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Implementing Accrual-Based Accounting Systems to Improve Transparency and Accountability

(Phenomenological Study In Surakarta City Government)

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Abstract : *The goal of this study is to identify the benefits and drawbacks of introducing an accrual-based accounting system in Surakarta City Government in order to improve openness and accountability. A phenomenological research approach is used in this study. Both observation and interviewing are used to acquire data. Techniques for qualitative data analysis include data reduction, data display, and drawing inferences or performing verification. The study is being carried out by the Government of Surakarta Regency organization of the Surakarta City Government.The result shows that an accrual-based system is a system with records based on transactions that appear, not based on cash or cash that has been received or held. Users of financial statements or the public explain that the financial reports produced as a result of the adoption of the accrual-based accounting system are optimal. Utilizing a system of accrual-based accountingin Surakarta City is not 100% optimal. It is superior than a cash-based system to create an accrual-based accounting system. It is clear that by putting the accrual accounting system in place,the Surakarta City Government has become more real-time and the accrual-based implementation is a solution to increase and accountability. Users of financial statements really need transparency in financial reports. Utilizing a system of accrual-based accountingis a solution to increase transparency and accountability in producing financial reports.*

Keywords: *accrual-based accounting, transparency, accountability*

I. INTRODUCTION

Accountability and transparency are genuine steps to ensure the best possible care forthe community and a means to increase trust in the government, because the community has an important role in policy decisions for measuring tools in improving government quality (Sylvia et al., 2018). The concept of this accrual system is an effective and more efficient method in the reporting system. Accrual-based accounting has many benefits, on an accrual basis it is useful for assessing the government's ability to provide the best service, assessing the effectiveness of public services, being able to identify the costs required for service to the community, and making judgments to assess (Tasri, 2019).

Transparency and accountability are considered as important elements or ideas in democratic practices and principles to create an accountable government. In public sector state reform, problems have emerged with great attention paid to accountability and the complexities of the policies they face (Witono et al., 2021). The accrual system was formally adopted by Indonesia in 2015. Because the budget is still cash-based, this approach is utilized in conjunction with a cash-based accounting system.

In order to achieve mastery of a country's economic resources, the first step is through mastery of information both in terms of mastery of information and State finances (Witono et al., 2021). This improvement in the accounting system shows that the public is involved in making government accounting standards. There is often a lack of understanding by the government, such as time targets, frequent changes to requirements, excessive requirements, unconvincing distribution support and astonishing reporting requirements which ultimately make the government feel burdened (Mir et al, 2019).

The focus of this study are:

1. What effects does using an accrual-based accounting system have onincreasing transparency and accountability in the Surakarta City Government?
2. What challenges does the Surakarta City Government face in implementing the accrual-based accounting system?

II. LITERATURE REVIEW

2.1 Accrual Based Accounting

According to Tarigan & Nurtanzila (2013) accrual-based accounting, is the time of recording in accordance with transactions when they occur, both those that have been paid and those that have not been paid are recorded and recognized so that they can provide the most comprehensive information. According to Sari (2012) the accrual basis of accounting has benefits, including providing precise information to describe actual operating costs, providing a complete and complete picture of the government's financial standing, providing accurate information about the government's rights and obligations, assessing how well the government is performing in terms of service costs, efficiency, and goal achievement.

2.2. Accrual-based Government Accounting Standards

Based on article 1 paragraph 3 of the Government Regulation of 2010, government accounting standards are guidelines for preparing financial reports in a systematic manner, with proper management and equipment. Sari research (2012) explains that there are several challenges in putting in place a system of accrual-based accounting, including preparing to change an accrual basis from the cash basis, not just training in accounting techniques, improving communication with the parties concerned, maximizing accounting expertise and using IT Based Systems & IT software.

2.3 Transparancy

Transparency is defined by Indonesia Government Regulation Number 71 of 2010 as providing the public with open and honest financial information based on the idea that the public has a right to know fully and in full what the government is accountable for in managing natural resources.The objectives of transparency are: Build trust between all parties, prevent miscommunication and disparities in perception, prevent distortion through public awareness with social control, and carry out activities in accordance with global laws, principles, and values. By sharing information and ensuring that it is simple to access accurate and sufficient information, transparency helps to build public trust(Albugis et al., 2016). According to IDASA, indicators of the success of an institution's transparency are:a)there is no frameThere is a reliable, impartial auditwork for transparency laws, b)public access to budget transparency. c)there is an independent and effective audit, d)there is community involvement in budget decisions.

2.4 Accountability

According to Government Regulation of the Republic of Indonesia Number 2010, accountability entails being in charge of the management of the resources and implementation strategies entrusted to the reporting entity in order to achieve the goals that have been set from time to time.According to Albugis et al. (2016) the management of an organization must be "responsible" for: a) Define objectives appropriately, b) produce the standards needed to achieve the set goals, c) produce organizational standards and operations economically and efficiently. Accountability is beneficial: a) Restores and maintains public trust in the government, b) Encourages the creation and escalation of tensions, c) Makes businessesmore able to operate efficiently, effectively, economically and responsively.

III. METHOD

This study uses a phenomenological research method. Phenomenology focuses on describing the comfort all research participants have when they experience a phenomenon. The main goal of phenomenology is to turn a phenomenon's individual experiences into a description of its essential qualities (Creswell, 2007). Data collection techniques include observation and interviews. Techniques for analyzing qualitative data, such as data reduction, data display, and conclusion- or verification-drawing.

The location of the study is theGovernment of Surakarta City Regency, an agency located in the Surakarta City Government. The research was conducted in December 2022 - January 2023. The subjects in this study were the Regional People's Representative Council (DPRD), Surakarta City BPKAD, Regional VII Education Office Branch of Central Java Province in Surakarta, academics as active users of financial reports in the Surakarta City Government.

IV. RESULT

4.1 Implementation of the accrual-based accounting system

No matter whether cash or cash equivalents are collected or paid, the accrual foundation of accounting records a transaction's impact as soon as it takes place(Kawedar et al., 2008). What are the results of the following interview excerpts:

In the first informant as a user of financial reports named Tri as a lecturer at one of the campuses in Surakarta explained that:

> *"The accrual-based recording system is a financial system based on transactions, where transactions are recorded when they actually correspond to transactions, not based on the presence of cash. So, when a transaction occurs, even if there is cash or no cash, it is still recorded as a transaction."*

The second informant who is also a user of financial reports named Ningsih as a lecturer at a campus in Surakarta with a focus on financial management courses explains that:

> *"This accrual system must have a comparison, meaning users must know the basic philosophy, because accruals cannot rely on the system. Therefore, users must understand each transaction, which is said to record between transactions, they must have a permanent understanding. This accrual is indeed more complex but more effective."*

In the third informant by the Regional People's Legislative Assembly (DPRD) with Mr. Teguh as head of the financial planning administration sub-section said that

> *"The government's standard accrual system is a system of spending recorded on the same day and a real system, when expenses are recorded first and then booked according to their respective account codes."*

Likewise, this was conveyed by an informant from the Surakarta City Financial and Asset Management Agency (BPKAD) by Mr. Wiska, the financial budget section, stated:

> *"Accrual is recording by recording transactions, whether there is already money. So whether the cash has occurred or not in the records rules that out. The point is the transaction when it occurs is then recorded."*

In general, the informant explained that the accrual-based system is a transaction-based recording system. So, when a transaction has appeared without paying attention to cash received or boxing. Users of accrual-based financial statements must understand the basic philosophy regarding accruals themselves, because this accrual recording system is more complete but more effective to apply.

4.2 Implementation of the accrual-based accounting system is better than the cash-based accounting system

Government decision-making is not assured by accounting systems alone(Putra & Sulistyowati 2021). However, being willing to use a thorough approach to strengthen the government's financial position's openness and accountability is the proper move. The first informant said that:

> *"I agree with the implementation of the accrual-based accounting system is better than the cash-based recording system. Because if you look at the benefits of the accrual basis, the delivery of information to the public depends on stakeholders which depend on the party with interests and not everyone understands the accrual basis, but if people do understand accruals, it will be easier and easier to understand."*

The second informantstated that the accrual system in the Surakarta City DPRD was better than the cash-based system:

> *"I agree that the implementation of an accrual-based accounting system is better than a cash-based accounting system. This can be seen from developments. By implementing an accrual-based accounting system, it is possible to produce real financial reports."*

Many local governments have begun to switch from a cash recording system to an accrual-based accounting system as a result of the regulations governing the adoption of the accrual-based accounting system in PP 71 of 2010. It has been reported that the accrual-based accounting system has not yet been fully optimized at the Surakarta City government. This is a correction so that the Surakarta City government can easily explain and deliver information to all social strata.

4.3 Problems in applying the accrual-based accounting system to the Surakarta city government

Implementing an accrual-based accounting system is far more complex and has various challenges than a cash-based system(Putra & Sulistyowati 2021). According to Mr. Tegar at the Surakarta City Council, he stated that:

> *"The obstacles are such as payments with third parties when on official trips or official visits but they are not paid immediately, so go home first and then pay for the administration. Apart from that, the problem is that taxpayers don't have a TIN, so we can't get accurate information. Actually, the treasurer has a duty as a tax collector and can immediately deduct it on the spot because there is little information and not all treasurers understand it and that causes non-accrual and becomes an obstacle."*

According to Mr. Dadi who stated that: *"In my opinion, the implementation of the accrual-based accounting system is more problematic because it has to make adjustments."*

The Surakarta City DPRD explained that the implementation of the accrual-based accounting system was due to third party payments during official travel and official visits but were not paid immediately. In addition, taxpayers who do not have an NPWP cause no accruals. The BPKAD service in Surakarta City also explained some of the obstacles experienced when implementing an accrual-based accounting system, such as more complex recording and according to the Regional VII Education Office branch in Surakarta explained that the office branch whose head office is Semarang already has an implementation called GRMS CENTRAL JAVA.

4.2 Solutions to dealing with problems in implementing an accrual-based accounting system in the Surakarta city government

In facing problems in implementing the accrual-based accounting system in the Surakarta City government, each government agency has various solutions to reduce these problems.The first informant by Mr Wiska said that:

> *"The solution we are taking to deal with the problem of implementing the accrual system at the BPKAD is by holding management training, training on financial reports and conducting socialization from the bottom up which is meant at the sub-district level down to the BPKAD. When from the bottom you understand the personal involved in finance, going up will be easier."*

The second informant conveyed by Mr. Didi that:

"For our service, it is to use or switch to the GMRS CENTRAL implementation where this implementation has been systemized and when implementing other financial arrangements has used a schedule, if there is a delay in input it cannot be reported."

4.2.1 For recording financial reports, the accrual-based recording approach is preferable.

According to Ellwood & Newberry (2007), the government is actively developing a type of accrual-based accounting to support and advance a plan to weaken it through trade liberalization and privatization by supplying modified and inaccurate data.

The five informants conveyed in this regard that:

"Agreed, because with this accrual recording system all transactions that occur are immediately recorded and this accrual system is more measurable and more structured than the old system."

According to the sixth informant, Mr. Didi stated that:

"In my opinion, because the service branch has used the implementation, it is a better step, all offices can follow immediately to implement the accounting system with the implementation."

4.2.2Implementation of the Accrual System Makes the resulting Financial Reports more detailed and clear to users of financial statements

In the first informant with Mr. Tri said:

"So far, the government's financial reports are less accessible to the public, for ordinary people it is still difficult to access financial reports. However, for readers who understand it will be much easier to understand financial reports since this is accrual based. Since implementing this accrual-based accounting system, those who understand it will become more detailed and clear."

In the second information he said that:

"In my opinion, as a user and financial report, the results of the report to the Surakarta City reading government are detailed, starting from reporting such as sales, financing, budget as a service to the community."

4.2.3 Importance of Transparency and Accountability in Financial Statements in the Surakarta City Government

Accountability is an important factor in good governance. With regard to the accountability of public officials, several terms are frequently used, including responsibility and liability (da Cruz et al., 2016; Siti-Nabiha & Phua, 2013).

The first informant as an active user of financial reports explained that:

"For me, transparency and accountability are very important and number one, because those who are given responsibility and authority will be held accountable for the performance of their community through this, because I don't really understand the issue of transparency and accountability for the Surakarta city government's financial reports. However, if we look at the results of the audit, it can be seen from the statement that it is natural without being exciting or pleasant."

In the second informant with the Education Office Branch in Surakarta explained that

"In my opinion, these dual things (transparency and accountability) cannot be separated from us as a government with a public nature. We as the public sector must always strive to improve good service to the community, starting from providing complete information. So far Surakarta City has transparency and accountability that we can see from the web."

This study explains that the implementation of the accrual-based accounting system in the Surakarta City government is better than the cash-based accounting system, because this accrual-based accounting system can produce more comprehensive reports and is expected to realize a combination of the public sector and users of financial reports.

4.2.4 Accrual-Based Recording System Can Increase Transparency and Accountability

In the Surakarta City Government in terms of transparency and accountability it can be said that it is already in terms of reported financial reports, but it is not yet valid for users of financial reports who cannot be sure whether it is transparent or not.In the first information as a user of financial statements explained that

"Using this accrual-based accounting system, in my opinion, can increase transparency and accountability. Because with this accrual-based accounting system, you can immediately record transactions that occurred at that time. With complete and detailed recording, it will produce information that can be clear so that people understand it."

The second informant as a user of the report also explained that:

"As I explained earlier, this accrual system is more effective, even though it is a bit complicated. However, recording with accruals reduces data processing and the use of any data and this increases transparency and accountability in the resulting financial reports."

Implementation of the Accrual System to Realize Good Governance in the City Government of Surakarta. In the first informant explained that

> *"As for the problem of good governance in the city of Surakarta, the answer is difficult because there are many components that must be assessed whether they are already heading there, in general terms, they are getting better and more advanced."*

In the second informant that:

> *"In my opinion, in terms of the financial reports produced by the Surakarta City government, good governance has been achieved. However, if asked for details, I don't know because I am not a filler, if I only see and read from the reported data."*

Financial user reports with the academic profession agree with the implementation of an accrual-based accounting system that can increase transparency and accountability, because transactions occur regardless of whether cash has been paid or not.

In achieving the title of government that is good governance, several aspects are needed to get there. According to the results of the study as a report user, it is stated that finance in the Surakarta City Government in terms of financial reports has become good governance from the results of financial reports in each period in a complete and informative manner.

Society hopes that the positions that have been given must be properly accounted for both to God and to humans, those who have been given authority must be able to carry out their duties and obligations properly. By implementing this accrual-based approach, the standard of human resources will rise in light of SAP advances.and the latest regulations to create true good governance.

In the results of the research above, it can be interpreted that users of financial statements with academic professions have sufficient understanding of the general understanding of accrual-based systems. In general, the informant explained that the accrual-based system is a transaction-based recording system. So, when a transaction has appeared without paying attention to cash received or boxing. Users of accrual-based financial statements must understand the basic philosophy regarding accruals themselves. Because the accrual recording system is more complex but more effective to implement.

Apart from users of financial reports, this research also explains that the department in Surakarta also understands the accrual system itself, which in outline explains that the accrual system is a real system, so when expenses occur, they are immediately recorded and recorded according to their respective account codes. each. In the accrual system, it can be said that cash has been received or not. So, the bottom line is that when a transaction occurs, it is immediately recorded.

V. CONCLUSION

An accrual-based system is a system with records based on transactions that appear, not based on cash or cash that has been received or held. With an accrual-based system, the results of the information produced are more complete and comprehensive, even though the recording is a little complicated. Users of financial statements or the public explain that the implementation of the accrual-based accounting system is optimal in the resulting financial reports. However, users cannot ensure that the data reported is valid or not. It is hoped that the Surakarta City government can try to optimize the results of financial reports. The implementation of the accrual-based accounting system in Surakarta City is not 100% optimal. However, the DPRD is trying to improve so that it becomes optimal as expected. The branch of the VII Education Office in Surakarta also said that by implementing an implementation system it would be even more optimal in producing the information conveyed.

By implementing an accrual-based accounting system it is better than a cash-based system. It can be seen that by implementing the accrual accounting system, the Surakarta City Government has become more real-time and the accrual-based implementation is a solution to increase and accountability. Users of financial statements really need transparency in financial reports. The implementation of an accrual-based accounting system is a solution to increase transparency and accountability in producing financial reports. The accrual-based system is also a solution for the Surakarta City government to become a good government. The recording system becomes realtime with increased quality in financial reports. Suggestions for the Surakarta City Government to conduct outreach to the wider community in order to better understand the results of financial reports and those who have been given authority.

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