

CHAPTER I INTRODUCTION

A. Background

Financial management of the public sector around the world is rapidly growing. The growth has been experienced by various institutional, organizational, and managerial changes for meeting the ever increasing needs in accountability, efficiency, and effectiveness in finance. From these changes, society will participate in assessing government programs to make government performance better.

Changes in the public sector will have a profound impact on public sector accounting. They happen mostly in the accounting system. Those changes in government policy are stated in Article 36 Paragraph (1) of Law Number 17 Year 2003 concerning Accrual-based Government Accounting Standards. One of the changes made by government is by implementing government accounting standards accrual basis. This step is an attempt by the government to improve the performance, transparency and accountability of government financial performance in Indonesia.

These changes occur in terms of public sector government systems which was previously considered rigid then it turned into an easily understood, adjusted and more *flexible* government system. The changes occurring also force government to further highlight a better and *accountable* government system. Such principles are also adopted by Indonesian government shown by the changes on accounting sector.

. In accordance with the mandate of Law No. 17 of 2003 concerning the state finance and law no. 1 of 2004 concerning The state treasury, the local government will apply accrual-based accounting. The article 12 and 13 of law no. 1 of 2004 concerning the state treasury states that revenues and expenditures in the APBN are recorded on an accrual basis. This is based on the consideration that the accrual basis can provide more complete financial information than other bases. In addition, accrual-based financial statements also provide information on government operational activities, evaluation of efficiency and effectiveness and compliance with regulations (Amriani, 2014).

An accrual basis is an accounting basis where economic transactions or accounting events are recognized, recorded, and presented in the financial statements at the time the transactions occur, regardless of when the cash or cash equivalents are received or paid. The accrual basis is used for measuring assets, liabilities and equity funds. Accrual-based accounting is an international best practice in modern financial management in accordance with the principles of the New Public Management (NPM) that promotes transparency and accountability in financial management.

Accrual basis according to International Public Sector Accounting Standards (IPSAS) is the basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). The transactions and events are

recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets / equity, revenue and expenses.

Accrual-based accounting is also considered more relevant to describe the financial situation because it tends to make local government financial reports easier to audit and in fact the financial statements of local governments are using accrual-based accounting to obtain more fair opinion without exception.

The government applies accrual-based accounting in the hope that it will provide the most comprehensive information because all cash flow is recorded. Accrual-based accounting is also considered more ideal and more accurate in describing finance in an organization compared to cash-based accounting.

The law number 17 of 2003 concerning the state finance, requires the government to implement an accrual-based accounting system no later than 5 years from its issuance. When the implementation of accrual-based measurement of income and expenditure has not been carried out, the recognition and measurement were based on cash. In 2005 it was then published Government Regulation (PP) Number 24 of 2005 to be a guideline for the implementation of the accounting system in accordance with SAP. This was more than the proposed deadline by the government published.

Changes from cash basis to accruals ones affect the stages of recording in the financial statements. Conceptually, accrual-based accounting is more reliable because it produces more transparent and accountable information compared to cash-based accounting. In addition, accrual-based accounting is also more likely considered to support the government in calculating various types of public service costs fairly.

The implementation of accrual-based SAP is a form of system improvement accounting regulated in PP Number 24 of 2005 concerning cash-based SAP for recognition of income, expenditure and financing transactions, and accrual basis for recognition of assets, liabilities and equity. This cash-based SAP is then replaced with accrual-based SAP regulated in PP Number 71 of 2010. It means, the accrual basis SAP already has a legal basis. In this case, the government has an obligation to immediately implement the new SAP accrual basis. However, its full implementation was postponed until 2015.

In implementing PP No. 71 of 2010 concerning Accrual Based SAP which was realized in 2015, each local government must prepare itself to implement an accounting system in preparing financial statements in accordance with applicable regulations. Accrual-based SAP is a SAP recognizing revenues, expenses, assets, liabilities and equity in reporting accrual-based finance, and recognizing income, spending, and financing in reporting the implementation of the budget based on the basis specified in State Revenue and Expenditure Budget / Revenue and Expenditure Budget

Regions (Ardiansyah, 2013). This is appropriate with the Qur'an Surah Al-Baqarah verse 282 regarding the recording which reads:

يَتَأْتِيهَا الَّذِينَ ءَامَنُوا إِذَا تَدَايَنْتُمْ بِدَيْنٍ إِلَىٰ أَجَلٍ مُّسَمًّى فَاكْتُبُوهُ
 وَلْيَكْتُب بَيْنَكُمْ كَاتِبٌ بِالْعَدْلِ وَلَا يَأْبَ كَاتِبٌ أَنْ يَكْتُبَ كَمَا عَلَّمَهُ
 اللَّهُ فَلْيَكْتُبْ وَلْيُمْلِلِ الَّذِي عَلَيْهِ الْحَقُّ وَلْيَتَّقِ اللَّهَ رَبَّهُ وَلَا يَبْخَسْ
 مِنْهُ شَيْئًا فَإِن كَانَ الَّذِي عَلَيْهِ الْحَقُّ سَفِيهًا أَوْ ضَعِيفًا أَوْ لَا يَسْتَطِيعُ
 أَنْ يُمْلَئَ هُوَ فَلْيُمْلِلْ وَلِيُّهُ بِالْعَدْلِ وَاسْتَشْهِدُوا شَهِيدَيْنِ مِنْ رِجَالِكُمْ
 فَإِن لَّمْ يَكُونَا رَجُلَيْنِ فَرَجُلٌ وَامْرَأَتَانِ مِمَّن تَرْضَوْنَ مِنَ الشُّهَدَاءِ أَن
 تَضِلَّ إِحْدَاهُمَا فَتُذَكِّرَ إِحْدَاهُمَا الْأُخْرَىٰ وَلَا يَأْبَ الشُّهَدَاءُ إِذَا مَا دُعُوا
 وَلَا تَسْمَعُوا أَن تَكَتُوبُوهٗ صَغِيرًا أَوْ كَبِيرًا إِلَىٰ أَجَلِهِ ذَٰلِكُمْ أَقْسَطُ عِنْدَ
 اللَّهِ وَأَقْوَمٌ لِلشُّهَدَةِ وَأَدْنَىٰ أَلَّا تَرْتَابُوا إِلَّا أَن تَكُونَ تِجَارَةً حَاضِرَةً
 تُدِيرُونَهَا بَيْنَكُمْ فَلَيْسَ عَلَيْكُمْ جُنَاحٌ أَلَّا تَكْتُبُوهَا وَأَشْهِدُوا إِذَا
 تَبَايَعْتُمْ وَلَا يُضَارَّ كَاتِبٌ وَلَا شَهِيدٌ وَإِن تَفَعَّلُوا فإِنَّهُ فُسُوقٌ بِكُمْ
 وَاتَّقُوا اللَّهَ وَيُعَلِّمُكُمُ اللَّهُ وَاللَّهُ بِكُلِّ شَيْءٍ عَلِيمٌ ﴿٢٨٢﴾

"O ye who believe! When you deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing Let a scribe write down faithfully as between the parties: let not the scribe refuse to write: as Allah Has taught him, so let him write. Let him who incurs the liability dictate, but let him fear His Lord God, and not diminish the thought of what he owes. If they party liable is mentally deficient, or weak, or unable Himself to be dictated, Let his guardian dictate faithfully, and get two witnesses, out of your own men, and if there are not two men, then a man and two women, such as ye choose, for witnesses, so that if one of them errs, the other can remind her. The witnesses should not refuse when they are called on (For evidence). The design is not to reduce to writing (your contract) for a future period, whether

it be small or big: it is juster in the sight of God, More suitable as evidence, and more convenient to prevent doubts among yourselves but if it becomes a transaction which you carry out on the spot among yourselves, there is no blame on you if you reduce it not to writing. But take witness whenever you make a commercial contract; and let neither scribe nor witness suffer harm. If you do (such harm), it would be wickedness in you. So fear of Allah. For it is God that teaches you. And Allah is well acquainted with all things. " (QS 2: 282)

Based on the above paragraph, the verse explains the order of the practice of recording economic transactions. The verse is closely related to the everyday life of human beings. Every transaction must be recorded even if the transaction is done not in cash, accompanied by the amount and time determination. Therefore, the recording and preparation of financial statements in accounting must be in accordance with the provisions of government regulations. To do so, one method of recording in accounting is the accrual basis.

In reality, the implementation of accrual based accounting until the end of 2015 was still far from perfect. There were many regions which did not apply accrual-based SAP in accordance with government regulations. This was proven by examinations carried out by the Agency Financial Supervisor (BPK) for the implementation of Regional Government Financial Reports (LKPD) based on accruals at the end of 2015 in several local governments in the Special Region of Yogyakarta, which stated that there were still many local governments that have not yet implemented effective accrual-based SAP (BPK Perwakilan Provinsi D.I.Y, 2015). Further, this was highlighted by Parna as the Chief Representative in his

remarks at the submission of report on examination results of the Effectiveness of Local Government's Efforts in Implementing Accrual Based SAP in 2014 and 2015 Quarter III: *“Tanpa mengurangi penghargaan BPK terhadap upaya dan keberhasilan Pemerintah Daerah Istimewa Yogyakarta, Pemerintah Kota Yogyakarta, Pemerintah Kabupaten Bantul, serta Pemerintah Kabupaten Sleman dalam upaya implementasi standar akuntansi pemerintahan berbasis akrual belum sepenuhnya efektif.”* (BPK Perwakilan Provinsi D.I.Y, 2015)

The results of the examination show that there were weaknesses that hindered the implementation of accrual-based government accounting standards. Furthermore, according to the Head of BPK Representative DIY, Parna, in the Submission of Report on Examination Results on the Effectiveness of Local Government's Efforts in Implementing Accrual-based Government Accounting Standards in 2014 and 2015 Quarter III by the Head of BPK The Representative stated that there were some problems hindering the implementation of accrual-based government accounting standard. First, local government has compiled regulations and policies related to the implementation of accrual-based SAP, but they have not been yet relevant and up dated. Second, analysis of HR needs of financial, asset and IT managers as well as LKPD reviewers in the framework of implementing accrual-based SAP in regional government has not been sufficient. Next is optimization of employees of asset and IT financial managers and LKPD reviewers in the context of implementing accrual-

based SAP in regional governments has been inadequate. Then, implementation of sustainable application System Development (SDLC) in the management of information technology has not been fully implemented. The last is the application of general control of Regional Financial Applications has not been optimal.

This research is a continuation of Ni'mah's research (2018), by developing human resource variables, organizational commitment and information technology and making information technology as an intervening variable. This research had a variable different dependent which was implementation of accrual-based.

Based on this, the researcher proposed of the title " ANALYSIS OF FACTORS AFFECTING ACCRUAL BASED ACCOUNTING STANDARD IMPLEMENTATION ". The author's contribution in this study is to add information technology as an intervening variable. In previous studies no one has examined intervening variables. The author chose information technology as an intervening variable since information technology is considered capable of providing a significant influence to two independent variables. Information technology is also a general term of any technology that can help people work or increase knowledge so that it can improve employee performance.

B. Research Questions

1. Does human resource have a positive effect towards information technology?
2. Does organizational commitment have a positive effect towards information technology?
3. Does human resource have a positive effect towards the implementation of accrual-based government accounting standards?
4. Does organizational commitment have a positive effect towards the implementation of accrual-based government accounting standards?
5. Does information technology have a positive effect towards the implementation of accrual-based government accounting standards?
6. Does human resource have a positive effect towards the implementation of accrual-based government accounting standards with information technology as an intervening variable?
7. Does Organizational Commitment have a positive effect towards the implementation of accrual-based government accounting standards with information technology as an intervening variable?

C. Research Objectives

1. To obtain empirical evidence regarding the influence of human resource towards information technology.
2. To obtain empirical evidence regarding the influence of organizational commitment towards information technology.
3. To obtain empirical evidence regarding the influence of human resource

towards the implementation of accrual-based government accounting standards.

4. To obtain empirical evidence regarding the influence of organizational commitment towards the implementation of accrual-based government accounting standards.
5. To obtain empirical evidence regarding the influence of information technology towards the implementation of accrual-based government accounting standards.
6. To obtain empirical evidence regarding the influence of human resource towards the implementation of accrual-based government accounting standards with information technology as an intervening variable.
7. To obtain empirical evidence regarding the influence of organizational commitment towards the implementation of accrual-based government accounting standards with information technology as an intervening variable.

D. Significance of The Study

1. Theoretical

- a. This research is expected to add insight and knowledge to researchers and can be a reference for future researchers regarding the implementation of accrual-based government accounting standards.
- b. This research is expected to provide information related to the development of public sector accounting studies of implementation of

accrual-based government accounting standards.

2. Practical

- a. This research is expected to provide additional information to the Sleman Local Government in improving the quality of Financial Statement.