

# GENOVEVA

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### THE EFFECT OF THE IMPLEMENTATION OF THE LOCAL GOVERNMENT ACCOUNTING SYSTEM ON THE QUALITY OF FINANCIAL MANAGEMENT STATEMENTS: CASE STUDY ON MALANG CITY GOVERNMENT

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#### Abstract

The discussion in this article is to examine the effect of the implementation of the local government accounting system on the quality of financial management reports in the Malang City Government. This research uses the case study method by collecting data through interviews, observations, and document analysis related to the implementation of local government accounting systems and the quality of financial statements. The purpose of this study shows that the implementation of the local government accounting system has a significant influence on the quality of financial management reports of the Malang City Government. In the implementation process, local governments must pay attention to important aspects such as system planning, system implementation, and system evaluation. In addition, it is also important to involve all relevant stakeholders in the implementation of the local government accounting system. The peelitian method used is a case study with a qualitative approach

**Keywords:** effect of implementation, local government, government accounting, regional finance

## Introduction

The paradigm shift towards the current administration pushes us to realise the emergence of democratic governance and to organise it in a way that is decent, clean, transparent, accountable, and participatory in order to give it legitimacy. Because financial information is produced for several parties through the accounting process, reforms in the field of government accounting are necessary to realise a successful governance structure. The existence of SAP provides a solid foundation for any changes made in the accounting industry (Langelo et al., 2015).

Accounting concepts known as government accounting standards are used in the preparation and presentation of government financial accounts. According to Surjono et al. (2017), the Government Accounting System is a methodical set of processes, organisers, tools, and other components that enable accounting operations within government organisations, ranging from transaction analysis to financial reporting.

The use of this accounting method aids in financial management as a mechanism, process, and control tool. Financial managers' comprehension of the regional financial accounting system is a crucial component that needs to be taken into account since it is necessary for all regional financial implementers to be able to manage funds. According to Sari et al. (2013), this will assist regional financial managers in providing regional financial accounts.

Financial management staff members' aptitude or competency plays a major role in determining their success. A number of indicators point to the success of financial management, including the timely determination of APBD and P-APBD Regional Regulations, the measurement of income quality by total PAD to total income, the measurement of expenditure quality by total public welfare spending to total expenditure, and more. High APBD realisation rates, low SiLPA, on-time Local Government Financial Statement (LKPD) submission rates, and an improvement in the quality of BPK opinions on LKPD serve as the primary success indicators. Other indicators, in the CPC's view, are Fair Without Exception if they are used in accordance with existing legislation. It is the duty of the Financial Management Bureau, Inspectorate and all SKPD in regional financial administration and management to strive for LKPD with WTP opinion (Utomo, 2012).

The prosperity of the Indonesian people is intimately linked to state financial management, a topic that requires greater attention. This is in line with Article 23 paragraph (1) of the 1945 Constitution, which says that "every year, by law, the State Budget (APBN) is determined as a form of state financial management and implemented openly and responsibly for the greatest prosperity of the people." It goes without saying that an effective financial recording system, based on transparent and accountable accounting standards, is essential to the operation of the State Budget.

In order to increase accountability and transparency of regional financial management, the central government, regional governments, and organisational units within the central / regional government are required to present financial reports. This is in line with the PP No. 71 of 2010 concerning SAP, which will be used to produce a reliable financial statement and can be used as a foothold in decision making. It is expected that this will serve as a reference, benchmark, and standard to be applied.

According to Article 18A paragraph (2) of the 1945 Indonesian Constitution, the Central and Local Governments' financial interactions, public services, and use of natural resources and other resources must be governed and carried out in a way that is equitable and harmonious with the law. A government accounting standard, governed by PP No. 24 of 2005 governing government accounting standards, is necessary to reduce anomalies in state financial management, PP No. 24 of 2005 about government accounting standards regulates the necessary government accounting standard. According to Article 36 paragraph (1) of Law No. 17 of 2003 concerning State Finance, which stipulates that cash-based recognition and



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## 15 Result and Discussion

### Quality of Financial Reporting in Malang City

The Ministry of Finance of the Republic of Indonesia awarded Malang City's Local Government Financial Statements (LKPD) for the fiscal year 2018 8x Fair Without Exception (WTP), demonstrating the success of the city's financial reporting (Merdeka.com, 2019). To attain the goal of justice for the entire Malang City population, LKPD must, in essence, be offered in the form of honest, effective, and speedy processing. Government Regulation Number 12 of 2019 on Regional Financial Management will serve as a guide for budgetary planning, budget utilisation, oversight, and, in the end, the creation of accountability reports. It is not immediately possible to conclude from the WTP assessment that financial management has been done accurately and openly by the Malang City Government. because the CPC audit report contains signs of issues. One of the things that is confirmed is that the Malang City Government's budget was not fully utilised in 2019, as the damaged road maintenance post was allocated less than Rp 2 billion, and 42 members of the DPRD were found to be corrupt (JawaPos.com, 2018).

This tendency leads to the conclusion that in order to demonstrate the presentation of sound financial statements, fraud prevention and corruption anticipation require high-quality financial statements. The purpose of presenting the quality of financial accounts to stakeholders is to give them knowledge that will help them make better social, political, and economic decisions. The government's internal control system is a crucial set of procedures and actions taken by management and its employees to instill confidence in the accomplishment of organisational objectives through actions that guarantee the accuracy, dependability, and effectiveness of financial reporting as well as regulatory compliance. Regional apparatus needs resource competency human resources as a standard for the implementation of a good governance system and a government internal control system on the quality of financial statements.

### Implementation of Accrual-Based Government Accounting Standards in Malang City Government

One of the cornerstones of sound, open, and accountable regional financial management is Government Accounting Standards (SAP). The nation of Indonesia has hoped for uniform government accounting standards ever since the reform era. This is in line with the claim that there were no technically precise guidelines for the preparation of financial statements at the time, so the implementation Government Regulation No. 105 of 2000 concerning the Principles of Regional Financial Management and Accountability and Law No. 25 of 1999 concerning Financial Balance between the Centre and the Regions could not be carried out properly (Bastari, 2004).

According to Article 32 of Law No. 17 of 2003 concerning State Finance, the format and content of the APBN/APBD implementation accountability report must be created and presented in line with SAP. The State Finance Law mandate and the Government's SAP regulations are outlined in PP No. 24 of 2005. The SAP employs an accrual basis for the recognition of assets, liabilities, and equity of funds and a cash basis for the reporting of income, expenses, and financing transactions. As required by Article 36 paragraph 1 of Law No. 17 of 2003 concerning State Finance, which specifies that as long as the recognition and measurement of accrual-based revenue and expenditure have not been implemented, the

application of PP No. 24 Year 2005 is still temporary., cash-based recognition and measurement are used (Langelo, et al.2015).

Following the publication of Article 10 Paragraph (2) of Permendagri No. 64 Year 2013, local governments—including the Malang City Government—must get ready to apply Government Accounting Standards (SAP). As the head of the Malang City government's regional financial management division, BPKAD Malang City has implemented a number of strategies. These include policy-making, socialisation, comparative studies, and mentoring programmes in conjunction with Universitas Brawijaya's academic community to support and educate financial statement preparation based on SKPD.

Procedure The Ministry of Home Affairs started releasing regulations requiring the Malang City Government to implement SAP by the year 2015. This marked the start of the SAP implementation process. Article 10 paragraph (2) of Permendagri No. 64 of 2013 contains this rule. Subsequently, rules emanating from the central government started to trickle down to the organisations that reported to it, municipal and provincial governments (Wahyuni, et al.2016). It is evident from the rule pertaining to the deployment of accrual-based SAP how the Malang City Government goes through this coercive isomorphism procedure. BPKAD Malang City is making a lot of effort to determine the best way to apply this SAP accrual in compliance with the relevant laws. The Malang City Government is dedicated to deploying SAP accrually, which is handled by regional leaders in addition to SKPD. The Regional Heads will reach a consensus of some sort about the ability to apply this accrual-based SAP, and the Audit Board (BPK) will then use this consensus as a signal for reviewing the implementation of this accrual-based government accounting standard.

### Malang City Government's Strategic Plan in the Implementation of Accrual-Based Accounting Standards

The strengths-opportunity strategy (S-O strategy) is the one that the Malang City Government should pursue, according to the computation above. The goal of this strategy is to develop a plan that makes use of the opportunities now available for the local government accounting system in Malang City to be implemented using the accrual basis. The Malang City Government possesses three powers, namely: the average age of staff members responsible for SKPD financial statement preparation is still very young; High Local Original Income (PAD); Thanks to the dedication of the high SKPD leadership, the Malang City Government is able to seize current chances, such as the quantity of universities; External parties (BPKP and KSAP) have demonstrated a strong commitment to the adoption of accrual accounting in regional governments. commitment from the federal government to support local administrations in obtaining impartial opinions in every case. The tactics employed are:

1. Work along with a university's psychological centre to perform an evaluation for staff members who are responsible for creating financial statements.
2. Establish collaboration with universities to provide education or short courses on Accrual Base Government Accounting Standards;
3. Collaborate with universities to develop accounting software;
4. Form special education partnerships with universities to offer government accounting education;
5. Collaborate with BPKP to serve as a companion consultant in regional financial management.

## Conclusion

The Malang City Government is able to carry out the process of implementing accrual-based government accounting standards because the leading sector of financial management, namely BPKAD Malang City, has a high commitment to succeed in implementing accrual-based government accounting standards. However, psychologically this is only a form of responsibility and dedication carried out by SKPD to PP No. 71 of 2010 and Permendagri No. 64 Year 2013, without knowing in depth the meaning of what an accrual basis is.

In this sense, the SKPD-SKPD is institutionalising itself within the Malang City Government in order to preserve the Unqualified Fair opinion (WTP) in the future. However, this needs to be done with coercive isomorphism, which means that organisations with more power will put pressure on an organisation. Nonetheless, they think that if they perform well, the organisation above them will give them greater credit.

However, an examination of the full institutionalisation process of the accrual-based SAP implementation in the Malang City Government reveals that it really results in the central government enforcing laws through the issuing of Permendagri No. 64 of 2013. As a result, the adoption of accrual-based SAP is still in its early stages, does not yet reflect a benefit, and has no financial ramifications. The players in the Malang City Government are essentially still merely following the directives of the organisation that has authority over them; they are unaware of accrual accounting's advantages (coercive isomorphism).

The study suggests, theoretically, that the Malang City Government is currently dealing with novel circumstances related to the implementation of accrual-based government accounting standards, which nearly all SKPDs carry out out of duty and obedience to the government. This is consistent with many remarks made by SKPD on the government's duty to implement directives from the federal government. This position is very much in line with the institutional theory, which holds that they will make every effort to adjust to the circumstances surrounding their government organisations.

A study has to have its share of flaws and restrictions. As a result, it is anticipated that later academics will be able to display more significant players, such the leaders of the regional governments. As a result, several perspectives on this research issue will be recovered. Furthermore, to enable the advancement of institutional theory research in government organisations and the generation of proposals that can better influence the development of government organisations.

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