand, Philippines, Singapore, Sri Lanka, Thailand, and Vietnam
	Professional Association Institutions	Bangladesh, Cambodia, India, Kazakhstan, Malaysia, New Zealand, Pakistan, Thailand, and the UK
Legal Aspects	Forms of Violations, Investigation, and Penalty	Australia, Bangladesh, Brunei Darussalam, Cambodia, India, Iraq, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam, USA, and the UK

Source: Data Processed

Comparison of Selected Countries' Statutory with Bill 2019

After categorizing the content of the Bill 2019, the content analysis continued to the selected countries' Acts and statutory. Six contents relating to financial reporting were founded to be regulated in the selected countries' Acts and statutory that had not been regulated in the Bill 2019. They were then categorized according to the themes built from the structure of the Bill 2019, as follows:

Theme I: Reporting Entities or Management

1. Reporting Entity Classification

This aspect regulates the criteria that classify entities based on their business scale. The State of Australia regulates differences in small or large entities and financial records based on different groups of entities (Australia, 2017). Hong Kong regulates classification based on the company's total revenue, total assets, and the average number of company employees (Hong Kong, 2014). Meanwhile, the State of New Zealand regulates financial reporting levels for various classes of reporting entities (New Zealand, 2018).

2. Internal Control

The internal control aspect polices that the reporting entity has a good internal control system because it affects the quality of the financial reports produced. The State of India has laws regarding internal audits (India, 2013), and the State of Iraq also has laws and regulations regarding internal audits (Iraq, 2004). Besides, the State of Kazakhstan stipulates that management must ensure the organization of internal control (Kazakhstan, 2007), while the State of Macau regulates credit institutions must maintain well-organized accounting records, good administrative structures, and systems that are adequate internal control (Macau, 1993). The State of Mongolia governs internal audits and the rights and obligations regarding internal audits (Mongolia, 2002). The Philippines requires that every securities class entity must have and maintain an adequate system of internal accounting controls to provide reasonable assurance (Philippines, 2000). The State of Singapore also requires that every public company and subsidiary design and maintain an adequate internal accounting system to provide adequate assurance (Singapore, 2006). Meanwhile, the United States regulates public accountants' responsibility and corporate responsibility for financial reports (United States, 2002).

3. Good Governance

This section is regulated in regulations and laws in the context of the reporting entity's responsibilities in carrying out its business operations. The State of Australia regulates access to directors (Australia, 2017), the State of Cambodia regulates the rights of directors and the approval of the annual financial report and the signatures of one or more directors (Cambodia, 2005), and the State of Nepal regulates the audit committee

(Nepal, 2006). The State of New Zealand stipulates that company directors must act in good faith and the company's best interest (New Zealand, 1993). The State of Vietnam regulates supervisors in a company and their rights and duties (Vietnam, 2005). The United States sets the audit committee of public companies (United States, 2002), and the United Kingdom regulates the Authorities that can make rules, corporate governance concerning issuers, and criminal acts and fines related to corporate governance (United Kingdom, 2006).

Theme II: Institution, Professional Association category

4. Practice Monitoring Program

This section regulates practical supervision by professional associations for accountants in business or internal accountants for reporting entities. The State of India regulates the Establishment of a Quality Review Board (India, 1959), while the State of Thailand prohibits the practice of the accounting or accounting profession unless it is a member or has been registered by the Accounting Professional Federation, as well as the powers and duties of the Accounting Profession Supervisory Commission (Thailand, 2004). Vietnam regulates accounting inspection, which contains checking the performance of the content of accounting work and the professional association institution, examining management organization and accounting practices and ensuring accounting compliance with other legal provisions (Vietnam, 2003).

Theme III: Legal Aspects

5. Appeal

The appeal provides for further action if the reporting entity does not accept the provisions of the authority. The State of Bangladesh regulates the appeal against the Council's decision and the establishment of the Authority of Appeals (Bangladesh, 2015). The state of Hong Kong regulates that a company may appeal to the Administrative Appeals Board within three weeks after an indictment (Hong Kong, 2014). It is an essential insight as the Bill will appoint a system operator (Penyelenggara Sistem) for conducting the administration duties of reporting entities that there should be an independent body for the reporting entities to appeal when there is no agreement between the reporting entities and system operator in a case of a dispute. However, this aspect exceeds this study's scope and is more appropriate to be discussed further from Law's perspective.

6. Legal Protection

In the context of ensuring legal protection for the authority in carrying out its obligations related to these laws and regulations and for employees or stakeholders related to the reporting entity, the example is reporting indications of law violations by the reporting entity. Legal protection for the authority in carrying out its obligations is regulated by the State of Brunei Darussalam, namely protection from personal responsibility and the minister's power to release (Brunei Darussalam, 2010). The state of Hong Kong regulates regarding immunity for the Registrar and public officials from civil liability and civil action in respect of anything done in good faith (Hong Kong, 2014).

The State of India provides protection against actions taken in good faith (Institute of Chartered Accountants of India, 2013), the State of Malaysia regulates protection against prosecution, and due process (Malaysia, 2012), the State of Pakistan has protection against actions taken in good faith (Institute of Cost and Management Accountants of Pakistan, 2014), the State of Singapore protects against lawsuits or other legal proceedings (Singapore, 2005), and the State of Sri Lanka guarantees no prosecutions shall be placed against the Council for any act in good faith carried out or intended to be carried out by the Council under this Law or at the direction of the Commission (Sri Lanka, 1995, 2009). Also, for employees or stakeholders related to reporting entities regulated in the United States of America laws, protection is for employees of public companies who provide evidence of fraud and retaliation against informants (United States, 2002). Nevertheless, this aspect exceeds this study's scope and is more appropriate to be discussed further in Law's perspective.

Table 2 Selected Countries' Statutory Compared to RUU PK RI 2019

Theme	Content	Countries
Reporting Entity/ Management	Reporting Entity Classifications	Australia and New Zealand
	Good Corporate Governance	Australia, Cambodia, Iraq, Nepal, New Zealand, Singapore, the USA, and the UK
	Internal Control	Cambodia, India, Iraq, Japan, Kazakhstan, Macau, Mongolia, Philippines, Singapore, Thailand, Vietnam, and the USA
Institution	Practice Monitoring Program	Brunei Darussalam, Cambodia, India, Iraq, Mongolia, Nepal, Sri Lanka, Thailand, and Vietnam
Legal Aspects	Appeal*	Bangladesh and India
	Legal protection*	Brunei Darussalam, Cambodia, India, Macau, Malaysia, Singapore, Sri Lanka, and the USA

Source: Data Processed
* Exceeds the scope of the study, will not be analyzed further

Comparison of RUU PK RI 2019 and Selected Countries' Statutory with the RUU PK RI 2020

The comparison with selected countries resulted in six aspects regulated in the statutory documents of selected countries, which were not regulated yet in the RUU PK RI 2019. However, in the RUU PK RI drafting development, a public hearing on the RUU PK RI was held in December 2020 by the Financial Professional Development Center (PPPK or Pusat Pembinaan Profesi Keuangan), and the RUU PK RI 2020 has accommodated several aspects so it will not be discussed further. These aspects include:

1. Entity Group Aspects
2. Internal Control
3. Good Governance
4. Development and Supervision

Several aspects were previously regulated in the RUU PK RI 2019 but are now no longer regulated or different in the RUU PK RI 2020; these aspects would be analyzed further. The first is Professional Associations, previously regulated in articles 1, 2, 20 and 37 of the RUU PK RI 2019, but not regulated in the RUU PK RI 2020. The second is about Financial Report Standard Committee and the Consultative and Supervisory Committee, previously regulated in articles 1 and 19 of the RUU PK RI 2019 concerning the Institute of Indonesia Chartered Accountants' Financial Accounting Standards Board (hereinafter: DSAK) but later changed to the Financial Report Standard Committee (KSLK or Komite Standar Laporan Keuangan) in the RUU PK RI 2020 article 23 and 24. Third, Accountant Certification was previously regulated in article 20 of the RUU PK RI 2019 but not regulated in the RUU PK RI 2020. Lastly, appeal and legal protection had not been regulated in the RUU PK RI 2019 and has not completely regulated in the RUU PK RI 2020 (article 27 paragraph 3). However, these aspects exceed this study’s scope and are more appropriate to be discussed further in Law’s perspective.

Proposed Aspects to be Included in the RUU PK RI 2020

Standard-Setting Board

In Indonesia, the party that carries out the function of preparing financial reporting standards for private entities in Indonesia is the Dewan Standar Akuntansi Keuangan, hereinafter referred to as DSAK and is part of the IAI, with the task to perform the formulation, development, and approval of the framework for the preparation and presentation of financial statements, Financial Accounting Standards (SAK), Interpretation of SAK (ISAK), revocation of SAK, technical bulletin, and other products related to SAK. DSAK also responds to questions from the government, authorities, associations, and foreign institutions related to SAK (Institute of Indonesia Chartered Accountants, 2020a).

DSAK members go through an open selection process and serve for four years. DSAK is formed and responsible to the IAI National Executive Board, hereinafter abbreviated as DPN IAI (Dewan Pengurus Nasional). Figure 4 displays the IAI organization structure, consisting of the Advisory Board, the DPN IAI, and the Honorary Council (Majelis Kehormatan). The Advisory Board functions to provide direction and advice to the National Governing Council IAI and is responsible to Congress. The DPN IAI is a management structure at the national level, responsible to the Congress, organizes and oversees the Governing Body (Kelengkapan Kepengurusan), Compartments, and IAI Region. The Honorary Council is a judicial body at the appellate level and is responsible to Congress.

Figure 4 exhibits clearly the separation of duties and responsibilities from the Financial Accounting Standards Board (DSAK) as the standard drafting party and the Financial Accounting Standards Consultative Board (DKSAK, Dewan Konsultatif Standar Akuntansi Keuangan) that provides direction and priority scale for the choice of standards and interpretations to be applied to DSAK. DKSAK can also provide considerations regarding the appointment and dismissal of DSAK members and raise funds in the framework of preparing financial accounting standards. There are three functions called the three-tier governance structure: (1) supervision, (2) governance and funding, and (3) standard-setting. In IAI's organizational structure (Figure 4), the supervisory and governance and funding functions are carried out by DKSAK, while the DSAK does the standard-setting function. It is then called a two-tier governance structure, meaning that two separate organs carry out three functions. Ideally, the three functions (supervision, governance and funding, and standard-setting) run separately and are carried out by three separate organs to minimize conflicts of interest (IFRS Foundation, 2018), as adopted by the IFRS Foundation in Figure 6.

In the RUU PK RI 2020, there are regulations regarding System Operator in Article 20, Financial Report Standard Committee (KSLK or Komite Standar Laporan Keuangan) in Article 23, and Consultative and Supervisory Committees in Article 24.

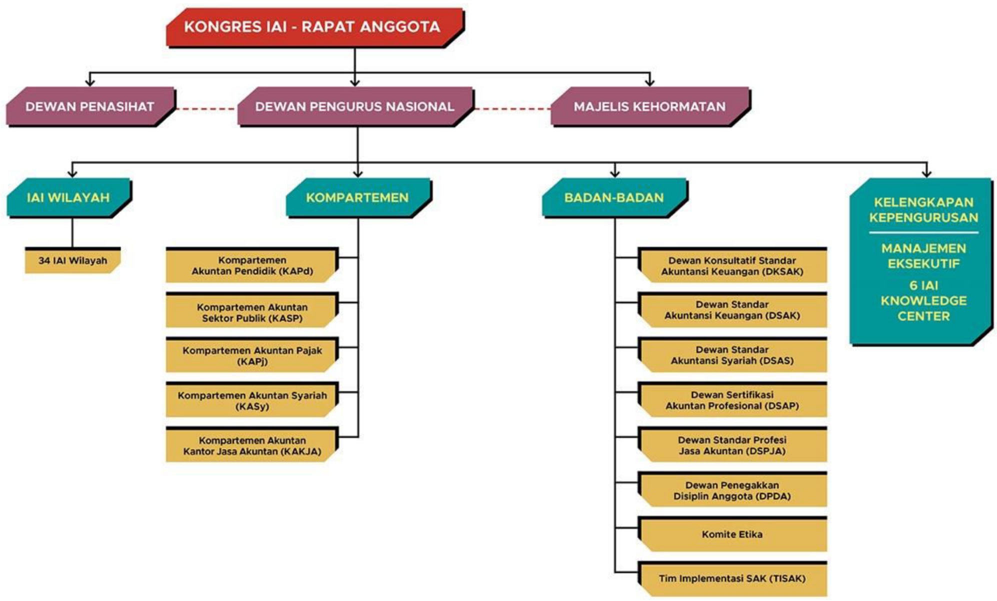


Figure 4 Institute of Indonesia Chartered Accountants Organizational Structure
Source: Institute of Indonesia Chartered Accountants (2020)

The System Operator has the authority to organize a reporting system, foster and supervise Reporting Entities coordinated by Ministries and/or Institutions that have the authority according to the provisions of laws and regulations, receive, review, and manage Financial Report data (administration), and propose membership of the Standards Committee. Article 23 describes that the Financial Reporting Standards Committee is (1) recommended by the minister and established through a Presidential Decree and (2) responsible for compiling and stipulating and other tasks related to the formulation and implementation of Standards. The consultative and supervisory committee is formed by the minister and is tasked with providing consultation, opinion, and supervising the preparation and standard-setting. An illustration can be obtained from the RUU PK RI 2020, as shown in Appendix 1.

From Appendix 1, it appears that the KSLK will replace the DSAK in formulating and implementing accounting standards and other duties related to it. However, there is influence from the System Operator, namely in:

1. Proposing membership of the Standards Committee (Article 20 paragraph 2d)
2. Evaluating the preparation and applicability of the Standard (Article 20 paragraph 2e)
3. Carrying out studies on the development and application of the Standards (Article 20 paragraph 2f)

This influence impacts the independence of the KSLK, which should be an independent body in preparing and implementing financial reporting standards used by the reporting entities (including State-Owned Enterprises/BUMN and Regional-Owned Enterprises/BUMD). However, KSLK members are recommended by the System Operator, which is a government institution compared to DSAK IAI members who go through an open selection process. This process guarantees more of the competence and independence of members of standard compilers of financial statements.

IFRS Foundation as the best practice has a three-level governance structure, as shown in Figure 5; standard-setter consists of experts (International Accounting Standards Board or IASB), containing 14 members from various countries and backgrounds: academia, the accounting profession, investment, financial reporting, regulation, and standard-setting. The board issues IFRS and IFRS Standards for MSME Standards (IFRS Foundation, 2018) and is overseen by Trustees from around the world (IFRS Foundation Trustees), who ensure that the organization follows the processes set out in the Due Process Handbook. The Trustees are responsible to the public authority's monitoring board.

Figure 5 IFRS Foundation Organizational Structure
Source: IFRS Foundation Financial Report (2018, p. 17)

The IFRS Advisory Council provides advice to Trustees and the Board (International Financial Reporting Standards Foundation, 2017). Based on the analysis, the recommendations related to the financial reporting are as follows:

The System Operator focuses more on fostering and supervising Reporting Entities in coordination with the competent Ministries and/or Agencies in accordance with applicable laws (Article 20 paragraph 2b), receiving, reviewing, and managing Reporting Entity Financial Report data (Article 20 paragraph 2c) and a Reporting System (Article 20 paragraph 2a), an integrated one gate financial reporting electronic information system (Article 1).

There is no need to establish a Financial Report Standard Committee (KSLK) because it has been well managed by the Financial Accounting Standards Board (DSAK IAI). Comparison of standard setters for financial statements of other countries also reveals that the countries of Pakistan (Institute of Chartered Accountants of Pakistan (ICAP)), Sri Lanka (Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)), and Thailand (Federation of Accounting Professions (FAP)) also apply the same. If KSLK still is formed, then (a) the selection of members is open and not assignment or recommended by the minister or recommended by the System Operator, and (2) it is recommended that a three-tier governance structure be established: (a) supervision, (b) governance and funding, and (c) standard-setting.

Accountant Certification

In the RUU PK RI 2020, there is no regulation regarding accountant certification, but in article 10 (1), it is stated that the Preparer of Financial Statements for Specific Reporting Entities must be a registered accountant held by the Minister. Regarding Registered Accountants, it is regulated in the Regulation of the Minister of Finance of the Republic of Indonesia Number 216/PMK.01/2017 Article 2, which states that one of the requirements to be registered as a Registered Accountant is to have proof of passing the accounting profession certification exam organized by the Accountant Professional Association, which in Indonesia, there are professional accountants (IAI), public accountants (IAPI), and management accountants (IAMI, Ikatan Akuntan Manajemen Indonesia) that are national and recognized by the minister (Ministry of Finance, 2017). Based on the Decree of the Minister of Finance of the Republic of Indonesia Number 263/KMK.01/2014 concerning the Establishment of the Institute of Indonesia Chartered Accountants (IAI) as the Professional Accountants Association, IAI is responsible for holding professional accountant certification examinations and issuing professional accountant certificates (Ministry of Finance, 2014a). It strengthens the argument that the RUU PK RI 2020 regulates the Professional Association as an institution that prepares its members to become part of the financial reporting support professionals. Figure 6 exhibits the path that must be followed to become a registered accountant (Institute of Indonesia Chartered Accountants, 2020b).

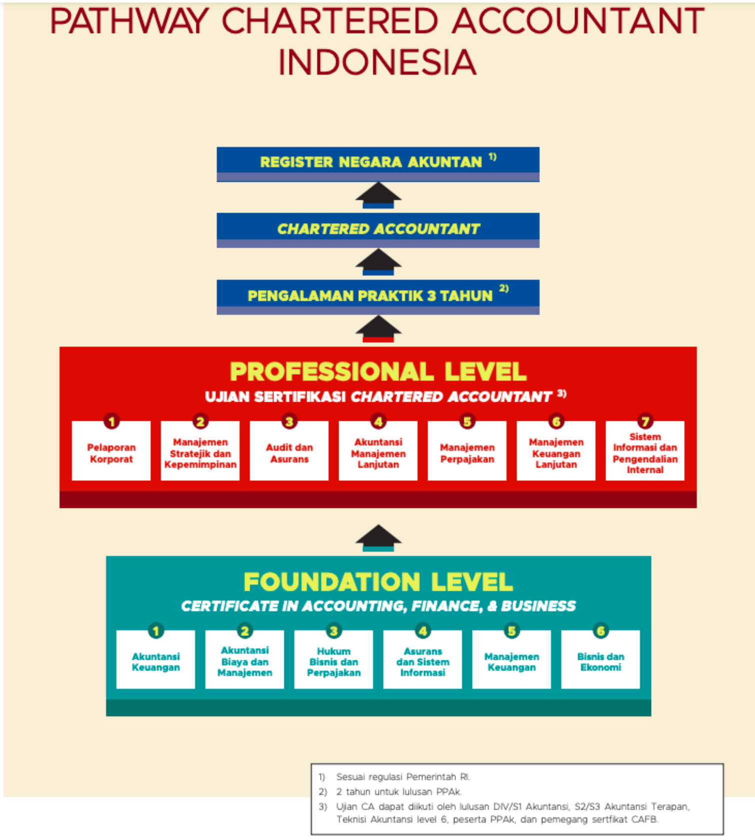


Figure 6 Pathway to Become a Registered Accountant
Source: Institute of Indonesia Chartered Accountants (2020b, p. 10)

This study conducted comparisons with selected countries, including aspects of accountant certification regulated in their laws and regulations, and found that India has the Law on Companies in 2013 and the Cost Accountants and Working Accountants Act 1959; the State of Kazakhstan has the Law on Accounting and Financial Reporting in 2007; the State of Pakistan has the Law on Management and Cost Accountants in 1990; the Philippines had the Law on Accounting Practices in 2003; the State of Thailand has the law on the Accounting Profession; the State of Vietnam has the law on Accounting Law regulating about Accountant Certification. Therefore, it is recommended that the RUU PK RI has regulations regarding Professional Associations, including the aspect of Accountant Certification, which is a requirement for financial reporting preparers to be Registered Accountants.

Practice Monitoring Program

In the RUU PK RI 2019, there are regulations regarding Professional Associations (Chapter VII) or Professional Organizations (Indonesia, 2019). The RUU PK RI 2020 regulates Financial Reporting Supporting Professionals (Chapter VIII, Article 26), but there are no regulations related to Professional Associations that play a role in overseeing these Financial Reporting Supporting Professionals (Indonesia, 2020). The

Practice Monitoring Program aspect in this research's context is a program by the Professional Accountants Association in supervising the practice of its members, Accountants in Business, or internal accountants.

Four countries regulate aspects of the Practice Monitoring Program in their laws and regulations. India, in the Act of Working Accountants and Cost and Works Accountants of 1959, established a Quality Review Board, which is the same as PPPK of the Republic of Indonesia, which guides members of the Institute (same with the Institute of Indonesia Chartered Accountants (IAI)) to improve the quality of practice and compliance with professional regulations. In the 1995 Law on Accounting and Auditing Standards, Sri Lanka established the Accounting and Auditing Standards Supervisory Agency. Thailand in the Accounting Professional Act in 2004 regulates the requirement for all professional accountants to be members of or registered in the Accounting Professional Federation, qualifications, and prohibitions of accountants, as well as the Accounting Profession Supervisory Commission, which is the same as PPPK of the Republic of Indonesia to oversee the performance of the Accounting Professional Federation (the same as the Indonesian Accounting Association). In the Accounting Law in 2003, Vietnam established a body that regulates inspection based on law, the content of the examination, and the responsibilities and rights of the party being examined or supervised.

The second part of article 10c of the RUU PK RI 2019 concerning the functions, duties, and powers of the Financial Reporting Authority states that the function of the OPK is to supervise Reporting Entities. It means that the OPK will supervise the Reporting Entities, including all financial reporting activities and outputs, namely financial reports. However, it indicates that OPK does not function to supervise the practice of accountants as compilers of financial reports because accountants are under the auspices of the Institute of Indonesia Chartered Accountants (IAI) and are fostered and supervised by PPPK on behalf of the Ministry of Finance which has authority over the accounting profession (in which, there are Practical Accountants and Public Accountants), the Appraisal profession, and the Actuarial profession (Financial Professional Development Center, 2020).

Chapter 7 Article 20 paragraph 2g concerning the Professional Association of Accountants states that the Professional Association of Accountants must meet the criteria, one of which is "having organizational mechanisms to enforce discipline for its members". It means that the RUU PK RI 2019 only regulates the criteria so that the Republic of Indonesia can recognize the Professional Association of Accountants' functions. Thus, the supervision of accounting practices by the Professional Association of Accountants for its members, namely Accountants in Business or internal accountants for reporting entities under the Professional Accountants Association's auspices, has not been regulated in the RUU PK RI 2019.

In its development, the RUU PK RI 2019 was revised and reported publicly through the Public Hearing by PPPK to become the RUU PK RI 2020 and has accommodated the guidance and supervision of the financial reporting supporting professions, namely in

Article 20g and Article 26 (2). However, there are some overlapping powers, as shown by Panel A in Figure 7. In article 20g, System Operator develops and supervises financial reporting supporting professions. Article 26 (2) states that the minister's financial reporting supporting profession is fostered and supervised. Regulation of the Minister of Finance Number 206/PMK.01/2014 concerning the Organization and Work Procedure of the Ministry of Finance establishes PPPK as an institution for the preparation of policy formulations, guidance, development, and supervision of the financial profession: Accountants, Public Accountants, Accounting Technicians, Appraisers, Public Appraisers, and Actuaries (Ministry of Finance, 2014b).

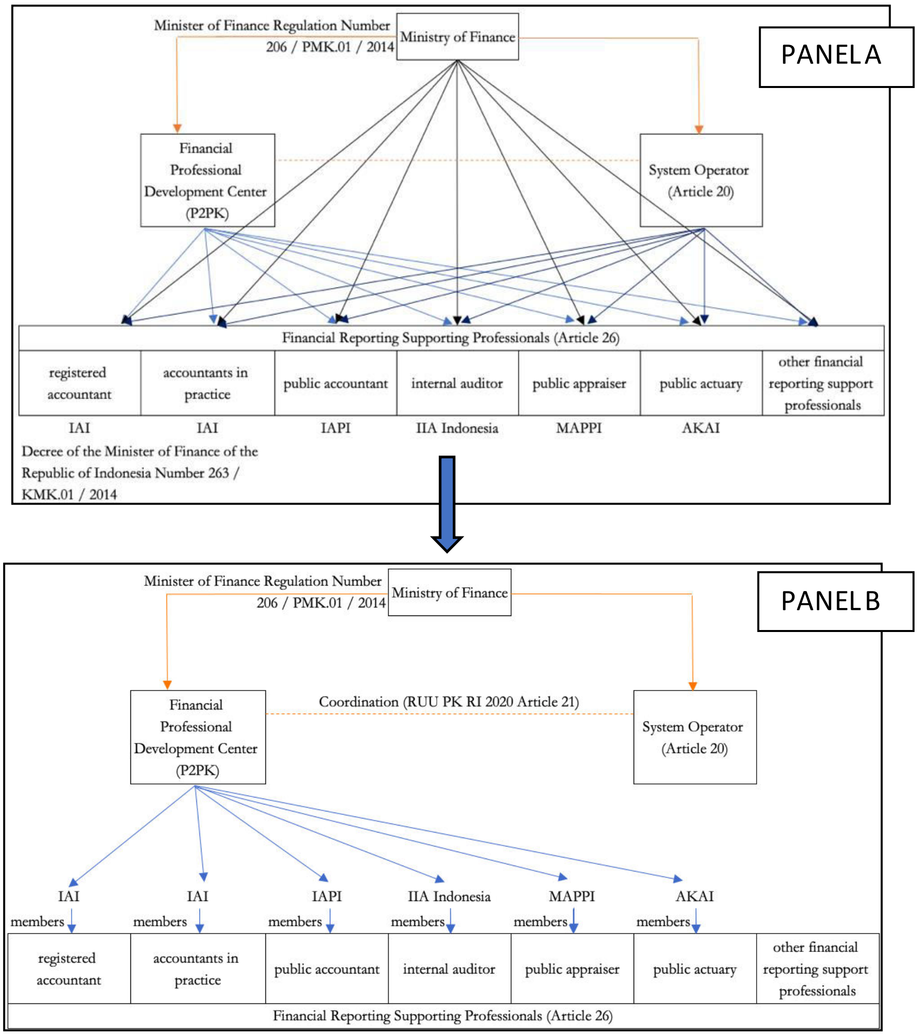


Figure 7 Diagram of the Authority for Trustees and Supervisors of Financial Reporting Supporting Professionals
Source: Data processed

Based on the Decree of the Minister of Finance of the Republic of Indonesia Number 263/KMK.01/2014 concerning the Establishment of the Institute of Indonesia Chartered Accountants (IAI) as the Professional Accountants Association, IAI has the responsibility to provide continuing professional education and implement discipline for its members (Ministry of Finance, 2014a). Panel B in Figure 7 shows that IAI will be more effective in fostering and supervising its members who are included in the financial reporting support profession and other financial reporting support professional associations. PPPK, as an institution authorized by the minister, is recommended to coordinate with professional associations in supervising its members who are preparers of financial reports. Meanwhile, PPPK coordinates with System Operators whose primary focus is to foster and supervise reporting entities. Therefore, both reporting entities and compilers of financial statements can be fostered together to improve financial reporting quality. This study recommends that IAI and other professional associations have a practice monitoring program for members under its auspices and coordinate with PPPK on behalf of the Ministry of Finance. The System Operator should also implement a monitoring program and mechanism for reporting entities.

Conclusion

The difference in ownership structure and management of an entity causes agents or management to have more information because they carry out operational activities with the potential to exploit this information asymmetry for personal gain (Jensen & Meckling, 1976; Scott, 2015). A financial report is a form of accountability from the agent/management to the principal/owner who has authorized and functions to bridge information asymmetry. Therefore, the preparation and disclosure of information in the financial statements must be regulated, in this case, by the government as the regulator. Because the entity is influenced by and influences many parties (stakeholders) in carrying out its business activities (Freeman, 1984), regulations related to financial reporting should also cover and protect all reporting entity stakeholders.

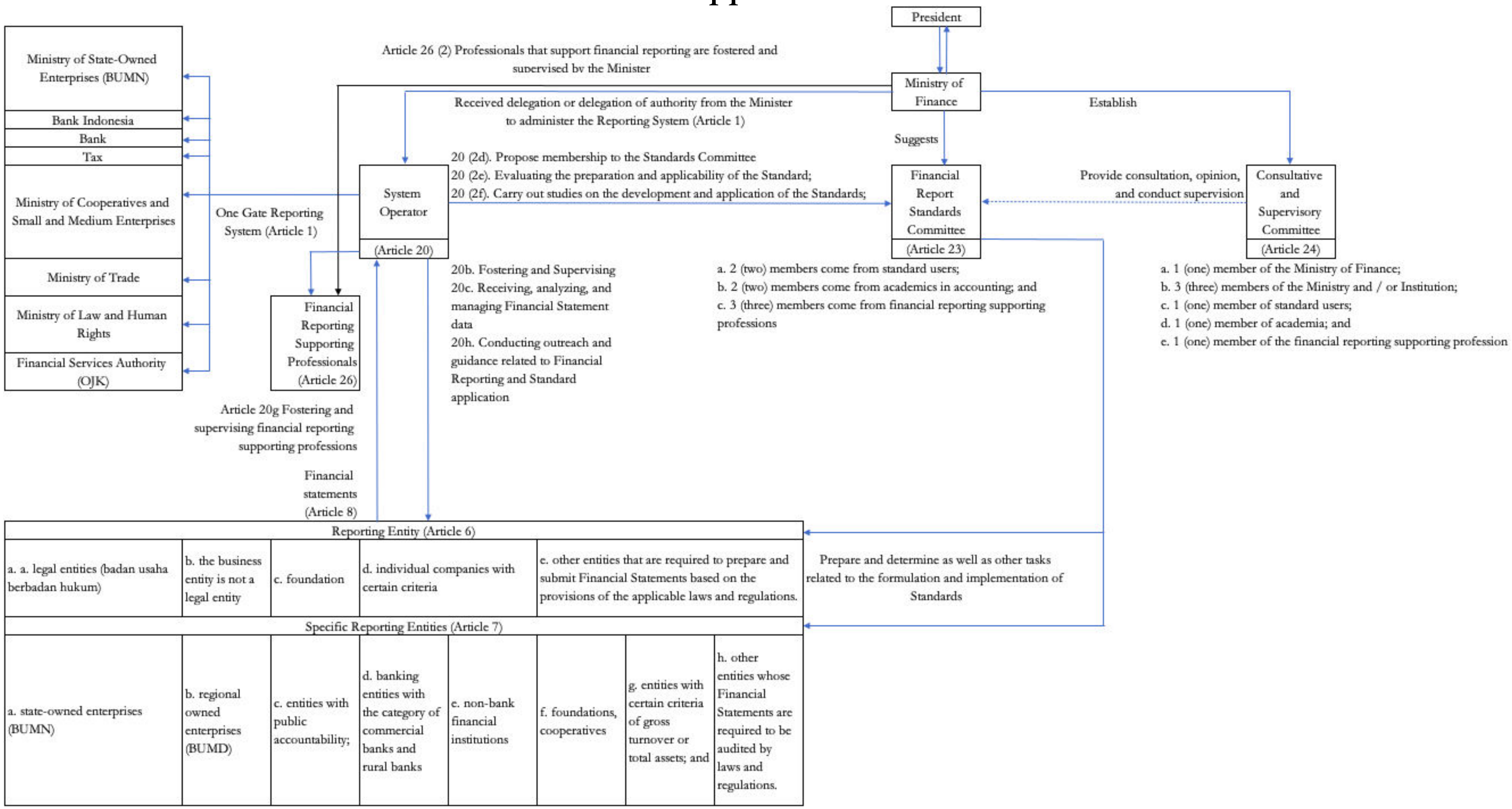
This research is a comparison study of the Indonesian Financial Reporting Bill (RUU PK RI) with the Financial Reporting Acts and similar statutory of selected countries included in the Asia-Oceania Standard Setter Group (Asian-Oceanian Standard-Setters Group (AOSSG)), United States of America, and United Kingdom. Secondary data, namely legal documents, were downloaded and then starting from the RUU PK RI 2019, the content was categorized based on its themes. Compared to the selected countries' statutory, the RUU PK RI 2019 already contains regulations that are also accommodated in selected countries' statutory. When compared, there were six additional aspects regulated in the selected countries' statutory but not yet regulated in the RUU PK RI 2019. However, in the Bill drafting development, a public hearing on the RUU PK RI 2020 was conducted by PPPK and had already accommodated most of these recommendations. However, several changes were then analyzed and recommended, including the aspects of the Professional Association and its role in the financial accounting standard-setting, accountant certification, and practice monitoring program.

Regarding the financial accounting standard-setting, this study recommends the System Operator to be more focused on the administrative tasks, which are fostering and supervising Reporting Entities in coordination with the competent Ministries and/or

Agencies, receiving, reviewing, and managing Reporting Entity Financial Report data and organizing Reporting System, an integrated one gate financial reporting electronic information system. Also, there is no need to establish a Financial Report Standard Committee (KSLK) because it has been well managed by the Financial Accounting Standards Board (DSAK IAI). Nevertheless, if KSLK will still be formed, then (a) the selection of members should be open and not assignment or recommended by the minister or recommended by the System Operator, and (2) it is recommended that a three-tier governance structure be established: (a) supervision, (b) governance and funding, and (c) standard-setting.

Accountant certification by the Institute of Indonesia Chartered Accountants (IAI) as an association of financial reporting support professionals is recommended to be regulated in the RUU PK RI because it is a requirement for financial reporting preparers Registered Accountants. Accountant in business or internal accountant of the reporting entity is the party who prepares the financial statements and plays a role in the reliability of the financial statements. Therefore, IAI is recommended to have a practice monitoring program for its members, namely professionals under its auspices and coordinated by PPPK on behalf of the Ministry of Finance. This study has limitations since it only carries out a comparative study of the Bill with the Financial Reporting Acts and similar statutory and is limited to a sample of selected countries, leaving other countries for further research. Additional perspectives from other stakeholders, such as public accountants (auditors), the management or corporate accountants from the preparers, the Financial Services Authority (Otoritas Jasa Keuangan) as a regulator of financial reporting entities listed in the Indonesian capital market are needed to be conducted to obtain a complete and comprehensive understanding in evaluating the RUU PK RI 2020.

Appendix


President
Ministry of Finance
Article 26 (2) Professionals that support financial reporting are fostered and supervised by the Minister
Received delegation or delegation of authority from the Minister to administer the Reporting System (Article 1)
Establish
Suggests
Ministry of State-Owned Enterprises (BUMN)
Bank Indonesia
Bank
Tax
Ministry of Cooperatives and Small and Medium Enterprises
Ministry of Trade
Ministry of Law and Human Rights
Financial Services Authority (OJK)
One Gate Reporting System (Article 1)
System Operator
(Article 20)
20 (2d). Propose membership to the Standards Committee
20 (2e). Evaluating the preparation and applicability of the Standard;
20 (2f). Carry out studies on the development and application of the Standards;
Financial Report Standards Committee
(Article 23)
Provide consultation, opinion, and conduct supervision
Consultative and Supervisory Committee
(Article 24)
Financial Reporting Supporting Professionals (Article 26)
20b. Fostering and Supervising
20c. Receiving, analyzing, and managing Financial Statement data
20h. Conducting outreach and guidance related to Financial Reporting and Standard application
a. 2 (two) members come from standard users;
b. 2 (two) members come from academics in accounting; and
c. 3 (three) members come from financial reporting supporting professions
a. 1 (one) member of the Ministry of Finance;
b. 3 (three) members of the Ministry and / or Institution;
c. 1 (one) member of standard users;
d. 1 (one) member of academia; and
e. 1 (one) member of the financial reporting supporting profession
Article 20g Fostering and supervising financial reporting supporting professions
Financial statements (Article 8)
Reporting Entity (Article 6)
a. a. legal entities (badan usaha berbadan hukum)
b. the business entity is not a legal entity
c. foundation
d. individual companies with certain criteria
e. other entities that are required to prepare and submit Financial Statements based on the provisions of the applicable laws and regulations.
Prepare and determine as well as other tasks related to the formulation and implementation of Standards
Specific Reporting Entities (Article 7)
a. state-owned enterprises (BUMN)
b. regional owned enterprises (BUMD)
c. entities with public accountability;
d. banking entities with the category of commercial banks and rural banks
e. non-bank financial institutions
f. foundations, cooperatives
g. entities with certain criteria of gross turnover or total assets; and
h. other entities whose Financial Statements are required to be audited by laws and regulations.

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