Accrual-Based Accounting Infrastructures in Indonesian Local Government

Hamdani
Accounting Department – University of Trisakti

Etty Murwaningsari
Accounting Department – University of Trisakti

Haryono Umar
Accounting Department – University of Trisakti

Sekar Mayangsari
Accounting Department – University of Trisakti

Abstract
We examine accrual-based accounting infrastructure in Indonesian local government (provinces and municipalities), by interviewing officials and analysing their qualitative responses using Nvivo 12 software. We find that the success of accrual accounting depends on the commitment and understanding of local officials, and the most important part of infrastructure is policy regulations and systems creating and reviewing financial reports. Interestingly, an academic accounting background is not essential for staff due to availability of computerised Accounting Information Systems (SIA).

Keywords: Accrual-based accounting infrastructure, Local government, New Public Management, Nvivo

DOI: 10.7176/RJFA/10-6-01

Publication date: March 31st, 2019

1. Background
Over the past few years, a number of large-scale changes known as New Public Management (NPM) improve the quality of public sector (Adhikari & Mellemvik, 2011, Christiaens, 2000, Flynn, Moretti, & Cavanagh, 2016). NPM reforms include privatization, marketization, decentralization, output orientation, system quality, and implementation intensity (Connolly & Hyndman; 2006 Christiaens, 2000). In managing finances, Minogue (2000) notes that NPM in the public sector increases transparency and accountability. The changes are described as a neutral component of decisions and accountability (Guthrie, 1998). Along with transparency and accountability, the government is trying to improve the financial reporting system (Umar & Nasution, 2018). Adriana & Ritonga (2018) say that accrual-based accounting (ABA) gives higher-quality reports that benefit everyone. In addition, ABA provides information about government efficiency as well as compliance with its own regulations (Agustiawan & Rasmini, 2016, Ayu, Kiranayanti, Made & Erawati, 2016).

One of the countries that is used as a benchmark in applying ABA is New Zealand, concerned about the cost of old-age benefits that will be paid to 1960s baby boomers who retire in the 2020s. In a cash-based system, the problem is not visible. After several years of ABA, New Zealand, like other countries, found ABA to be a more than adequate basis better decision making, Indonesia itself applies the system since 2015. Previous studies examine only the implementation of partial ABA, and in only one municipality (Usman, et al., 2914, Iznillah, Azlina & Silvi, 2015, Kristiawati, 2015, Kiranayanti & Erawati, 2016, Anwar, 2015, Adriana, & Ritonga, 2018, Ritonga, 2014), and a few provinces in the same island. In addition, almost all the studies above use quantitative methods with limited analysis. Because ABA is a central government regulation, in this study we explore how ABA enables good financial reporting (Carlin, 2005)

This is our main research question:
How does ABA increase the quality of financial reporting in Indonesian local government?

We take qualitative data from several provinces and municipalities, based on their respective audit opinion reports from the Financial Audit Board (BPK) of the central government of Indonesia.

This study enriches the academic literature on the financial and behavioral aspects of the public sector, a literature, however, that is still very limited. In addition, the adoption of ABA in government is a hot issue. Any additional insight into ABA is valuable. A second research question is the constraints on actually implementing ABA. Many local governments, not ready to implement ABA in 2008, realise in 2015 that there are no exceptions. ABA is mandatory. Thus, this research maximizes the ability of the Ministry of Home Affairs to encourage LGs in their duties.

2. Review of literature
2.1 Mandatory ABA
The year 2015 is the first year of mandatory ABA. Purwanto (2015) conducts a study of three offices in the DIY of Yogyakarta. The obstacles facing ABA according to Purwanto's research (2013) are (1) that there are no standard rules regarding the stages of ABA, (2) insufficient staff and a limited number of assistants, (3) inadequate training, and (4) imperfect Regional Financial Management Information Systems. We explore three years of further progress. How well the LGs understand the standards and procedures of ABA controls the speed of its adoption.

2.2. ABA infrastructure
The pre-requisites are (1) Regulation and Policy, (2) Human Resources, (3) Information Systems, (4) Government Internal Control Systems, and (5) Review of Local Government Financial Reports. The following is an explanation of each item:
2.2.1. Accounting policy and system regulations
Local governments must have an accrual basis policy and an ABA system that meets government accounting standards and guidelines. These standards must be updated in accordance with developments and local needs
2.2.2. Human Resources
Competent staff are essential. Education and training since 2015 remain, as always, the key. In this study we claim that human resources are fundamental sources for the implementation of accrual-based accounting (Halen & Astuti, 2013).
2.2.3. Accounting Information System (AIS)
In the process of recording, two approaches can be carried out, namely manually and in a computerised system (Bagchi-Sen & Kuechler, 2000; Thomas, 1978). IT systems uniquely accelerate the processes of recording and analysing. Thus, IT becomes prominent and will continue to replace human drudgery (Payne, Holt, & Frow, 2000), improving efficiency, cost effectiveness and reporting quality and speed (Bardhan, Demirkan, Kannan, Kauffman, & Sougstad, 2010). In ABA just as in cash-based accountancy, existing IT sub-systems avoid duplicated input of raw data. Online access by multiple systems to central data eliminates repetition of transaction inputs.
2.2.4. Internal Control System
In accordance with Government Regulation Number 60 of 2008, the government's internal control system (SPIP) is intended to run internal check processes automatically. The SPIP of each local government no doubt prevents machine errors in financial statements. At present (year 2018) BPKP assesses SPIP in LGs, to determine SPIP controls the quality of financial statements.
2.2.5. Review of Local Government Financial Reports
This review process exists to ensure that there are no errors in the presentation of financial statements, and that they are in accordance with government accounting standards. Regulations require that reviews and statements have been reviewed by APIP on LK before being given an opinion by the Republic of Indonesia BPK.

3. Research Method
3.1. Research design
We interview LG officials in several provinces and municipalities to obtain qualitative data. In addition, we sample purposively by conducting open interviews with LG financial officers and members of local Accounting Board. We choose them because they are directly involved in ABA and are more competent in the field, giving us more practical information (Flick, 2002).

After all interviews are carried out, we input interviews one by one in order to pre-analyze the typed data, to recollect ideas obtained during interviews, to improve our understanding of the main issues, to identify themes, codes, and fresh data categories; and to simplify unnecessary complexities (Barbour, 2008).

The Nvivo 12 program helps the coding process so that we can simplify work while at the same time coding, browsing and linking data to emerging themes (Flick, 2002; Johnston, 2006, Yuliansyah, Hakim, and Suryani, 2015, Yuliansyah, Bui, & Mohamed, 2016) so that the results obtained of better quality. According to Kyriakidou & Gore (2005, p. 197), analysis has four steps, namely 1) developing a coding schedule for the thematic interviews; 2) organizing the coded text as themes; 3) establishing common themes; and 4) analyzing the themes provided by the coded material.
4. Results

4.1 Respondents

A Table 1 below shows the geographical location of respondents.

| No | Province of West Sumatera | Province of West Sumatera |
|----|---------------------------|---------------------------|
|    | The City of Padang        | 1                         |
|    | The district of Tanah Datar| 2                         |
|    | The district of Dharmasraya| 1                         |
|    | The district of Agam       | 2                         |
|    | The district of Solok      | 2                         |
|    | The district of Padang Panjang| 2                      |
|    | The district of Pesisir Selatan| 1                    |

| 2  | Province of Lampung | Province of Lampung |
|----|---------------------|---------------------|
|    | The City of Bandar Lampung | 2                     |
|    | The district of Pringsewu | 1                     |
|    | The district of Pesawaran | 1                     |
|    | The district of Pesisir Barat | 2                    |
|    | The district of Tanggamus | 2                     |

| 3  | Di Yogyakarta | Province of Di Yogyakarta |
|----|---------------|---------------------------|
|    | The City of Yogyakarya | 1                      |
|    | The district of Gunung Kidul | 1                    |
|    | The district of Sleman     | 1                       |
|    | The district of Kulon Progro | 1                  |
|    | The district of Bantul    | 1                        |

| 4  | Jawa Tengah | The City of Semarang |
|----|-------------|---------------------|
|    | The City of Magelang | 1                     |

| 5  | Province of Bali | Province of Bali |
|----|------------------|------------------|
|    | The City of Denpasar | 2                     |
|    | The district of Klunkung | 1                    |
|    | The district of Buleleng | 1                    |
|    | The district of Badung | 1                     |
|    | The district of Jembrana | 1                  |
|    | The district of Bangli  | 1                     |

| 6  | Province of South Sulawesi | Province of South Sulawesi |
|----|---------------------------|---------------------------|
|    | The City of Makasar       | 1                         |
|    | The district of Bone       | 1                         |
|    | The district of Maros      | 3                         |
|    | The district of Barru      | 1                         |

| 7  | Province of Papua | Province of Papua |
|----|------------------|------------------|
|    | The City of Jayapura | 1                   |
|    | The district of Tolikara | 1                |
|    | The district of Timika | 1                 |
|    | Puncak Jaya        | 1                 |
|    | Merauke            | 1                 |

| 8  | Kalimantan Selatan | Province of Kalimantan Selatan |
|----|-------------------|-----------------------------|
|    | The City of Banjarbaru | 1                      |

|    | Total Keseluruhan informan | 53                     |

Table 1. Mapping of respondents based on their provinces, cities, and districts
4.2. ABA indicators in Indonesia.

The main indicator is that an institution obtains an Unqualified Opinion (WTP) from the Supreme Audit Agency (BPK). Most respondents say that the key to success is the commitment of regional leadership. For example, the Head of Accounting for the City of Makassar says:

“. . . the commitment of our leadership is so high. He [the Mayor of the city of Makassar] totally encourages us to carry out reforms in implementing ABA.”

The City of Bandar Lampung government has eight WTPs. The Mayor of that city forced the head of every agency to certify the integrity of their implementation. On the other hand, regional governments that have a low commitment have little chance to achieve WTP. For example, the West Coast Regional Government obtained the 2015 TMP, but not the 2016 and 2017 WDP.

‘In fact, the leadership commitment on the accrual basis certainly affects the achievement of WTP. Leadership commitment is still lacking’

[Head of Subdivision of Pesisir Barat Regional Government]

4.3 Regulations of policy and Accounting systems (RPA)

The ability of ABA to obtain good quality financial statements is strongly influenced by the RPA. Our interviews confirm that RPA achieve the maximum quality financial reports. A spokesperson for the Accounting Department of the City of Makassar says that the RPA form the gate. In the absence of, ABA will never be achieved. As stated

"After Mr. Wall’s commitment, the next step is to start by compiling the perkada. Without that, the application of the basic curriculum does not work”

[Head of Accounting for the City of Makassar]

Moreover, (says the Head of Accounting for Padang Panjang Region) the first application of ABA must follow compliance with existing regulations.

We conclude that the RPA are important in ABA.

4.4 Human Resources

As mentioned, prerequisites for ABA are (1) staff, and (2) their competence. Our interviews show that the role of HR who have accounting background is not a major factor in carrying out accrual basis.

‘However, in my opinion it is not a background problem because of my experience even though my staff have accounting majors that do not guarantee that the work goes as expected

[Regional Government of Bantul-Yogyakarta Yogyakarta]

So, the essence is that we always fix according to our supervisor's follow-up and because we use the application it is enough to make friends easier even though there is no accounting background

[The City of Jayapura-Papua Regional Government]

So, the main factor in ABA is not seen from the background of accounting education or not, but seen from whether he can work and cooperate or not. Most of us don’t come from accounting background employees but we can reach WTP several times because our staff wants to work.

[Regional Head of Accounting for Maros Regional Government]
Each LG develops its own adequate HR infrastructure in several ways, namely: Staff commitment, socialization, knowledge sharing, learning and training, and reward and punishment.

**Staff commitment**
As explained above, accounting education background is not a major factor in the success of building ABA. The commitment to work and work together is an absolute necessity. One of the informants from the Agam-West Sumatra regional government tells his subordinates that working in the accounting department also has risks. Therefore, if people are placed in the accounting department, they should do the work seriously.

> For personal reasons, we appeal to all staff.

[Regional Government of Agam - West Sumatra]

The City of Bandar Lampung Guardian applies the 3-Sila principles (sincere, intelligent, hard work) to motivate employees to work well wherever they are. So, the work they do is not burdened with other factors.

[Regional Government of the City of Bandar Lampung - Lampung]

**Socialization**
Socialization is how leaders provide information to subordinates regarding the success of ABA. Socialization is also an effective way to increase staff knowledge in SKPD. The City of Padang Municipal Government, for example, routinely disseminates and internalizes information to improve the quality of understanding of accounting.

> Indeed, if we look at the SKPD the background is not so much Accounting, but methods of socializing and also internalizing. Each month we discuss what the challenges are. So, at the end of the year, we can properly compile financial statements.

[The City of Padang Municipal Government - West Sumatra]

**Knowledge sharing**
Not every LG has sufficient funds to participate in ABA training by the Ministries of Home Affairs and Finance, and by universities. Therefore, many LGs do knowledge sharing to improve their capabilities of ABA. In this way, each individual involved in the preparation of financial statements gains sufficient knowledge. Knowledge sharing can use Whatsapp group facilities at BPKAD, Regional Government, and provincial level. SKPD or regional governments that have problems regarding the presentation of financial statements can ask the Whatsapp group.

> 'If we are in Agam, as well as socialization in the beginning, we also process the index every few days for the compilers of financial statements, and then we reconcile every month. There is also a sharing of knowledge when friends experience difficulties in preparing financial statements.'

[Regional Government of Agam - West Sumatra]

> In the [Group Whatsapp] forum we are ready 24 hours to help those who want to ask anything and at any time. They do not have to be formal. Since the year 2015 ABA implementation, friends are no longer surprised.

[Head of Sub Directorate of Accounting for The City of Bandar Lampung - Lampung]

Similarly to Bandar Lampung, The District of Gunung Kidul notes that we have a Whastapp group in DIY so that when we have difficulties we are always helped, including we also always conduct training and sharing between accounting in DIY.

[Gunung Kidul Regional Government - DIY Yogyakarta]

**Learning and training**
Learning and training is a common method applied by regional governments in Indonesia to improve the quality of officials in understanding ABA statements. Various methods are carried out by regional governments including both in house training and off-site training. In house training can be done by existing staff, invited academics, paid consultants, BPK or BPKP staff, or other competent parties. Internal training allows staff to learn directly about existing cases and their solutions.

> Internalization is related to the preparation of financial statements. So every month we guide our staff and discuss what the obstacles are. So, at the end of the year they can compile financial statements correctly.

[The City of Padang Regional Government - West Sumatra]

**Reward and punishment**
Forcing OPDs to be responsible for preparing financial statements is a powerful way to make them to complete their tasks. There are many ways to compel obedience. One of them is to hold back operational funds, which will be released when they complete their assignments.

> "When the OPD wants to ask for a change in value, we stop first, we say 'This OPD report is not finished yet'. We wait for a while and keep back money or fees until the OPD report is completed"

[The City of Padang Panjang - West Sumatra Government]

> If the duedate is passed, then i there is a punishment. For example the regional allowance is clipped
or whatever. In addition, regional heads in the second week of December may not leave the area because they have to take care of the SPJ. If the Head of the OPD is not in place then the SPJ is delayed, the impact falls on the LKPD.

[Regional Government of Solok - West Sumatra]

4.5. Accounting information system

Another thing that affects the quality of financial statement information is the quality of IT. With the advancement of technology at the present time (year 2018), government agencies abandon the manual system, turning to computers. As explained above, HR with an accounting background is not a major factor in developing HR in LGs. In place of the HR, the main requirement after RPA is IT. The Head of Accounting division of the City of Makassar said that crucial to the success of the Government of The City of Makassar's achievement of good financial statements is its accounting information system. IT-based systems are built to Regional Head Office Regulations (Perkada) regarding BA. With the existence of information systems, the work of staff in recording and reporting accrual-based financial statements is eased and problems that arise are easily overcome.

In the past, our financial statements were manual. Now by using a good system we are greatly assisted in managing assets and problems are increasingly resolved. So we can easily solve existing problems.

[Head of Accounting for the City of Makassar]

Four advantages stem from using IT. These advantages are IT knowledge, accessible information, IT integration, and updated systems.

**IT Knowledge**

It cannot be denied that the quality of IT-based financial statements depends on the officials and operators running the system. IT knowledge is the main requirement in ABA which uses IT. A respondent from the District of Agam - West Sumatra says:

Even though SKPD friends have no background in accounting, we are greatly helped [in preparing financial reports] by IT. The important thing is that they understand the input process.

[Regional Government of Agam - West Sumatra]

**Accessible Information**

Another benefit of IT, particularly for internet-based organizations, is to help improve efficiency, cost effectiveness and quality of reporting. With IT, information can be accessed anywhere, so staff can work anywhere.

Both financial and SIPKD in our place are always real time, only the one is web-based so that it can be opened anywhere and in our place and Kulon Progo is still based on LAN. Actually it can be demolished by opening through SIMDA finance

[Bantul Regional Government - DIY Yogyakarta]

We check our application online at SKPKD. But because our SIMDA is not web-based, employees whose homes are in Yogyakarta cannot work.

[Kulon Progo Regional Government - DIY Yogyakarta]

**IT Integration**

In ABA, just as with cash accounts, the computer programme integrates sub-systems to avoid duplicated inputs.

Our accounting is not yet integrated with planning, budgeting, and procurement.

[Regional Government of Dharmasraya - West Sumatra]

**Updated System Application**

Systems must be updated for two reasons, namely 1) software updates because of an additional or changing regulation, and 2) hardware upgrades for speed or for integration.

In this year [2018], the District of Bantul changes policy for 2019, so we are compiling now for the implementation in 2019 related to the accounting system that we carry out the Financial SIM in The district of Bantul

[Regional Government of Bantul Yogyakarta Yogyakarta]

In our office, we look at the regulations, future policies, and existing accounting systems. Then we ask vendors to provide a system based on those regulations

[Penda Agam – West Sumatera]

4.6. Internal Control System

In accordance with Government Regulation Number 60 of 2008, the government's internal control system (SPIP) is intended to ensure internal control runs within the organization and the automatic internal check process. SPIP quality is measured from the level of each SPIP which certainly can prevent the occurrence of misstatements in the preparation of financial statements. At present, the government is assigning BPKP to provide an assessment
of the criteria or competencies of SPIP to local governments. The role of this infrastructure is reflected in the assessment provided by BPKP on the SPIP level of each local government. Table 2 below recapitulates the list of Local Governments according to the SPIP Level

| No | Province of       | Asal Informan (Province of / City/District)                  | Level SPIP |
|----|-------------------|----------------------------------------------------------------|------------|
| 1  | West Sumatera     | Province of West Sumatera                                      | 1          |
|    |                   | The City of Padang                                           | 1          |
|    |                   | The district of Tanah Datar                                   | 1          |
|    |                   | The district of Dharmasraya                                   | 1          |
|    |                   | The district of Agam                                           | 1          |
|    |                   | The district of Solok                                          | 2          |
|    |                   | The district of Padang Panjang                                 | 2          |
|    |                   | The district of Pesir Selatan                                  | 1          |
| 2  | Province of Lampung| Province of Lampung                                           | 1          |
|    |                   | The City of Bandar Lampung                                     | 1          |
|    |                   | The district of Pringsewu                                      | 1          |
|    |                   | The district of Pesawaran                                      | 1          |
|    |                   | The district of Pesir Barat                                    | 1          |
|    |                   | The district of Tanggamus                                      | 1          |
| 3  | DI Yogyakarta      | Province of DI Yogyakarta                                     | 3          |
|    |                   | The City of Yogyakarya                                         | 3          |
|    |                   | The district of Gunung Kidul                                   | 2          |
|    |                   | The district of Sleman                                         | 3          |
|    |                   | The district of Kulon Progo                                    | 3          |
|    |                   | The district of Bantul                                         | 2          |
| 4  | West Java          | The City of Semarang                                           | 1          |
|    |                   | The City of Magelang                                           | 1          |
| 5  | Province of Bali   | Province of Bali                                              | 1          |
|    |                   | The City of Denpasar                                           | 1          |
|    |                   | The district of Klunkung                                       | 2          |
|    |                   | The district of Buleleng                                        | 1          |
|    |                   | The district of Badung                                         | 1          |
|    |                   | The district of Jembrana                                       | 1          |
|    |                   | The district of Bangli                                         | 1          |
| 6  | Province of South Sulawesi | Province of South Sulawesi                        | 3          |
|    |                   | The City of Makasar                                            | 2          |
|    |                   | The district of Bone                                           | 2          |
|    |                   | The district of Maros                                          | 2          |
|    |                   | The district of Barru                                          | 2          |
| 7  | Province of Papua  | Province of Papua                                              | 1          |
|    |                   | The City of Jayapura                                           | 2          |
|    |                   | The district of Tolikara                                       | 1          |
|    |                   | The district of Timika                                         | 1          |
|    |                   | Puncak Jaya                                                    | 1          |
|    |                   | Merauke                                                        | 1          |
| 8  | South Kalimantan   | Province of Kalimantan Selatan                                 | 1          |
|    |                   | The City of Banjarbaru                                         | 1          |

| Total of Respondent | 53 |

Table 2. The Level of regional SPIP
From the data above, it follows that:
(1) In 18 local governments that have financial reports in a consistently good category, it turns out the SPIP is still at level 1, namely Province of West Sumatra, City of Padang, district of Tanah Datar, district of Dharmasraya, district of Pesisir Selatan, Province of Lampung, City of Bandar Lampung, district of Pringsewu, Province of Bali, City of Denpasar, district of Buleleng, district of Badung, district of Jembrana, Province of Papua, City of Jayapura, district of Merakau, Province of South Kalimantan, and City of Banjarbaru.

Five local governments have financial statements of good consistency with SPIP at level three are Province of DIY Yogyakarta, City of Yogyakarta, district of Sleman, district of Kulonprogo, and Province of South Sulawesi. Five more local governments have financial reports in the category of consistently good with SPIP at level two are the district of Gunung Kidul, The district of Bantul, The City of Makassar, The district of Bone, The City of Jayapura. As many as 5 local governments that have the quality of financial reports are included in the category of consistently good with SPIP at level 2, namely the district of Gunung Kidul, The district of Bantul, The City of Makassar, The district of Bone, The City of Jayapura.

4.7 Accrual-based accounting Business Process in local government
The difference between accrual-based accounting and cash-based accounting toward accruals lies in the recognition of LO and LRA income transactions with expense and expenditure transactions between cash receipts and expenses and the time when rights and obligations arise as well as recording asset usage. We find the following conditions:

1. The recording of LO income is not accurate when the occurrence of rights at the time of maturitity are not supported by evidence of underlying transactions such as tax assessment letters and notification documents that are not in line with transfer income. However, accounts receivable are recorded at the time of cash receipts so that the occurrence of receivables and repayment of accounts receivable is carried out at the same time.

2. The recording of expenses for expenditures is generally carried out at the time of issuance of SP2D, or together with the recording of expenditures, so that the recognition of expenses and debts is not carried out at the time of the obligation.

3. The recording of inventory costs is not carried out at the time of use of an inventory with perpetual method, but with a periodic method based on physical calculations of year-end inventory. In some local governments, recording using the perpetual method is only done for inventory items received and used by regional public service agencies (BLUDs).

4.8. Review of Local Government Financial Reports
One of the main factors that can improve the quality of financial statement information is internal supervision. Internal supervision is one part of internal control activities that functions to conduct an independent assessment of the implementation of duties and functions of Government Agencies. The role of this accounting infrastructure is to ensure that there are no errors in financial presentation in accordance with government accounting standards. Regulations require that reviews and statements have been reviewed by APIP on LK before being given as an opinion by the Republic of Indonesia BPK. Based on information from financial report respondents, this procedure has a significant influence on the quality of financial statements. Most of the respondents said that one of the factors that influenced local governments in obtaining WTP opinions from the BPK was the involvement of the inspectorate in reviewing and responding to financial reports. In other words, inspectors who are not active in reviewing and discussing the results of the review report usually do not get a WTP opinion from the BPK.

_The role of the review of regional government financial reports is very important, to determine the extent to which financial statements are in accordance with SAP_

[Regional Government of Dharmasraya - West Sumatra]

_Regarding the role of the inspectorate, we really need a lot from them, sir: because of the existence of the inspectorate, at least they can oversee the financial statements that we produce, because usually if we make it alone there might be mistakes. So later, with the help of the inspectorate, they will later tell us which ones we need to correct and improve later on. Maybe one of their roles is to make our reports better._

[Regional Government of Bantul-Yogyakarta Yogyakarta]

Regional governments that do not obtain WTPs provide opinions on the role of the inspectorate on financial reporting as follows:

_The inspectorate isn’t there, so we can’t fix our mistakes before our financial statements are submitted to the BPK_

[Tolikara Regional Government - Papua]
Some local governments ask the inspectorate not only to review financial statements but also to review financial reports and potential legislation so that there is no misunderstanding in either the implementation or the interpretation of financial statements. One example from the City of Jayapura is as follows:

*I think when I call friends from the inspectorate for cash and inventory hospitalization, and for fixed assets, we just have to report, so indirectly most of the financial statements followed in their footsteps. Financial statements formally come to be reviewed, but to a certain extent they have already done it.*

[Jayapura Regional Government - Papua]

5. Conclusion

5.1 Conclusion

This study has several conclusions:

1. Success in developing ABA in RGs in order to improve the quality of local government financial reports is strongly influenced by the commitment of regional government leaders. The leadership's commitment to quality financial reports is fundamental to ABA in RG.
2. An infrastructure element that has an important influence is the RPA. Financial statements not based on RPA will produce futile and ill-directed output.
3. We predicted at the outset that an accounting education background has a large effect on the quality of the financial statement. The interview results show that accounting education background is actually not the main factor for HR in improving the quality of the reports. The main requirement is staff commitment, socialization, knowledge sharing, learning and training, and reward and punishment. If these five factors are involved, HR can record and make good and correct financial reports without more than an undergraduate education.
4. Based on the results of the interview, after the accounting policy and system regulations are made, the next step is to develop systems that are accessible, integrated, and renewable, with staff who understand the systems.
5. The role of the inspectorate greatly influences the quality of financial reports because the final results will be reviewed and corrected and reconciliations will be carried out before being submitted to the BPK for audit. Thus, the financial report can influence whether or not the WTP opinion in the regional government is good.
6. Even though regional governments have obtained WTP, in the process of implementing ABA, almost all local governments do not fully follow the rules.

5.2. Theoretical implications

This study implies that ABA requires the commitment of regional heads. With that high commitment, local government leaders can implement ABA and earn good ratings from the Supreme Audit Agency (BPK).

5.3. Recommendations for further research

This study has several recommendations for future studies, namely:

1. Most respondents come from local governments that have a good WTP audit opinion from the BPK for three consecutive years. What is the effect of ABA on local governments that have poor or moderate WTPs? Further research will specifically involve LGs whose financial report quality is poor.
2. In this study we find that local government uses ABA to obtain good financial reports. However, the extent to which information used by regional heads in making decisions using financial statements is still in doubt. In future research it will be interesting to see how regional heads use financial statements in decision making.

References

Adhikari, P., & Mellempik, F. (2011). The rise and fall of accruals: a case of Nepalese central government, 2(1), 123–143. https://doi.org/10.1108/20421161111138495
Adriana, A., & Ritonga, I. T. (2018). Analysis of Local Financial Management Transparency Based on Websites on Local Government in Java. *Jurnal Dinamika Akuntansi, 10*(1), 13–26.
Agustiawan, N. T., & Rasmini, N. K. (2016). Pengaruh sistem berbasis akrual, TI, dan SPIP pada kualitas laporan keuangan dengan kompetensi SDM sebagai moderasi. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana, 5*(10), 3475–3500.
Anwar, M. (2015). Contingency Theory and Its Implications to Corporate Financial Planning and Organization Structure. *Jurnal Aplikasi Manajemen, 13*(3), 363–370.
Ayu, I., Kiranayanti, E., Made, N., & Erawati, A. (2016). Pengaruh sumber daya manusia, sistem pengendalian intern, pemahaman basis akrual terhadap kualitas laporan keuangan Daerah. *Jurnal Akuntansi, 16*, 1290–1318.
Bagchi-Sen, S., & Kuechler, L. (2000). Strategic and functional orientation of small and medium sized enterprises in professional services: An analysis of public accountancy. *The Service Industries Journal, 20*(3), 117–146. https://doi.org/10.1080/026420600000000035

Barbour, R. (2008). *Introducing qualitative research: A student guide to the craft of doing qualitative research*. London: Sage Publications.

Bardhan, I. R., Demirkan, H., Kannan, P. K., Kauffmann, R. J., & Sougstad, R. (2010). An Interdisciplinary Perspective on IT Services Management and Service Science. *Journal of Management Information Systems, 26*(4), 13–64. https://doi.org/10.2753/MIS0742-4094.

Carlin, T. M. (2005). Debating the impact of accrual accounting and reporting in the public sector. *Financial Accountability and Management, 21*(3), 309–336.

Christiaens, J. R. (2000). Financial accounting reform in Flemish municipalities: An empirical study of the comparability of the annual accounts. *Journal of Public Budgeting, Accounting and Financial Management, 12*(2), 177–204.

Flick, U. (2000). *An Introduction to Qualitative Research (2nd ed.).* London, Thousand Oaks, New Delhi: Sage Publications.

Flynn, S., Moretti, D., & Cavanagh, J. (2016). Implementing Accrual Accounting in the Public Sector. *Technical Notes and Manuals, 2016*(06), 1.

Guthrie, J. (1998). Application of Accrual Accounting in the Australian Public Sector - Rhetoric or Reality. *Financial Accountability and Management, 14*(1), 1–19. https://doi.org/10.1111/1468-0408.00047

Halen, & Astuti, D. D. (2013). Pengaruh tingkat pemahaman, pelatihan dan pendampingan aparatur pemerintah daerah terhadap penerapan accrual basis dalam pengelolaan keuangan daerah di kabupaten jember. *Jurnal Relasi, 18*, 98–119.

Iznillah, M. L.Iznillah, Azlina & Silvi (2015). Pengaruh Kualitas Sumber Daya Manusia, Komitmen Organisasi, Teknologi Informasi, Dan Komunikasi Terhadap Penerimaan Pemerintah Dalam Menerapkan Standar Akuntansi Pemerintah Berbasis Akrual (Studi Empiris Pada Pemerintah Kabupaten Indragiri Hilir). *Jom FEKON, 2*(2), 1–15.

Johnston, L. (2006). Software and method: Reflections on teaching and using QSR NVivo in doctoral research. *International Journal of Social Research Methodology, 9*(5), 379–391. https://doi.org/10.1080/13645570600659433

Kristiawati, E. (2015). Faktor-faktor yang mempengaruhi keberhasilan penerapan akuntansi berbasis akrual pada Pemerintahan Daerah Kalimantan Barat. *Akuntabilitas, 8*(3), 171 – 190.

Kyriakidou, O., & Gore, J. (2005). Learning by example: Benchmarking organizational culture in hospitality, tourism and leisure SMEs. *Benchmarking: An International Journal, 12*(3), 192–206. https://doi.org/10.1108/14635770510600320

Minogue, M. (2000). Should flawed models of public management be exported? Issues and practices. *Institute for Development Policy and Management, University of Manchester Manchester*

Payne, A., Holt, S., & Frow, P. (2000). Integrating employee, customer and shareholder value through an enterprise performance model: An opportunity for financial services. *International Journal of Bank Marketing, 18*(6), 258–273. https://doi.org/10.1108/02652320010358689

Ritonga, Irwan Taufiq (2014). Developing a measure of local government’s financial condition. *Journal of Indonesian Economy and Business, 29*(2), 142–164

Thomas, D. R. E. (1978). Strategy is different in service businesses. *Harvard Business Review, 56*(4), 158–165.

Umar, H., & Nasution, M. I. (2018). The Influence of the Government Internal Control System and Internal Audit on Corruption Prevention Mediated By Implementation of Actuals-Based Accounting. *Saudi Journal of Business and Management Studies ( SJBMS ),* (November), 359–372. https://doi.org/10.21276/sjbsms.2018.3.3.16

Usman, Sunandar, & Farida, I. (2014). Analisis Faktor-Faktor Yang Mempengaruhi Implementasi Akuntansi Akrual pada Entitas Pemerintah Daerah. *Journal Akuntansi Dan Investasi, 15*(2), 101–113

Yuliansyah, Y., Bui, B., & Mohamed, N. (2016). How Managers Use PMS to Induce Behavioural Change in Enhancing Governance. *International Journal of Economics and Management, 10*(2), 509 – 530.

Yuliansyah, HM Hakim, and AW Suryani, (2015), Manajemen dan Analisis Data Kualitatif dengan Perangkat Lunak NVivo, *Salemba Empat*, Jakarta