

Readiness of Local Governments in the Application of Accrual-Based Accounting Standards

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ABSTRACT

Major modifications were made to the financial reporting system in Indonesia after the passage of Law Number 71 of 2010 concerning accrual-based Government Accounting Standards (SAP). It is hoped that these alterations will allow for a more accurate depiction of financial standing, the presentation of accurate data on rights and obligations, and the ability to more accurately gauge performance. The purpose of this research is to ascertain whether or not local governments are prepared to switch to a more rigorous system of accounting based on accruals. Descriptive qualitative research describes this kind of study. The objects were collected from the Pangandaran Regency Regional Government for this study. According to the findings, different trainings have been provided by the Pangandaran district government as part of the district's implementation of accrual-based SAP. This is supported by a government legislation that mandates the use of accrual-based SAP by all subnational administrations, including the government of the Pangandaran Regency. There is a lack of human resources and training in preparation for the use of accrual-based accounting standards, such as the still-manual preparation of LKPD.

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INTRODUCTION

Financial changes at the national level in Indonesia have been underway since 2003. In 2003, Law No. 17 was passed about state finances; in 2004, Law No. 1 was passed regarding the state treasury; and in 2004, Law No. 15 was passed regarding auditing the management and state financial accountability. The law refers to international best practices in order to achieve good governance, notably in financial problems (Yulianti & Nurhazana, 2021).

After the issuance of the law, several government regulations emerged which also aimed to realize good governance. This is mainly related to the problem of state/regional financial management (Briando et al, 2017). The reform of state/regional financial management resulted in fundamental changes to state/regional financial management. The new regulation is the basis for state institutions to change the pattern of financial administration to become management of state finances. The aim is to increase efficiency and effectiveness in managing state/regional finances (Suparman, 2021).

The establishment of accrual-based government accounting standards stipulated in Government Regulation (PP) of the Republic of Indonesia Number 71 of 2010 regarding Government Accounting Standards (SAP) as a replacement for Government Regulation (PP) of the Republic of Indonesia Number 24 of 2005 regarding Government Accounting Standards (SAP) is one form of this sustainable business. The implementation of PP No. 24 of 2005 is still provisional, as required by Article 36, Paragraph 1 of Law No. 17 of 2003 (Satrio et al., 2016). Article 36, paragraph 1 of law number 17 of 2003 concerning state finances mandates the use of the accrual basis when recognizing and measuring income and expenses.

To implement these provisions, KSAP has developed a government accounting standard (SAP) based on accrual accounting, as required by PP number 71 of 2010, which supersedes PP

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number 24 of 2005. With the passage of Public Policy 71 of 2010, accrual-based government accounting standards have a legal foundation. And this also implies that the government must be able to implement a new SAP, accrual-based SAP, immediately (Putra & Ariyanto, 2015).

The implementation of Government Regulation Number 71 of 2010 regarding accrual-based SAP resulted in significant changes to the financial reporting system in Indonesia, specifically the transition from a cash to accrual basis to a full accrual basis in recognizing government financial transactions (Langelo et al, 2015). In addition to being mandated by the State Finance Law package, this basis change is anticipated to provide a comprehensive picture of financial position, present accurate information regarding rights and obligations, and be useful for evaluating performance (Watubun et al, 2016).

Accrual-based accounting is a method of accounting in which economic transactions and other events are recognized, recorded, and reported in financial statements at the time they occur, regardless of when cash or cash equivalents are received or paid. In accrual-based accounting, the recording time corresponds to the timing of resource flows, allowing it to provide the most comprehensive information because all resource flows are recorded. (Mu'am, 2015). The existence of accounts receivable, fixed assets and payables is evidence of a bookkeeping process that is influenced by the accrual principle. When accruals are to be carried out fully to describe the ongoing essence of a transaction or event, then the advantage gained from applying accruals is that information on operations or activities is described. In government accounting, an overview of the development of operations or activities is outlined in the form of operational reports or surplus/deficit reports (Mardiana & Fahlevi, 2017)

One of the districts in West Java Province, Pangandaran, will be among those to adopt accrual-based government accounting standards in the not-too-distant future. Accrual-based accounting presents new challenges for government agencies, so they'll need help from people across the board—from those who make and use financial data to those who maintain and use government infrastructure and technology. Accruals are still being handled on a cash basis in Pangandaran Regency at this time. The government of Pangandaran Regency must make several preparations prior to implementing the accrual basis, including the creation of an accrual-based government accounting system, the training of human resources, and the provision of appropriate facilities and infrastructure. The government of Pangandaran Regency has done the groundwork necessary to successfully implement the accrual basis while facing a number of challenges.

The government has made it mandatory for a variety of actions to be taken in order to produce reports that are efficient, effective, transparent, and accountable regarding the implementation of the APBN/APBD. Despite this, a significant number of reports on the implementation of the State Budget and the Government Financial Report include a Qualified Assessment or even a Disclaimer (which means they refuse to offer an opinion) based on the findings of the BPK's audit. In light of the necessity for an investigation into the level of preparedness of the Pangandaran Regency government in relation to the implementation of PP No. 71 of 2010, the purpose of this research is to find an answer to the question, "How does the Pangandaran Regency government apply accrual-based government accounting standards?" This research seeks to answer the question, "How does the Pangandaran Regency government apply accrual-based government accounting standards?"

METHODS

This type of research is descriptive qualitative research with the intention of describing a particular phenomenon or condition. On the one hand, this study seeks to describe a phenomenon as it is from the perspective of the perpetrator, while from the side of the description it is done with the help of quantitative analysis tools (Moleong, 2014). Thus it is hoped that the phenomenon

regarding regional government readiness in accrual-based SAP implementation, the constraints faced in the regions can be described clearly to then be analyzed and interpreted to draw a conclusion. According to Bungin (2008), descriptive research aims to describe, summarize various conditions, situations, or various social reality phenomena that exist in society which are the object of research, and seeks to draw that reality to the surface as a feature, character, trait, model, signs, or descriptions of certain conditions, situations, or phenomena.

RESULTS AND DISCUSSION

A. Government Accounting Standards

Government accounting standards, or SAP as it will be shortened from now on, are the accounting principles used to prepare and present government financial reports in accordance with Government Regulation No. 71 of 2010 Article 1 Paragraph 3. To increase the quality of government financial reporting in Indonesia, it can be concluded that SAP is a necessity that has legal force.

Government accounting standards (SAP), as stated by Wijaya (2008), are the first accounting standards in Indonesia that control government accounting. As a result, this standard is meant to facilitate open and accountable state financial management by encouraging the use of government financial reports as a means of communication between the government and stakeholders.

Sinaga (2005) argues that SAP can serve as a unifying principle for the perspectives of compilers, users, and auditors. Both the federal and state governments must submit budget reports formatted in the SAP format. External auditors (BPK) will use them as criteria for conducting audits, and users of financial reports (such as legislatures) will use SAP to interpret the information contained in financial reports.

Sinaga (2005) argues that SAP can serve as a unifying principle for the perspectives of compilers, users, and auditors. Both the federal and state governments must submit budget reports formatted in the SAP format. Legislators and other financial report users, as well as external auditors (BPK), can use SAP to make sense of the data and information offered in financial reports.

The issuing of financial accounting standards by the Indonesian Accountants Association has been essential in the growth of accounting in the private sector, and this growth has bolstered the case for government-issued accounting standards. As a result, the Ministry of Finance, which houses the State Financial Accounting Agency (BAKUN), set out to establish uniform guidelines for financial reporting. Government decision-makers have the same need for data as their private sector counterparts. Information can serve as both a basis for decision making and a means of communicating and holding management of an organization to account (Siregar & Siregar, 2001). Therefore, the government needs an accounting standard in its own field in order to provide necessary services to the general public. The requirement of PP SAP provides the federal government and state and local governments with a standard for the creation and presentation of financial reports in compliance with generally accepted accounting principles. To meet the principles of transparency and accountability, this represented the beginning of a new era in the accountability of APBN/APBD implementation (Bastian, 2006).

SAP is used throughout all levels of government, from the national government and its agencies to the regional governments (pemda) and its programs. It is expected that SAP implementation will lead to more accurate financial reporting at federal, state, and local levels of government. This will allow government budget data to serve as the foundation for policy decisions and foster openness and accountability. Government accounting standards, as argued by Fakhruzazi (2010), have the potential to help stakeholders by facilitating the disclosure of accurate and complete financial data in financial reports. Within the context of management, it can also help with tasks like allocating and tracking government assets, liabilities, and equity. The second perk is the

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intergenerational balance, which shows if current taxpayers are covering all government spending or if future generations will have to chip in. The resulting financial reports can also reflect the effects of goal-setting, resource-management, and policy execution.

B. Accrual Based Accounting

According to KSAP (2006:3), an organization following the accrual basis of accounting recognizes, records, and presents financial statement information as of the date an economic transaction or other event occurs, rather than the date on which cash or cash equivalents are received or paid. Furthermore, KSAP noted in the same article that accrual-based accounting provides the most comprehensive information because all resource flows are documented at the time they occur. According to Halim and Kusufi (2012), using the accrual basis allows for the achievement of administrative and supervisory objectives in reporting that are not possible using the cash basis.

Accrual-based accounting is used to make up for the limitations of a cash-based system and provide more reliable information. Conceptually, accrual-based accounting is thought to generate more accountable and transparent information than cash-based accounting (KSAP, 2006). Costs for public services can be more accurately estimated with the use of accrual-based accounting. The final price takes into account not just what has been paid but all that has been spent.

Accrual accounting allows for improved measurement, timely identification, and disclosure of future liabilities by incorporating all expenses, whether paid or unpaid. Accrual-based information can reveal how economic resources were actually put to use, which is useful for performance evaluation. To ensure government openness and accountability, accrual-based accounting is a crucial instrument.

According to Mardiasmo (2002), the adoption of the accrual basis in public sector accounting serves primarily the purpose of determining the cost of services and the fees that should be charged for those services. The determination of this will help to establish both the total amount of costs that are necessary to produce public services and the price that will be paid to the general public for those services. This is not the same thing as the goal of implementing the accrual basis in the private sector, which is to determine and evaluate expenses against revenue (the right matching of costs against revenue). This distinction comes as a result of the fact that, in the private sector, the orientation is more focused on attempts to maximize profit (profit oriented), but in the public sector, the direction is focused on optimizing public services (public service oriented). Consequently, the private sector is more profit-driven.

C. Readiness of Local Governments in the Application of Accrual-Based Accounting Standards

The Pangandaran Regency Government is fully aware that the application of SAP in financial reports in every ministry/institution and region plays a crucial role in determining the BPK's opinion on financial reports, as SAP is the basis for BPK audits, ensuring that the preparation of financial reports is always based on transparency and accountability. Despite the fact that the Regional Government of Pangandaran Regency has not implemented accrual-based SAP, the basic principles of the system offer a number of benefits, such as the ability to present a report on the government's financial position, demonstrating government accountability for the use of all resources, both assets and liabilities reflected in the financial statements. In the context of implementing PP No. 71 of 2010, obstacles include the preparation of managing human resources, which requires socialization, technical guidance, and training prior to the implementation of the system. Particularly with regard to human resources as executors of the preparation of accountability for the implementation of regional budgets, the availability of personnel with a

foundation in accounting remains limited. The implementation of the accrual-based SAP system requires a fundamental comprehension, which necessitates time and training because not all financial management personnel are currently familiar with the system. HR still requires SAP-related training, particularly regarding regulatory changes, so that all implementation obstacles can be discussed.

ASN as HR is now required to carry out their responsibilities as effectively as feasible. Today, punishment and reward are used to motivate workers to perform at a higher level. Reward and punishment are administered in accordance with the laws and regulations in effect. Currently, we are facilitating the provision of accountability for the APBD's implementation. The local government is equipped with prepared room facilities, software infrastructural facilities, and additional administrative facilities. The local government already possesses a system/software based on the system currently in use, namely the regional financial management information system (SIPKD).

Due to the fact that (SKPD) does not come from an educational background in accounting, the implementation of accrual-based accounting is challenging. Local government proposals and perspectives on the mission of Public Act No. 71 of 2010 include the need for guidelines as technical guidelines and implementation as a support, which would make it easier for local governments to implement Public Act No. 71 of 2010. Particularly in terms of HR, the hurdle is the educational background, the vast majority of which is not in accounting. As a result, the understanding and implementation of PP No. 71 of 2010 is not as good as it could be. Aside from that, the issue arises if there are officers who relocate from the initial SKPD, which causes HR to have a more difficult time continuing the duty of compiling. Human resources that are responsible for compiling accountability for APBD implementation are deemed to be insufficient. To assist in the production of APBD accountability in a manner that is as easy as possible, it is preferable for SKPD to have human resources personnel who have educational backgrounds in accounting.

Despite the fact that the findings of this study suggest that there is readiness in adopting SAP, there are still certain impediments in the context of preparedness to implement complete accrual-based SAP in accordance with Government Regulation No. 71 of 2010. Pangandaran Regency needs to be more focused and efficient in order to overcome the challenges posed by the deficiencies or hurdles encountered by the Pangandaran Regency Government in the context of preparation to implement full accrual-based SAP based on PP No. 71 of 2010. The framework for readiness to implement full accrual-based SAP was established by PP No. 71 of 2010. In other words, it is an increase in the commitment, willingness, and integrity of the local government to increase attention and provide rewards (Reward and punishment) and provide opportunities for achievement and provide opportunities for promotion of work performance for stakeholders implementing the software system supported by a work environment suitable for completing all activities on the implementation of SAP in an effort to support the optimization of regional governmental operations. This is done in an effort to support the optimization of regional governmental operations.

The Regional Government of Pangandaran Regency is related to the implementation of PP No. 71 of 2010 concerning Government Accounting Standards in the sense that the Ministry of Home Affairs, in collaboration with KSAP, is required to carry out regular socialization and BinteK with the application of the accrual basis. This obligation is in relation to the fact that the Regional Government of Pangandaran Regency is related to the implementation. The current condition in the provinces, especially in Pangandaran Regency, is a lack of understanding regarding the PP, therefore outreach and BinteK are badly needed. With regard to the accountability report on the execution of the APBD, LKPD and Pangandaran Regency are still directed by PP No. 24 of 2005 about Government Accounting Standards. Despite the fact that the sources are academics, the Pangandaran Regency Government has started to get themselves ready for the implementation of

PP No. 71 of 2010, and they are doing this by expanding their level of understanding through involvement in the socialization of the PP. Furthermore, to overcome the limits of the limited number and ability of human resources in the accounting industry, the Pangandaran Regency Government is striving to get human resources to attend accounting courses. In general, Pangandaran Regency is quite equipped to deploy a full accrual-based Government Accounting System (SAP) based on PP No. 71 of 2010.

CONCLUSION

Following the publication of governance Regulation No. 71 of 2010 on Accrual-Based Government Accounting Standards, the study found that the public sector's role in achieving transparent and accountable governance became increasingly apparent. The government's monetary reporting to the federal government and state and local governments must comply with this rule. We can conclude that the Regional Government of Pangandaran Regency is prepared in terms of integrity if we look at indicators like commitment, human resources, infrastructure, and information systems. Similarly, we can say that the Regional Government of Pangandaran Regency is prepared in terms of human resources, infrastructure, and information systems because these indicators all point to a high level of preparedness. According to the indicators of commitment, human resources, infrastructure, and information systems, the Regional Government of Pangandaran Regency can be deemed ready. Similarly, the readiness of the Regional Government of Pangandaran Regency's integrity, human resources, and information systems puts it in the "quite ready" category.

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