**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**This article's topic looks at how the Malang City Government's financial management reports have been improved after the local government accounting system was put into place. The case study technique is being used in this study to gather information about the quality of financial statements and the implementation of local government accounting systems through observations, interviews, and document analysis. The goal of this study is to demonstrate how the quality of the financial management reports produced by the Malang City Government is significantly impacted by the adoption of the local government accounting system. Local governments need to be mindful of crucial elements in the implementation process, like system planning, system execution, and system assessment. 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***

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**Introduction**

In order to give democratic governance credibility, we must acknowledge its existence and organise it in a way that is respectable, hygienic, transparent, responsible, and participative. This is made necessary by the paradigm shift towards the current administration. Government accounting changes are required to have a successful governance structure since the accounting process generates financial information for several parties. Any modifications made to the accounting industry have a strong basis thanks to SAP's existence (Langelo et al., 2015).

Government financial accounts are prepared and presented using accounting principles known as government accounting standards. The Government Accounting System, according to Surjono et al. (2017), is a systematic collection of procedures, organisers, instruments, and other parts that facilitate accounting activities within government organisations, including financial reporting and transaction analysis.

Financial management benefits from the application of this accounting approach as a mechanism, procedure, and control tool. Since the ability to manage funds is a must for all regional financial implementers, financial managers' understanding of the regional financial accounting system is an important factor that must be considered. This will let regional financial managers provide regional financial accounts, claim Sari et al. (2013).

The aptitude or skill of financial management employees is a key factor in determining their performance. The prompt 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 other indicators all suggest that financial management is working well. The main success indicators include low SiLPA, high APBD realisation rates, timely Local Government Financial Statement (LKPD) submission rates, and better quality BPK opinions on LKPD. According to the CPC, such indicators are Fair Without Exception if they are applied in compliance with current laws. 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 administration of public finances is directly related to the prosperity of the Indonesian people and is a subject that needs more focus. As stated in Article 23 paragraph (1) of the 1945 Constitution, "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." This is consistent with what is being said. It should go without saying that the State Budget's ability to function depends on an efficient financial recording system built on open and accountable accounting standards.

Financial reports must be presented by the central government, regional governments, and organisational units within the national / regional government in order to improve accountability and openness of regional financial management. This is compliant with SAP PP No. 71 of 2010; it will be utilised to generate a trustworthy financial statement and serve as a foundation for decision-making. This is anticipated to function as a guide, benchmark, and application standard.

The 1945 Indonesian Constitution's Article 18A paragraph (2) states that all financial dealings between the Central and Local Governments, public services, and the use of natural resources and other resources must be done in a way that is just and compliant with the law. To lessen irregularities in state financial management, a government accounting standard, as defined by PP No. 24 of 2005 concerning government accounting standards, is required. This regulation governs the essential government accounting standard. Article 36 paragraph (1) of Law No. 17 of 2003 concerning State Finance states that accrual-based income and expenditure recognition and measurement will be introduced after five (five) years of at most slow use of cash-based recognition and measurement, Government Regulation No. 24 of 2005's application is still temporary (Surjono, et al. 2017).

The Regional Financial Accounting System (SAKD) must be adopted in order for local governments to achieve openness and accountability in regional financial statements, which include, among other things, budget calculation reports, memo calculations, cash flow statements, and regional balance sheets. Transparency and public accountability should be the main considerations when implementing the Regional Financial Accounting System. Instead of limiting the powers of local governments, PP No. 11 of 2001's provisions pertaining to regional financial information are meant to act as a whip for regional governments, encouraging greater transparency in their financial accountability to the community.

Malang City's local government accounting implementation provides a detailed picture of the local government accounting system. This case study looks at the budgeting, financial reporting, and monitoring procedures in the context of Malang City's local government accounting. The needs and objectives of local communities must be taken into consideration while creating budgets. Accurate and honest financial reporting is required in order for it to be held accountable to the public. In order to ensure that Malang City's accounting protocols are being appropriately followed and that no funds are being embezzled, oversight is required.

This case study demonstrates how important it is for regional administration to set up a reliable accounting system. In addition to ensuring financial accountability and transparency, this also ensures that public monies are used effectively and efficiently for the benefit of society. For the existing accounting system to work well and benefit the residents of Malang City, the regional administration must also carefully analyse the budgeting, financial reporting, and supervision processes.

**Literature Review**

The researcher cited the following earlier studies: Sitorus et al. (2015), Rahayu (2014), Faradillah (2013), Permatasari (2014). From an infrastructural, HR, and IT standpoint, these studies effectively determined that the adoption of this accrual base is still in the preliminary stage. Furthermore, they came to the conclusion that SAP accrual adoption is essentially a self-reflection of a formality.

The budget and accounting system of BLU Universitas Brawijaya were examined by Amirya, et al. (2013) using an institutional theory framework. Unlike the previous study, the main focus of this one is the institutional theory perspective of the accrual-based Government Accounting Standards (SAP) application by the Malang City Government. While the main purpose of this study is to learn more about the adoption of accrual-based Government Accounting Standards (SAP) in the Malang City Government from the perspective of institutional theory.

Ratih (2012) conducted research on the effect of understanding local financial accounting systems on performance. His study's conclusions show that familiarity with the regional financial accounting system improves performance. Gaining a deeper comprehension of the regional financial management apparatus and the regional financial accounting system can improve the performance of financial management.

**Method**

 We base our writing techniques on case studies that we acquire.Peelitians rely on books written by printed sources and credible scientific papers as their sources. The findings are provided for users to utilise as guidelines and reference materials. The reason for our method choice is the source of the data we find in the article we search that is relevant to the title we choose; essentially, we find a clear basis or purpose that we can use as starting point for our work or as material to continue our article with the goal of obtaining good results in line with the structure of scientific logic.

**Result and Discussion**

Malang City's Local Government Financial Statements (LKPD) for the fiscal year 2018 received an 8x Fair Without Exception (WTP) award from the Ministry of Finance of the Republic of Indonesia, indicating the effectiveness of the city's financial reporting (Merdeka.com, 2019). In order to achieve justice for all residents of Malang City, the LKPD must essentially be provided in the form of prompt, efficient, and truthful processing. The preparation of accountability reports as well as budgetary planning, budget utilisation, supervision, and government regulation Number 12 of 2019 on regional financial management will all be governed by this regulation. The WTP assessment does not instantly allow one to draw the conclusion that the Malang City Government has handled finances honestly and transparently. Because there are indications of problems in the CPC audit report. It has been revealed that the Malang City Government did not properly utilise its 2019 budget; 42 members of the DPRD were determined to be corrupt, and less than Rp 2 billion was allotted for the damaged road maintenance post (JawaPos.com, 2018).

This trend leads to the conclusion that high-quality financial statements are necessary for fraud prevention and corruption anticipation in order to demonstrate the presentation of sound financial statements. Giving information to stakeholders about the quality of financial accounts is intended to empower them to make better decisions in the social, political, and economic spheres. The government's internal control system is an essential collection of protocols and measures implemented by management and staff to ensure regulatory compliance and the accuracy, dependability, and effectiveness of financial reporting while also instilling confidence in the achievement of organisational goals. 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

Government Accounting Standards (SAP) are a fundamental component of responsible, transparent, and competent regional financial management. Since the reform era, Indonesia has aimed for unified government accounting standards. This supports the argument that the implementation of 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 properly carried out because there were no technically precise guidelines for the preparation of financial statements at the time (Bastari, 2004).

Article 32 of Law No. 17 of 2003 concerning State Finance states that the APBN/APBD implementation accountability report's content and format must be developed and presented in accordance with SAP. PP No. 24 of 2005 contains a description of the SAP requirements set forth by the government and the State Finance Law mandate. The SAP uses a cash basis for reporting revenue, expenses, and financing transactions, and an accrual approach for recognising assets, liabilities, and equity of funds. The application of PP No. 24 Year 2005 is still transitory as long as the recognition and measurement of accrual-based revenue and expenditure have not been implemented, as required by Article 36 paragraph 1 of Law No. 17 of 2003 concerning State Finance, cash-based recognition and measurement are used (Langelo, et al.2015).

All municipal administrations, including the Malang City Government, are required to prepare for the implementation of Government Accounting Standards (SAP) subsequent to the release of Article 10 Paragraph (2) of Permendagri No. 64 Year 2013. BPKAD Malang City has put several plans into practise in his capacity as the head of the regional financial management division of the Malang City administration. In order to promote and educate financial statement preparation based on SKPD, they include policy-making, socialisation, comparative studies, and mentoring activities in collaboration with the academic community at Universitas Brawijaya.

Process Regulations mandating the Malang City Government to implement SAP by 2015 were first released by the Ministry of Home Affairs. The process of implementing SAP began with this.This rule is contained in Permendagri No. 64 of 2013's Article 10 paragraph (2). Rules originating with the federal government then began to permeate the institutions that answered to it, including the state and local governments (Wahyuni, et al. 2016). The regulation concerning the implementation of accrual-based SAP makes clear the process that the Malang City Government follows for this forced isomorphism. BPKAD Malang City is working hard to figure out how to use this SAP accrual as efficiently as possible while adhering to the rules. The Malang City Government is committed to rolling out SAP progressively, a task that is divided between SKPD and regional leaders. Regarding the applicability of this accrual-based SAP, the Regional Heads will come to some type of consensus. The Audit Board (BPK) will then utilise this consensus as a cue to examine the application of this accrual-based government accounting standard.

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

Based on the calculations above, the Malang City Government should follow the strengths-opportunity approach, or S-O strategy. The objective of this strategy is to devise a plan that capitalises on the current potential for the accrual basis implementation of the local government accounting system in Malang City. The three powers that the Malang City Government has are as follows: the average age of the employees that prepare the SKPD financial statements is still very young; High Local Original Income (PAD); The Malang City Government is able to take advantage of contemporary opportunities, including the number of universities, because of the commitment of the high SKPD leadership; The external parties, KSAP and BPKP, have shown a strong commitment to the regional governments' adoption of accrual accounting. pledge from the federal government to assist local governments in securing unbiased assessments in each instance.The strategies used are:

1. Collaborate with the psychology centre of a university to conduct an assessment of employees who are in charge of preparing financial statements.
2. Form special education partnerships with universities to offer government accounting education;
3. Work with universities to develop accounting software;
4. Establish collaboration with universities to provide education or short courses on Accrual Base Government Accounting Standards;
5. Work 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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