

The Implementing Problem of Government Accrual Accounting in the First Year

A case study of Indonesia's experience when preparing

the first government accrual accounting in 2015

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Abstract

This study was conducted to identify the problem of implementing government accrual accounting system in the first year. The case study was conducted in Indonesia when Indonesia prepared government financial reporting based on accrual accounting in 2015. Indonesia government changed the accounting system and financial reporting from the old system, cash toward accrual basis, to the new system, accrual accounting basis, in 2015 to comply the regulation. Implementing a new system in government financial reporting system created a big problem. Indonesia was a country that had some accounting units which were about 24.000 accounting units. It was thought that the problem could be solved by designing good government policies and good action. Government stakeholder doubted whether Indonesia succeeded in implementing accrual basis for government financial reporting in the first year. Some experts predicted that the quality of government accounting became worse. The opinion of financial reporting dropped to bad condition with some reasons.

This study uses purposive sampling in which the sampling method uses specific criteria. This study aims to assess the problem of Indonesian government when implementing the accrual accounting systems and developing the alternatives to overcome the problem. The results of the study show that there are two conclusions. First, Indonesian government delayed implementing the accrual basis in financial reporting for 8 years with some reasons and conditions. Second, in one hand, Indonesia had some problems to comply with regulation in accounting system and financial reporting, like human resources, regulation, information technology, risks in business process change. On the other hand, Indonesia succeeded in implementing government accrual accounting in the first year in 2015.

Keywords : government accounting, accrual, problem, system, implementing

Government accounting in Indonesia has an important history in 2015. Indonesia had to prepare financial statements based on the accrual basis in that year. The preparation of government financial statements based on the accrual basis is the order of the Act. Based on Law No. 17 of 2003 on State Finance, and Law No. 1 of 2004 on State Treasury, the government of Indonesia must prepare financial statements based on the accrual basis. The previous period, starting from 2005 to 2014, the government financial statements are prepared using cash toward accrual basis.

The study conducted in this paper uses qualitative approach. It uses purposive sampling in which the sampling method uses specific criteria. The respondents were selected from various elements which include accounting and financial reporting regulator, financial reporting operator at the central government level, financial reporting operator at the local government level, the lecturer of government accrual accounting, and government auditors. The collection of the database was done through in-depth interviews with experts who are directly involved in regulatory accounting and financial reporting, financial statements and audits of government financial statements.

Implementation of the new policy within a country will cause many problems to overcome. The first preparation of financial statements in the Indonesian government in 2015 gave rise to various problems. The problems are as follows:

The first problem is the lack of human resources having adequate knowledge and skills in the field of accounting in order to support government policy to prepare accrual basis financial statements. The second is the need for simple application system to prepare financial statements, but the system should be useful and able to fulfill the mandate of the legislation. Without the help of the application, it is very difficult to prepare financial statements for a country which has about 24,000 accounting units.

The third is the problem in the development of integrated database system that is able to meet a variety of needs, including the needs of budgeting, the needs of budget execution and the needs of financial statement preparation. The fourth is the preparation of financial accounting and reporting systems as well as good source document management that will support audits on the financial statements. The fifth is the need for policies that are specific to a ministry/institution.

Under the terms of the Act (the Act on State Finance and Treasury Law), the government of Indonesia should prepare financial statements based on accrual in 2008. However, in 2008, the government was not ready to implement the accrual accounting basis because of regulations and the capability of human resources. The government issued a policy to postpone the implementation for 7 years so that it began in 2015. The delay is stipulated in Government Regulation No. 71 of 2010 concerning the Government Accounting Standards. To support this policy, government approached the Auditor, i.e. the Audit Board, and the legislative, i.e. the House of Representatives. Audit Board and the House of Representatives provided support to the government's policy because of the impossible conditions to apply accrual basis government accounting.

To succeed in the preparation of government financial statements, the following steps were taken:

First, the government prepared government regulation and regulation of the Minister of Finance related to the preparation of government financial statements based on accrual.

Second, the government conducted education and training for about 24,000 operators of the government financial statements at the level of the work unit in the last two years, which was in 2014 and 2015.

Third, the government designed an application system for financial reports that are user-friendly, but it can generate reports as required by regulation.

Fourth, the government strengthened the business of the process of financial statement preparation, including strengthening the control systems and undertaking a review of financial statements by internal auditors.

Fifth, the government performed adequate supervision and guidance of management level in the process of preparing the financial statements at the operator level.

Has the financial reporting quality declined dramatically after the application of accrual accounting? The following data are the development of opinion on the financial statements from 2011 to 2015:

| Opinion | Year | | | | |
|---------------------|------|------|------|------|------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Unqualified opinion | 61 | 62 | 65 | 62 | 56 |
| Qualified opinion | 17 | 22 | 19 | 18 | 26 |
| Disclaimer | 2 | 3 | 3 | 7 | 4 |
| Adverse | - | - | - | - | - |
| Total | 80 | 87 | 87 | 87 | 86 |

There are several factors that influenced the successful implementation of accrual accounting in Indonesia in 2015. They are as follows:

The first is human resources factor. The government successfully conducted education and training for about 24,000 operators of government financial statements.

The second is the regulation. The government made a lot of regulations of Minister of Finance to support the successful implementation of government accounting based on accrual.

The third is the factor in information technology. There should be an application system that is simple and user-friendly to support operators for preparing the financial statements. Although simple, all components of the report can be made.

The fourth is the risk mitigation in the business change process. Mitigation of risk is undertaken by the management to avoid the problems in the management of state finance.

In order to strengthen the preparation of financial statements in the future, the writer of this study recommends the following:

First, it would be better to improve financial applications used in the preparation of financial statements in order to implement full accrual accounting. The thing that needs attention is the process of migration from the old system that is partial to full accrual new system which should be run safely and should avoid the risk of failure in financial management.

Second, it would be better to continue developing human resources by conducting education and training, technical assistance, dissemination, seminars and so forth.

Third, it would be better to fix the related regulations which are more detailed and specific related to several ministries/institutions that have specific business processes.

Fourth, it would be better to increase the role of auditors both internal and external auditors in order to boost governance in financial management in general, and the preparation of financial statements in particular.

References:

1. Law no. 17 of 2003 on State Finance.
2. Act No. 1 of 2004 on State Treasury.
3. Government Regulation No. 71 of 2010 concerning the Government Accounting Standards.