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CHALLENGES OF GOVERNMENT ACCOUNTING POLICY REFORM IN INDONESIA

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Abstract

This article discusses the modifications to government accounting. The transition from cash-based accounting to accruals (cash to accruals) and finally full accruals is a notable shift in Indonesian government accounting. A qualitative approach to a literature review is the research methodology employed. The information's source was a search of publications about government-implemented accounting regulations. This study aims to identify and evaluate Indonesia's government accounting policy reform's obstacles. According to the study's findings, the government must prepare financial accounts in line with Law No. 17 Year 2003, which makes reference to Government Accounting Standards (SAP). The government enacted Government Regulation Number 24 of 2005, which has been revised with Government Regulation Number 71 of 2010 on Government Accounting Standards (SAP), as a derivative of this regulation. The practical consequence is that government accounting records are now fully accrual basis instead of cash basis, accrual basis, and cash basis.

Keywords: Government Accounting, Governmental Accounting Standards (SAP), Cash Base Accounting System, Cash Base Accounting System Towards Accrual, Full Accrual Base.

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Introduction

The practice of documenting and reporting every financial transaction the government does, both in terms of revenue and outlays, is known as government accounting. Every nation has a unique method for handling government accounting. Depending on the colonial, African nations typically employ European accounting systems like those of France or England. (Lassiou et al., 2019; Jayasinghe et al., 2021).

Accounting reform refers to a broad set of changes in accounting regulations implemented by states or the federal government. When it is believed that current accounting rules and processes are insufficient for documenting and reporting state financial activity and have failed to keep the government's finances stable, reforms are required. (Shinkle et al., 2021; Fuentes & Borreguero, 2018)

Transaction reporting principles, such as the cost of asset revenue and the currently relevant measurement of value, are frequently the source of issues during the government accounting reform process. There are two methods for accounting reform. The first is the conventional method, which is very dependable but less applicable to solving state financial issues. The modern method, on the other hand, tends to be more subjective and places greater emphasis on the element of relevance to the current circumstances, making it less dependable. In order to balance relevance and dependability, the International Accounting Standards Board aims to develop the implementation of government accounting reforms. Shinkle et al., 2021; Padovani & Iacuzzi, 2021)

The 1997 Indonesian monetary crisis, the 1998 reform phase, and the 1999 adoption of regional autonomy are considered to mark the start of the shifts in government financial accounting. Both internal and external causes contribute to the changes in Indonesian government accounting. The significant impact of globalisation is the external component. Government accounting is changing in a lot of nations. The government's bookkeeping system was first based on cash accounting and used a one-way recording system. Later, it switched to accrual accounting and used a dual recording system. The following list of nations employs accrual accounting. (Blöndal and others, 2009).

Table 1. Countries that use accrual accounting

Country	Accrual accounting for individuals, agencies and department	Consolidation of government accrual accounting	Accrual budgeting
Australia	Since 1995	Since 1997	From the fiscal year 1999-2000
Kanada	Fr fiscal year 2001-2002	Fr fiscal year 2001-2002	Not
Finlandia	Since 1998	Since 1998	Not
Jerman	Licensing since 1998	Not	Not
Islandia	Since 1992	Since 1992	Since 1998
Irlandia	The pilot was launched in the year 1995	Not	Not
Belanda	Pilot launched in 1994	Not	Tidak

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Selandia Baru	Since the fiscal year 1991-1992	Since fiscal year 1991-1992	Since the fiscal year 1994-1995
Swedia	Since 1994	Since 1994	Not
Britania Raya	Launched in 1993; all with fiscal years 1999-2000	Plan	Fr fiscal year 2001 - 2002
Amerika Serikat	Since the fiscal year 1997-1998	Since the fiscal year 1997-1998	Not

Source: (Moreti, 2021)

New Zealand is among the nations that have been successful in implementing the accrual accounting system. accomplishments including raises in the nation's welfare, standard of living, and economics. The goal of altering the state financial recording system is to acknowledge that more transparency, accountability, and involvement will follow from an easily comprehensible and informative accounting system. In contrast, in case the system

Public trust is undermined, as is accountability, by accounting that is opaque, imprecise, and difficult to grasp. (Cairns et al., 2011; Barrett, 2004). The state of public domain management in Indonesia has to be addressed right now, as evidenced by the low standards of public administration and the widespread instances of nepotism, collusion, and corruption that are associated with it. Today, the primary goal of Indonesia's public organisations is to bolster calls for transparency and accountability that are based on transparency at the national level as well as in the regions. Public responsibility in relation to government associations can be defined as a way of giving interested persons access to information about how government funds are implemented (Lewis et al., 2020).

Article 30 of Law No. 17 Year 2003 demonstrates that public authorities, particularly local governments, must submit financial statements to the Regional People's Representative Council (DPRD) as a form of accountability for the implementation of Local Original Revenue and the Regional Revenue and Expenditure Budget (APBD), in light of the demands for transparency and accountability in the public domain. The fiscal summary in question essentially consists of the Revenue Report, Financial Reports, Expenditure Recognition Report, and Notes to the Fiscal Report, in compliance with the Regulation of the Minister of Home Affairs (Permendagri) No.13 of 2006. (Darisa, 2008)

The production of good government administration, which has difficulties in lowering the level of corruption, has been made more likely by changes in Indonesian government records. This can be achieved by developing a more balanced system of government between the legislative, executive, and judicial branches. Three elements make up the Government Recording system: accountability, openness, and cooperation. The freedom to obtain information is the foundation of transparency; public cooperation or participation in decision-making is achieved through the House of Representatives of the Republic of Indonesia (DPR RI); and accountability is the government's duty to the community for all actions undertaken. With the background information provided above, the main issue with the challenge of altering government recording strategies is how using government recording systems and procedures may promote good governance.

Method

A subjective literature study or review is the writing method that is employed. Scholarly books, reputable scientific publications, and research findings (articles, theses, dissertations, practicum reports, and so forth) are the sources that were examined. The data's source was a search of publications about accounting regulations implemented by the Indonesian government. To get a theoretical foundation that can support the answer to the problem being

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discussed, the literature review technique was chosen. The first step towards the author comprehending the problem as it is presented correctly in accordance with the framework of scientific logic is the theory that has been obtained.

Result and Discussion

Government accounting reform has resulted in the creation of a number of laws and regulations, one of which is PP 24 of 2005 concerning government accounting regulations. There will be several advantages to the advancement of government accounting reform in the preparation of government financial statements, particularly in the areas of enhancing public services and thwarting corruption. The Indonesian people looked forward to 2006 because it would see the publication of government financial statements based on government accounting standards. Government accounting standards would be followed in the preparation of central and provincial financial statements, according to PP 24. (Herlina, 2013)

Accounting guidelines known as Government Accounting Standards (SAP) are used in the creation and presentation of information about public spending. As a result, SAP is a standard with legal standing that attempts to raise the caliber of Indonesian government financial reporting. Good governance will increase as a result of improved government financial reporting, which will impact the accomplishment of constructive development goals. The application of development management that is reputable, in line with the values of democracy and honesty, and that forgoes corruption, abuse of power, and disrespect for the budget is what defines good governance.

The implementation of good governance is bolstered by three fundamental concepts, namely accountability, transparency, and participation. Three key components are necessary for good governance to operate: the public sector, the business sector, and society. There is a tight relationship between these three elements. The public sector has an organizational role in ensuring the most equal and effective allocation of public resources. Resources for community use are developed and expanded in part by the corporate sector. However, society as a whole, which makes use of public goods, assumes that they will be accessible and affordable. Accountability is intimately related to three key good governance tenets. Accounting is essentially the process of accurately documenting financial transactions, which results in reports that the offenders use for a variety of objectives. Accountability, openness, and participation can only be attained with the help of an accounting system that generates true data rather than false information. Conversely, the basis of interaction, understanding, and interpretation are undermined by outdated, ignorant, erroneous, and deceptive systems.

A crucial need that serves as a guide to raise the caliber of financial reporting in Indonesia is the application of government accounting standards, or SAP. Additionally, following correct accounting practices is crucial for creating financial statements. Good financial statements will be produced by well-organized, precise, and accurate financial activities created by a complete accounting system. Financial statements that can satisfy the criteria of fairness, consistency, comparability, and maximum accuracy (legitimate) are considered to be good government financial statements.

The goals of the government financial management reform are as follows: (i) use the central budget plan (MTEF) to plan and control spending; (ii) improve financial planning and implementation monitoring to strengthen analytical tools to generate budgets; (iii) streamline the planning process to improve the performance management environment; (iv) promote improved performance management; and (v) increase governance flexibility to ensure policy implementation outcomes. Based on an evaluation of the fiscal management systems in the

Philippines and its neighboring countries (Australia, Korea, Malaysia, New Zealand, Singapore, and Thailand), these reforms aim to achieve three key fiscal outcomes: preserving fiscal discipline; raising the significance of planning and the degree of supervision; and enhancing the efficiency with which related institutions are implemented.

Accounting guidelines known as Government Accounting Standards (SAP) are used in the gathering and display of government spending lines. As a result, SAP is mandated by law and is intended to raise the standard of Indonesian government financial reporting. Achieving the Sustainable Development Goals will be impacted by good governance's improvement of government financial reporting. Effective development planning in line with democratic ideals founded on good law, refraining from misusing investment funds, curbing pollution, and exercising fiscal restraint are all examples of good governance.

The three primary tenets of effective governance are accountability, transparency, and cooperation. Three primary sectors—the public, business, and community sectors—support good governance for it to operate efficiently. There is a critical communication between these three components. Government agencies are responsible for regulations that guarantee equitable resource distribution. People keep an eye on and assess resources so that the rest of society can use or benefit from them. However, as the primary consumer of public goods, the general public anticipates that the resources will be easily accessible and reasonably priced.

The three fundamental tenets of good governance are intimately tied to accounting. Accounting is essentially the practice of accurately documenting financial transactions in order to generate reports that are utilized for a variety of objectives by other stakeholders. If an accounting system generates accurate and helpful information rather than false information, stability, transparency, and accountability will all rise. Conversely, outdated, non-mandatory, imprecise, and deceptive record-keeping practices weaken the basis of accountability, understanding, and collaboration.

Government Accounting Standards (SAP) play a significant role in enhancing the caliber of financial reporting in Indonesia by providing rules. Additionally, having a good accounting system is crucial when creating a budget summary. A thorough accounting system will produce financial operations that are well-organized, precise, and effective, culminating in sound financial statements. Financial statements that satisfy the highest criteria of accuracy, reliability, comparability, and relevance are considered to be good government financial statements.

By offering records of government performance, the government accounting system functions as a permanent system that maintains control. Information technology, human resources, accounting systems, and accounting system techniques are some of the components of government accounting systems. Three administrative laws—Law No. 17 of 2004 concerning public finance, Law No. 1 of 2004 concerning public finance, and Law No. 15 of 2004 concerning financial management and state examination—have been drafted that make significant changes to the field of state finance generally, and particularly to the state accounting systems. In addition to these three laws, there are two more: Law No. 25 on the balance of central and regional budgets and Law No. 22 of 1999 addressing Local Government as amended by Law No. 32 of 2004.

in Year 2004 Law No. 33. Aside from the public finance sector, the government accounting system underwent modifications as well. Government accounting legislation based on bookkeeping and accounting are governed by Legislation No. 24 of 2005. The financial foundation and government accounting standards are governed by Law Number 71 of 2010.

The Minister of Home Affairs Regulation (Permendagri) number 64 of 2013 now governs how local governments use SAP-based funding. The transition from finance to financial accounting in order to collect relevant financial information is a good change in the new approach to state finance, particularly governmental accounting in the new state and public reform system. With precise and transparent financial data, financial accounting helps to improve the performance and efficacy of public spending decisions. It also helps to improve wealth distribution by disclosing the quantity of events that are produced.

The backing of three platforms that oversee state finances is one of the main reasons that Indonesia's public accounting profession has developed so quickly. The preparation and presentation of reports on the implementation of the State Budget (APBN) and Regional Budget and Budget (APBD) is mandated by Law No. 17 of 2003 concerning the State Budget, Article 32(1). Requests for internal government rules and regulations regarding the accounting system of central and local governments are also covered. Law No. 32 Year 2004 on Local Government, Article 184, Paragraph 1, stipulates that government accounting standards included in laws and regulations must be followed in the preparation and presentation of expenditure reports.

Good governance in Indonesia is also a priority for social classes of NGOs and people's representatives in the People's Representative Council (DPR), Regional Representative Council (DPD), and Regional People's Representative Council (DPRD). The legislators' steadfast dedication to the DPR is evident in the laws pertaining to the three categories of state money and local governments. Furthermore, the DPR and DPRD must approve the State Budget (APBN) and Regional Revenue and Expenditure Budget (APBD) before they can be implemented.

Law No. 17 of 2003 and Law No. 15 of 2004 specify that the Financial and Development Supervisory Agency (APBD). CPC) is responsible for overseeing operations connected to the execution of the State Budget (APBN) / Regional Revenue and Expenditure Budget (APBD). CPC needs internationally accepted accounting standards in order to provide value. The purpose of the government's internal auditor, the Government Internal Oversight Agency (APIP), which is made up of the Audit Board (BPK), the Inspectorate General, and the National Land Agency (BPN), is to assist leaders in comprehending the effectiveness of the governance process. Governmental organizations stop misuse and corruption. Since public finance is directly tied to and has an impact on the implementation of internal management, internal auditors who wish to support the current development of public accountants must possess expertise in public accounting.

In order to facilitate the efficient application of government accounting, a number of significant strategies can be implemented: (1) Always be informed about the three stacks of laws that are announced in the areas of local government and state finance. (2) Participate in the government accounting system's deployment. (3) Encourage educational and training establishments to collaborate in creating curricula and learning resources that reflect advancements in the field of government accounting. (4) Create accounting in compliance with Law No. 17 of 2003 by gathering the necessary data.

Conclusion

The following conclusions are drawn from the outcomes of the discussion above:

1. In compliance with Law Number 17 of 2003, which makes reference to Government Accounting Standards (SAP), the government has compiled financial accounts. The switch from cash-based to accrual-based government accounting in Indonesia is a big transformation (cash to accrual).

2. Both internal and external factors contribute to ¹ public sector accounting reform, in this example the Indonesian government's accounting reform. The significant impact of globalization is the cause of external causes.
3. Indonesia implemented a public sector accounting reform that replaced cash-based accounting with accrual-based accounting and converted single records to double recording.
4. The organization's efficacy, efficiency, and transparency are not considerably improved by these modifications.
5. Regional autonomy is an issue of accounting reform. One aspect of the shifting dynamics of the world is this regional autonomy.

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