

Literature Study: Transparency and Accountability of Local Government

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Article Information	Abstract
Vol: 1 No : 4 2024 Page : 138-143	<i>This study examines the process of preparing financial statements for Regional Work Units (Regional Work Units, SKPD) using an accrual-based accounting approach in accordance with Government Regulation No. 71 of 2010. The discussion focuses on the complete accounting cycle, from the opening balance sheet to the final financial statements. The methodology used includes literature review and best practice analysis, using illustrative data. The results emphasize the importance of a comprehensive understanding of the SKPD accounting cycle to produce accurate financial statements that adhere to established standards. Furthermore, this study reviews existing literature on transparency and accountability in local governments, identifies challenges and opportunities, and offers recommendations to enhance these aspects. By understanding the accrual-based accounting process and advancing transparency and accountability efforts, it is expected that local government financial statements will become more meaningful, reliable, and supportive of better decision-making processes for stakeholders.</i>
<b>Keywords:</b> Accrual Based Accounting Transparency Accountability	

Abstract

Penelitian ini mengkaji proses penyusunan laporan keuangan Satuan Kerja Perangkat Daerah (SKPD) dengan pendekatan akuntansi berbasis akrual sesuai Peraturan Pemerintah Nomor 71 Tahun 2010. Fokus pembahasan mencakup siklus akuntansi lengkap dari neraca awal hingga laporan keuangan akhir. Metodologi yang digunakan adalah studi literatur dan analisis praktik terbaik dengan menggunakan data ilustrasi. Hasil kajian menggarisbawahi pentingnya pemahaman yang menyeluruh terhadap siklus akuntansi SKPD agar dapat menyusun laporan keuangan secara akurat dan sesuai dengan standar yang telah ditetapkan. Selain itu, studi ini juga mengkaji literatur yang ada mengenai transparansi dan akuntabilitas pemerintah daerah, mengidentifikasi tantangan dan peluang, serta memberikan rekomendasi untuk meningkatkan kedua aspek tersebut. Dengan memahami proses akuntansi berbasis akrual dan upaya peningkatan transparansi dan akuntabilitas, diharapkan laporan keuangan pemerintah daerah menjadi lebih bermakna, dapat diandalkan, dan mendukung proses pengambilan keputusan yang lebih baik oleh para pemangku kepentingan.

**Kata kunci:** Akuntansi Berbasis Akrual, Transparansi, Akuntabilitas.

INTRODUCTION

Regional financial management is one of the important aspects to achieve good governance practices (Mardiasmo, 2018). The regional government, as part of the government structure, has a great responsibility to manage financial resources originating from the Regional Revenue and Expenditure Budget (APBD) efficiently, transparently, and accountably (Mardiasmo, 2018). Therefore, financial reports function as an important instrument in reflecting the financial performance of the regional government, as well as being a form of accountability for budget implementation to the community (Mardiasmo, 2018).

In order to improve the quality of financial reporting, the Government of the Republic of Indonesia has established accrual-based Government Accounting Standards (SAP) through Government Regulation (PP) No. 71 of 2010 (PP No. 71/2010). This policy is a form of government commitment in adjusting the financial reporting system to international standards and complying with the provisions of Law Number 17 of 2003 concerning State Finance (Law No. 17/2003). This accrual-based SAP requires local governments to record and report all financial activities based on the time of the transaction (accrual basis), not only when cash flows in or out (cash basis) (PP No. 71/2010).

The implementation of accrual-based accounting in the regional government sector, especially in the Regional Work Unit (SKPD), is one of the major challenges in regional financial management reform (Mardiasmo, 2018). As an operational technical implementing entity, SKPD has a crucial role in recording, managing, and reporting financial transactions that occur during the budget period (Mardiasmo, 2018). However, the transition from a cash-based system to an accrual-based system requires significant changes, both in terms of policy, infrastructure, and human resources (PP No. 71/2010).

One of the main benefits of implementing accrual-based accounting is the preparation of more comprehensive and relevant financial reports (PP No. 71/2010). With this approach, financial reports not only cover cash inflows and outflows, but also reflect the condition of assets, liabilities, income, and expenses that provide a comprehensive picture of the financial position of the local government (Mardiasmo, 2018). Financial reports prepared using the accrual-based accounting approach are expected to support better decision-making by stakeholders, including regional heads, legislators, and the wider community (PP No. 71/2010).

However, the implementation of accrual-based accounting is not free from various obstacles (PP No. 71/2010). The main challenges faced by SKPD include the lack of understanding and competence of human resources related to accrual principles, the limitations of adequate financial information systems, and the need for adjustments to operational policies and procedures (Mardiasmo, 2018). In addition, coordination between work units in the process of consolidating financial reports is an important aspect that requires more attention (Mardiasmo, 2018).

In this context, the preparation of accrual-based financial reports by SKPD is not just an administrative obligation, but also a strategic step to strengthen regional financial governance (PP No. 71/2010). Accurate, transparent, and accrual-based SAP-compliant financial reports can improve regional government accountability, strengthen public trust, and be an indicator of the success of bureaucratic reform in the financial sector (Mardiasmo, 2018).

Through this study, it is expected to provide a comprehensive understanding of the implementation of an accrual-based accounting system in the SKPD environment, including strategic steps that can be taken to overcome the challenges faced (Mardiasmo, 2018). This study also intends to provide practical recommendations in the preparation of regional government financial reports that meet the standards and criteria set, and support the achievement of more transparent, accountable, and sustainable regional financial management (PP No. 71/2010). Based on the explanation that has been presented, the formulation of the problem in this study aims to establish a hypothesis, namely:

1. Analyze the process of preparing SKPD financial reports?
2. Identify the critical stages in the SKPD accounting cycle?
3. Provide a practical example of preparing SKPD financial reports?

## METHOD

This study uses a literature study method by collecting and evaluating various related literature references, such as journal articles, books, reports, and official government documents. The literature reviewed includes empirical research, case studies, and theoretical reviews related to local government transparency and accountability. The following are previous studies that discuss local government transparency and accountability:

No.	Writer	Research title	Research result
1.	Dr. Haryanto, CA (2020)	Accounting Policy and Accounting System of Regional Government Based on PP No. 71 of 2010 and Permendagri No. 64 of 2013.	The implementation of accrual-based accounting standards can improve the quality of local government financial reports.

2.	East Ratna (2021)	Analysis of the Implementation of Accrual-Based Government Accounting Standards in the Presentation of the Financial Report of the Lembata Regency Government in 2015.	The implementation of accrual-based accounting standards can increase transparency and accountability of regional finances.
3.	The Last Supper (2021)	Implementation of Accrual-Based Government Accounting Standards in the Preparation of Regional Financial Reports of Bengkulu City, Bengkulu Province	This study shows that the implementation of accrual-based accounting standards in the preparation of regional financial reports of Bengkulu City has been running in accordance with regulations, but there is still a need to improve the quality of human resources in each local government organization.
4.	Rina Widyanti Sari (2020)	Implementation of Accrual-Based Accounting in Local Government (Literature Study)	The implementation of accrual-based accounting standards has been going well, but evaluation and adjustments are still needed to increase its effectiveness.
5.	Dr. Firman Menne, SE., M.Si., AK, CA (2019)	Analysis of the Implementation of Accrual-Based Government Accounting Standards in the Presentation of the Financial Report of the Lembata Regency Government in 2015	The implementation of accrual-based accounting standards can increase transparency and accountability of regional finances.
6.	Dr. Arifuddin, CA (2020)	Implementation of Accrual-Based Government Accounting Standards in the Preparation of Regional Financial Reports	Accrual-based accounting standards support improving the quality of local government financial reports.
7.	Dewi Sartika, M.Ak (2022)	Effectiveness of Implementation of Accrual-Based Accounting in Local Government	The implementation of accrual-based accounting, although challenging, has a major positive impact on financial transparency and accountability.
8.	Ahmad Fauzan, SE., M.Si (2021)	Implementation of Accrual Accounting in Improving the Quality of Regional Government Financial Reports	Improving the quality of human resources through continuous training is very important in the effective implementation of accrual accounting.
9.	The Last Airbender (2020)	Obstacles and Challenges of Implementing Accrual-Based Accounting in Local Government	Increasing the capacity of human resources and information technology is very important to overcome obstacles in implementing accrual-based accounting.

## RESULTS AND DISCUSSION

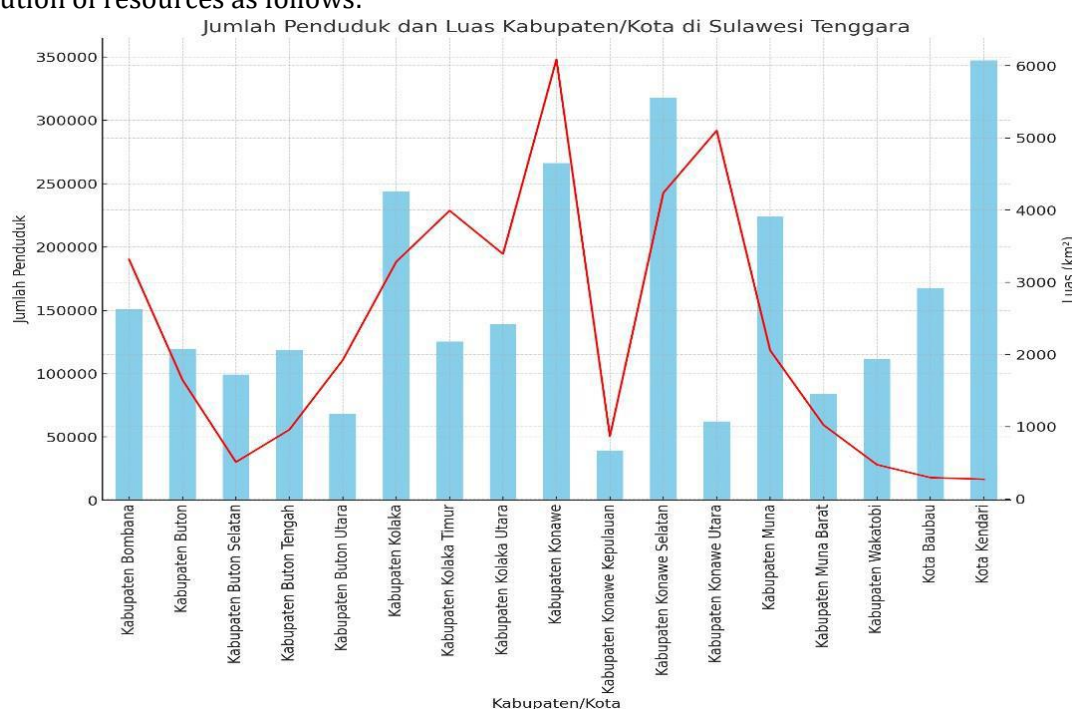
### Implementation of the Regional Financial Transparency Concept

The level of financial information disclosure in various regions in Southeast Sulawesi still shows significant variation. Some regions have achieved adequate levels of transparency, while other regions face various obstacles. The main obstacles include limited human resource competency, lack of understanding of the importance of transparency, and minimal adequate information technology infrastructure. On the other hand, public perception of financial transparency also varies, with most respondents considering that financial information provided by local governments is still difficult to access and unclear. As a result, this low level of transparency has a direct impact on public trust in local governments, which ultimately affects public participation in budget monitoring and evaluation.

This study found that a more assertive and comprehensive transparency policy is urgently needed to improve good financial governance. Strengthening human resource competencies through training, developing user-friendly information systems, and providing adequate technological infrastructure are important steps to overcome these obstacles. The results of the study also show the need for an integrated approach to improving financial transparency, which includes strengthening the capacity of local government officials, organizing public education programs, and developing information technology that can be accessed by all parties.

In addition, this study revealed a positive relationship between financial information disclosure and the level of public participation in budget oversight. Regions with high levels of transparency tend to involve the public more actively in the financial oversight and evaluation process, while regions with low transparency show limited public participation. This fact confirms that transparency not only increases government accountability but also provides an opportunity for the public to be directly involved in public decision-making.

This study also examines the correlation between population size and the management and distribution of resources as follows:



**Figure 1: Population and Area of Districts/Cities in Southeast Sulawesi**

The demographic data analysis above shows an imbalance between the population and the area of the districts/cities in Southeast Sulawesi. For example, Konawe Regency has the largest population of 266,299 people with an area of 6,087.68 km<sup>2</sup>, while Konawe Islands Regency only has 38,849 people



with an area of 867.58 km<sup>2</sup>. In contrast, Kendari City with a small area of 271.80 km<sup>2</sup> has a larger population, reaching 347,381 people. This imbalance reflects the challenges in resource management, where areas with high population density require more intensive public services, while areas with less population require infrastructure development that can increase the attractiveness of the area.

On the other hand, there are also districts such as North Konawe which has an area of 5,101.76 km<sup>2</sup> but a population of only 62,403 people. This could be due to geographical factors and limited infrastructure that make the area less attractive to live in. Overall, this data shows that the population distribution in Southeast Sulawesi is uneven. This condition certainly has implications for resource management and regional development. Areas with high population density require special attention in terms of providing public services, while areas with sparse populations need to be supported with appropriate development programs to improve community welfare.

This study highlights the importance of technology and knowledge to improve transparency. Each region has different conditions, so appropriate policies are needed for the situation in each region. This study also found that people still have difficulty accessing and understanding financial information. Therefore, in addition to improving technology, the government also needs to provide training to employees and the community so that all parties can be involved in overseeing regional finances.

Key findings from this study underscore the importance of financial transparency in encouraging public participation in budget oversight. Data analysis shows that regions with high levels of financial information disclosure tend to have higher levels of public engagement, while regions with low levels of disclosure show more passive public participation. In the context of Southeast Sulawesi, this study identifies the main constraint in the form of limited human resource (HR) capacity that hinders the implementation of transparency. In addition, the role of information technology is considered crucial in supporting the accessibility of financial data and increasing local government accountability. This study contributes by adding a new dimension to the understanding of financial transparency, while providing practical recommendations for improving local governance. These findings are expected to be a reference for local governments and policy makers in designing strategies to increase transparency and public participation, as well as providing a foundation for developing research in the field of public accounting.

## **CONCLUSION**

This study reveals that there are striking differences in the level of regional financial transparency in Southeast Sulawesi between districts/cities. Some regions have succeeded in achieving a good level of transparency, while other regions still face various major obstacles, such as limited skilled labor, low awareness of the importance of transparency, and lack of information technology facilities. In addition, the public's view of financial transparency is still quite low, which affects the poor level of public trust in local governments. This study also found that regions with higher levels of transparency tend to have more active community participation in budget monitoring and evaluation. These findings have important implications for both public accounting theory and practice. Theoretically, this study deepens knowledge about the elements that influence openness, as well as the importance of taking into account the regional context. Improving human resource capabilities and developing information technology facilities are considered key in efforts to improve transparency. In practice, the findings of this study can be a basis for designing effective training programs and technology investments, with the aim of improving transparency and understanding in public accounting through a holistic and contextual approach.

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