BPK's Audit of Century Must Prove the Flow of Funds and Who Benefits

Indonesia Corruption Watch
BPK's Audit on Century Must Prove the Flow of Funds and Who Will Benefit

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The results of the audit report by the Audit Board of the Republic of Indonesia on the Century Bank case were circulated on September 26, 2009, which may have raised public concern. It is considered that the results of the interim audit by the BPK are not focused on the objective of proving the presence of indications of corruption as requested by the Corruption Eradication Commission (KPK) in May 2009, and the House of Representatives (September 2009). To address this, ICW held a press briefing on Sunday, November 22, 2009 at the ICW Office. The following is ICW's press release.

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The publication of the results of the Audit Board of the Republic of Indonesia’s audit report on the Century Bank case dated 26 September 2009 has raised public concern. It is considered that the results of the interim audit by the BPK are not focused on the objective of proving the presence of indications of corruption as requested by the Corruption Eradication Commission (KPK) in May 2009, and the House of Representatives (September 2009). Although it slightly mentions the running of part of Bank Century’s funds to certain parties, the entire contents of the Provisional Audit Report on BPK talk more about policies related to saving Bank Century, namely the story behind the disbursement of funds totaling Rp. 6.7 trillion through the Facility Short Term Funding (FPJP) and Temporary Equity Participation (PMS) funds disbursement by LPS.

Indications of Corruption in FPJP and PMS Funds

Several findings from the KPK Examination and briefly mentioned in the BPK Interim Audit Report have indicated strong misuse of FPJP and PMS funds. Several indications of irregularities in the use of FPJP and PMS funds are described as follows:

- Withdrawal of funds by related parties after the establishment of Bank Century as a Bank under special supervision by BI. Even though BI asked Bank Century not to allow withdrawals from savings accounts belonging to parties related to Bank Century or other parties determined by BI. The value of the money withdrawn was IDR 454.898 billion, USD 2.22 million, AUD 164.81 thousand and SGD 41.18 thousand.

- On November 14, 2008, there was a request from the RT requesting the Head of Operational Section of Bank Century Surabaya-Kertajaya Branch to transfer a deposit belonging to a customer worth USD 91 million to the Operational Head Office (KPO).
customers were then replaced by Bank Century with funds originating from FPJP. Even though at the time the request was made by the RT, the person concerned was currently in police custody.

* The financial reports of Bank Century, which is under the supervision of LPS, show that during the 6 months of 2009 there was a decrease in liabilities to customers in the form of deposits, from Rp. 10.82 trillion in December 2008 to Rp. 5.18 trillion in June 2009. Allegedly during those 6 months there was a large withdrawal of customer funds. The important question that must be asked is, who will receive Rp. That 5.64 trillion?

**BPK Statement**

With regard to the mandate received by the Supreme Audit Agency (BPK) from the DPR to conduct a special audit of Bank Century, BPK has made a media statement dated 30 September 2009 which essentially states as follows:

1. Thorough examination with focus on:
   a. the merger process and the granting of Bank Century's operating license as a foreign exchange bank,
   b. violation of prudential rules,
   c. basis and reasons for granting the Short Term Financing Facility,
   d. the process of establishing Bank Century as a failed bank had a systemic impact and was rescued by KSSK,
   e. the reasons for the increase in the need for rescue funds for Century Bank from IDR 632 billion to IDR 6.7 trillion,
   f. examination of the flow of use of Bank Century's rescue funds according to the DPR's request.

2. BPK is still continuing to examine the use of Bank Century rescue funds. Tracking Bank Century's flow of funds requires a longer time because it has to carry out checks and checks and combine all available information carefully.

3. To complete the audit materials, BPK has collaborated with PPKT and KPK.

4. The need for a longer time, can be compared to the examination of the Bank Bali case which is only one transaction with a much smaller flow of funds, the cost is very expensive with the use of foreign auditors, and the time required is around 2-3 months.

**Analysis of Provisional Audit Results**

In relation to the mandate received by the BPK, both from the Corruption Eradication Commission and the DPR, to conduct a special investigative audit, the BPK should use the principle of substance over form (prioritizing substance in the search for evidence). This norm is part of the evidential matter norms of the Audit Standard Board which apply internationally which has been ratified by the Indonesian Association of Accountants (IAI).

In the case of Bank Century, the substance categories are:

1) Policy
2) Actors who make policies
3) Flow of Funds
From BPK’s interim report the chronology behind the policy has been explained, but actor involvement is not included, namely:

1) Actors related to the results of BI’s decision to approve the granting of FPJP facilities to Bank Century as of 14 November 2008 amounting to IDR 689.39 billion, with the following details:

   a. On November 14, 2008 Rp 356.81 billion was disbursed
   b. On November 17, 2008 Rp 145.26 billion was disbursed
   c. On November 18, 2008 Rp. 187.32 billion was disbursed

2) Actors related to the determination of Bank Century as a Failing Bank, namely the BI Board of Governors Meeting (RDG) on 20 November 2008 (at 19.44 p.m.), and letter No. 10/232/GBI/Rahasia dated 20 November 2008 concerning the Determination of Bank Century as a Failing Bank and the Determination of Follow-ups.

Related to policies, there are at least two policies that are questionable for the release of funds to save Bank Century:

1) The new BI Regulation Policy (PBI) replaces PBI No. 10/26/PBI/2008 that FPJP facilities are given to banks that have a CAR of at least 8%. PBI (No. 10/30/PBI/2008) drawn up on 14 November 2008.

Bank Century’s CAR position when submitting FPJP (position 30 September 2008) was positive 2.35%. At that time the provisions of BI (PBI) No. 10/26/PBI/2008 that FPJP facilities are given to banks that have a CAR of at least 8%. Thus Bank Century actually does not meet the requirements to receive FPJP. However, on 14 November 2008 BI changed the PBI regarding the requirements for granting FPJP from the original minimum CAR of 8% to a positive CAR. This is allegedly to smooth over Bank Century using the FPJP facility.

Based on Bank Century’s CAR position as of September 30 (positive 2.35%), BI stated that Century Bank met the requirements. Even though Bank Century’s CAR position as of October 31 2008 was actually negative (-3.53%) and did not meet the requirements even for the revised PBI as of November 14 2008.

2) Government Regulation No. 4 of 2008 concerning the Financial System Safety Net, which became the basis for the Financial System Stability Committee (KSSK) through Decree no. 04/KSSK.03/2008 dated 21 November 2008 determined PT Bank Century Tbk as a failed bank with systemic impact and handed over the handling to the Deposit Insurance Corporation (LPS).

Regarding the distribution of funds decided by the KSSK, the Government Regulation in Lieu of Law (Perpu) No. 4 of 2008 Financial Sector Safety Net (JPSK) on 15 October 2008. This Perpu regulates the Financial System Stability Committee (KSSK) which consists of the Governor of BI and the Minister of Finance.

The Plenary Meeting of the DPR RI on 18 December 2008 decided that the government should submit a Draft Law (RUU) on JPSK. This means that the KSSK has been running without the full approval of the DPR RI. Thus, the authority or authority of the KSSK does
At the KSSK meeting on 21 November at 04.25-06.00 which was attended by the Minister of Finance as the chairman of the KSSK, the Governor of BI as a member of the KSSK and the Secretary of the KSSK it was decided that Bank Century was a failed bank with a systemic impact and assigned the handling to LPS. The results of this decision were then brought up at the Coordinating Committee meeting on the same day between the Minister of Finance, the Governor of BI and the Chairman of the LPS Board of Commissioners who then handed over the handling of Bank Century to LPS to be carried out in accordance with Law no. 24 of 2004 concerning the Deposit Insurance Corporation.

Conclusion
1) The Century Bank case involves a long story since the merger of 3 banks that occurred in 2004.

2) The Bank Century case shows the weakness of banking supervision carried out by Bank Indonesia.

3) There are strong indications of carelessness behind the FPJP’s decision to disburse funds since November 2008, which continued with the disbursement of funds by LPS based on the KSSK decision totaling IDR 6.762 trillion.

4) There is a strong indication of corruption related to the disbursement of these funds because it was decided on a weak legal basis, it seems that it was conditioned in such a way, both in the changes to BI Regulations (PBI) and related to the issuance of Government Regulation in Lieu of Law (Perpu) No. 4 of 2008 Financial Sector Safety Net (JPSK) which legitimizes the KSSK which at the same time has not yet received the approval of the DPR RI.

5) In the case of Bank Century, LPS was threatened with loss and the government’s money and funds collected from customers were threatened with disappearance and instead were used to subsidize Bank Century depositors. This, of course, creates injustice because government policies seem to favor a few wealthy people.

6) To shed light on the chaos at Bank Century, the BPK is currently taking an objective audit of the government’s policy of taking over Bank Century.

7) BPK must also be supported to trace the flow of PSPJ and PMS funds at Century Bank and to announce to the public who will benefit from the Century takeover policy.

8) Transparency regarding customer information is also very important because corrupt practices are suspected to have occurred in the case of disbursement of customer funds. Some time ago, a high ranking officer at the National Police Headquarters was suspected of being involved in a corruption case. Therefore, there are early indications of corruption in the disbursement of Bank Century depositor funds. Therefore, the KPK must be encouraged to have the courage to reveal allegations of corruption at Bank Century.

9) The involvement of the police in processing this case must be rejected because it contains a conflict of interest. This is also to avoid having the same experience as the BLBI case which often stagnates in the middle of the road when it comes to the police, prosecutors and general courts.
of Rp. 50 billion. The sentence handed down was very low compared to banking cases such as the BNI case. In addition, the judge's decision also did not order the confiscation of assets so that overseas assets claimed by the police were successfully detected and could not be confiscated by the state. Therefore, to deal with Century, currently only the Corruption Eradication Commission can be relied upon, so political support is needed for the KPK by all parties.