

Analysis of the Critical Factors in Supporting the Implementation of the Accrual-based Accounting in the Local Government

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ABSTRACT

Indonesian has been implementing the accrual governmental accounting system for the first time in 2015 in accordance to PP No. 71/2010, which replaces the cash (toward accrual) base into accrual base. We find some problems faced particularly by the local governments in the implementation. The local governments provide different actions towards the regulation. This study aims to investigate the critical factors in supporting the implementation accrual governmental accounting system. We use the qualitative approach and field research. We use several of local governments in Indonesia as the sample in this study. We found five factors that supported the implementation of accrual governmental accounting systems. They were: the commitment of the leader, human resources capability, local regulation supporting the implementation, coordination and communication with the internal and external auditor, and the accounting information technology. However, the five factors had different intensity levels in each local government. This study found that each of the local governments set dissimilar ranks for the rest of the factors. Further, we found that the local governments are not aware of the benefits of the accrual accounting information.

Key words: Governmental Accounting System, Accrual Basis

1. INTRODUCTION

The demand for good governance in public sector organization has brought transformations in the public sector organization system, especially the government for both central and local governments. The transformations then occurs in many aspects, and one of them is the financial administration system. Other countries around the world already make the changes in their system, including the implementation of accrual based accounting. In 2003, Indonesia has started to create the transformation by issuing the Government Act (Undang-Undang/UU) No. 17/2003. In accordance to the regulation, it is declared that the government must use the accrual based in their accounting system. Hence, the implementation is gradually in order to give the stakeholders some times to do preparations. From 2005-2014, the government uses the cash toward accrual basis system, and starting 2015, the government then must use the accrual basis according to the Government Regulation

(Peraturan Pemerintah) No. 71/2010. The change is then presumed as one of the management reformations, and this change must be supported by the infrastructure.

Lawson (2012) declares that management reformations need three preconditions: strong political will, adaptive reformation design and implementation model, and good coordination. In the technical level, the commitment of the leader holds an important role. Meanwhile, Warisno in Putri (2010) explains that the local government human resource failure in interpreting and implementing the accounting logics will cause the financial reporting mis-statement.

The chief of local governments in Indonesia according to the UU No. 17/2003 have the autonomy, the authority, and responsibility in managing their region, including the accrual based accounting system. In the implementation, the local government financial statements will be audited by the government auditor, i.e Badan Pemeriksa Keuangan (BPK). When the cash toward accrual accounting system implemented in 2009-2014, there are many of local government financial statements were given the qualified opinion. But, since the accrual accounting system has been implemented in 2015, some of the local governments acquires better financial statement opinion i.e unqualified opinion (BPK, 2016). This evidences show the local government accomplishment in improving their accounting system implementation.

Previous researches attempt to find the critical factors in supporting the succes in implementing the accrual based local government accounting system. Aldiani (2009) and Indah (2009) show that the human resources and the information technology hold important role in the implementation process. Aldiani (2010) finds the organization commiment is the other factor. However, Ardiansyah (2012) discovers that the organization commitment does not influence the succes of accrual based local government accounting system. In order to get more empirical findings, this study seeks to elaborate the previous research in examining the critical factors in supporting the implementation of the accrual based accounting in the local governments, by using the qualitative approach researh method.

2. LITERATURE REVIEW

1.1 Accrual Based Accounting System

The change from the cash basis into accrual basis must be implemented gradually. We need to do deep and integrated analysis by considering many factors that could influence the implementation. One of the factor is the public sociological factor in the country (Yamamoto in Mardiasmo, 2009). International Federation of Accountant (IFAC) in Nazier (2009) describes that the fundamental changing in the accounting and reporting system from the cash basis into accrual basis needs appropriate preparation and management. According to IFAC, we have to consider many factors in order to make the transformation went well. The factors are: the distinct mandate delegation regulation, political will, government commitment, adequate human resources, proper technology and information system, and the supportive legislative. Fard and Nazari (2012) find that the human resorces, regulation, theoretical framework, and accountability culture are the factors in supporting the accrual based accounting implementation. Earns and Youn (2015) expose that executive support, effective engagement, ownership, technical capacity training, public awareness and communication, automated information system, adequate funding, and appropriate legal framework are the components must be

considered by the government in implementing the International Public Sector Accounting Standard (IPSAS).

1.2 Leadership Commitment

The leader within the organization is personage that can decide the direction of the organization. The leader also plays the central role in ensuring that all initiative within the organization can be realised, and also assuring the achievement of the organization goal. Holsapple and Joshi (2000) reveal that “Leaders establish, create the required conditions for the effectiveness of knowledge management”. Schults and Slevin (1975) say that “management support for projects, or indeed for any implementation has long been considered of great importance in distinguishing between their ultimate success or failure. Meanwhile, Slevin and Pinto (1987) disclose that “Management’s support of the project may involve aspects such as allocation of sufficient resources (financial, manpower, time, etc) as well as the project manager’s confidence in their support in the event of crises’.

1.3 Information Technology

According to Gezcy et. al (2012), information systems are vital elements in knowledge-intensive organizations. Organizations devote significant resources to deployment and maintenance of their information infrastructure and systems.

In this era, the information technology (IT) has become integral part in every organization activity. IT is unquestionably one of ancillary keys for the implementation of knowledge management (KM). It has evolved from being a static archive of information into an information liaison between people. IT today can perform quick search, access and retrieval of information by supporting cooperation and communication among members of the organization. In essence, IT certainly can play a variety of roles to support organizational process of KM (Alavi & Leidner, 2001; Lee & Hong, 2002).

IT comprises the hardware, software, database, network (inter and intra), electronic commerce, and others connected to technology (Wilkinson et.al in Indiasari, 2008). IT also has the function to build communication and to spread information. The government then develop the particular application to be used in the accrual based accounting system.

1.4 Human Resources

The main asset within organization is the human resources. The organization will be able to achieve its goal if the work forces have the commitment and competence. Hammond (1979) has developed a contingency model of the implementation process which includes ‘people’ as a situational variable whose knowledge, skills, goals, and personalities must be considered in assessing the environment of the organization. Margilaj and Bello (2015) said that besides the fact that several existing functions within the organization such as human resources, the creation of a group of people with specific and formal tasks for knowledge management is extremely important, and perhaps crucial to the success of this process. The failure of the local government employees in interpreting and implementing the accounting logics, can cause the financial reporting mis-statement (Warisno in Putri, 2010). Further, Al-Zahrani and Almazari (2014) say that effective HRM enables employees to achieve competitive advantage because of its capability to convert resources in to output. Human

resources management is a challenging task as compared to managing capital and technology.

1.5 Regulation

Regulation in government institution also holds important position, since every activity within the government institution must be based on certain regulation. This regulation is the manifestation of the public delegation and authority, and the government must execute it. The regulation refers to legislative, administration, and professional control over various aspects of accounting activities performed in the private and public sectors (Roberts and Kurtenback in Hassan, 2008). The obstacles of role of regulatory will be able to shape the behavior in the irregularities, or in the form of illegal act (Kam, 1986). At its most basic level, regulation is designed to work according to three main steps: 1) regulation is implemented which leads to changes in; 2) the behaviour of individuals or targeted entities or affected by the regulation, which ultimately leads to changes in; and 3) outcomes, such as amelioration in an underlying problem or other (Coglianese, 2012).

1.6 Communication with Internal Auditor

The communication within an organization is also important factor as the others. Without communication, there will be no activities can be performed by the organization since the member of the organization will not know anything that must be done. The organization must be able to share everything to all organization constituent, such as the goal, the operating procedure, and the ethics. The communication can be developed formally or non-formally. The need for adequate communication channels is extremely important in creating an atmosphere for successful project implementation. Communication is not only essential within the project itself, but also between the team and the rest of the organization (Skevin and Pinto, 1987). Communication stated as the ability to share thoughts through text, images, and speech (Saunders and Pearlson, 2004). Effectiveness of communication expressed as communication between organizations or between people in translating policy content, distribute information and exchanging information in order to get the same perception about the contents of the policy. Communication is important aspect that determines the success of the implementation of a policy (Edwards III, 1980; Subarsono, 2006).

The Internal Auditor will do examination and review over financial statement of the organization unit at least once a year. The examination and the review help the local government in implementing the better accrual based financial statement. Therefore, the communication with the internal auditor must be maintained by the organization unit in the local government.

3. RESEARCH DESIGN

This study aims to examine the critical factors in supporting the implementation of the accrual based accounting in the local government, particularly in the municipalities within Province of Jawa Barat, Indonesia. In this research, we use qualitative method in order to get profound information about the critical factors. Moleong (2011) defines that qualitative research is a study that has purpose to understand the phenomena being experienced by the research subject deeply. the

investigation will be done descriptively in form of words and languages in a special context, using many natural methods. We select several municipal in Province of Jawa Barat, representing the regions with unqualified and qualified financial statement opinion, before and after the accrual based accounting implementation.

1.7 Data Collecting

We use 9 local governments in Province of Jawa Barat. They are th Government of Province Jawa Barat, and 8 municipals within the province. We choose the local governments that get unqualified financial statemets opinion, before and after the accrual based implementation; those that get unqualified financial statements opinion after the accrual based implementation; and those that get qualified financial statements opinion, before and after the accrual based implementation. We use the classifications to discuss the results.

We utilize the primary data in this research, through observation, interview, and open-question questionnaire. We conduct the interview with and distribute the questionnaire to the Accounting and Reporting Division, whose responsible in implementing the accrual based accounting.

1.8 Validity and Reliability of Data

We use the triangulation technique to evaluate the validity of data. Denim in Moleong (2011) classifies four kinds triangulation as examination technique that using the use of the source, methods, investigator, and theory. Triangulation technique we use in this study is triangulation of the source, which is done by performing data validity examination through other sources. We do the interview with more than one respondent in order to confirm the information being given.

1.9 Data Analysis

After collecting and investigating the validity of the data, we perform data management and analysis. We use constant comparative method in analyzing the data. By using the mehod, we perform data reduction, classification, synthesizing, dan concluding (Glessner and Strauss in Moleong, 2011). We do the data reduction in order to choose data in accordance to the research purpose. Data classification aims to categorize the critical factors that supporting the accrual based implementation, and by data synthesizing we try to inter-relate the factors, the intensity, and the local government classification.

The data reduction and data classification are performed by selecting and classifying data from the interview with the respondent and the answer of the questionnaire, based on:

- 1) Classification of the financial statement opinion, whether it is qualifed or unqualified
- 2) Identification of the critical factors in supporting the implementation of accrual accounting system in accordance to the each local government institution group
- 3) Identification of the critical factors intensity level, based on the interview and the questionnaire
- 4) The sequence of the critical factors intensity level in accordance to the each local government institution group

After we perform data analysis, then we prepare the descriptive research reporting and conclusion.

4. RESULT

1.10 Local Government Get Unqualified Financial Statements Opinion Before and After The Accrual Based Implementation

The Local Government of Province of Jawa Barat

The interviewee was the Head of Reporting Sub-Division. The interviewee explained that the accrual based accounting system had been implementing since 2015. However the preparations have been done in 2011. The preparations were: developing the accounting policy regulation, giving accounting training to the employees, recruiting new accounting staffs, giving opportunity for the employees to pursue higher accounting education, developing accounting system application, and accomplishing coordination with the related parties.

The Province of Jawa Barat has got unqualified opinion since 2011. According to the interviewee, below were the critical factors in supporting the accrual based government accounting implementation:

1. Leadership Commitment

In Province of Jawa Barat, the Governor and The Legislative put a lot of consideration on the financial statement opinion from the auditor. The Governor always had supported every effort in obtaining and maintaining the unqualified opinion since 2011. The Government of Province of Jawa Barat had allocated sufficient budget in order to increase the knowledge and the competence of the accounting staffs. They also has provided plenty of budget to develop the accounting software and to form help desk team as the accompaniment unit in the accounting and reporting division. The help desk team had worked directly with the working units, and had helped the working units by doing financial statement review.

The Governor also designed the reward and punishment system. The reward was in the form of additional budget for each working unit to escalate the accrual accounting system implementation. The punishment was in the form work rotation and mutation for the head of the working units to not-strategic position, if they became the obstacles for the Province of Jawa Barat in gaining the unqualified opinion. This system motivated the each working unit to work properly.

The other forms of the commitment from the leader were involving in both entry and exit meeting with the external auditor. All top management in the government would attend every meeting with the external auditor. Therefore, the weakness of the accrual based accounting implementation would be acknowledged and the corrective actions could be also developed immediately.

2. Human Resource Competence

When the accrual based accounting had been started to be implemented, the Province of Jawa Barat already had plenty staffs from the accounting background compared to other regions. The Governor had gave special consideration about the accounting staffs competence. Since 2010, they had provided many accounting trainings regularly. Further, they had recruited new accounting staffs, and had given the accounting staffs to pursue higher education,

especially the vocational program. Through the program, within 4 years the Province of Jawa Barat had increased the accounting staffs with the accounting education background significantly. They also gave opportunity to the accounting staffs to acquire professional certifications. Some of accounting staffs already had the certification Ahli Akuntansi Pemerintahan/AAP (Governmental Accounting Expertise).

3. Regulation

The Province of Jawa Barat had established certain regulations related to the accrual based accounting implementation, such as: Peraturan Daerah (Local Regulation) about the Local Financial Management, Governor Regulation about the accounting policy, and fixed assets, receivable, investment and payable management. All local regulations had been developed in accordance to the central government regulation.

4. Coordination and Communication with Both Internal and External Auditor

Internal and external auditor also possessed important role in the accrual based accounting implementation. The review from the auditors were very helpful in correcting the financial governance system, accounting process, and the financial reporting preparation. The Province of Jawa Barat had arranged the communication and coordination process regularly, not only at the time of audit.

5. Accounting Information System Application

To accelerate the financial statement reporting, the Province of Jawa Barat had developed accounting information system application by recruiting the programmers. The application were very useful in simplifying the accrual based accounting implementation.

The Local Government of Ciamis Municipal

Ciamis Municipal Government had prepared the accrual based accounting implementation since 2014. They had provided accounting trainings, accounting software procurement, and had consulted with the auditor (BPK). They earned unqualified opinion for the financial statement before the implementation of the accrual based accounting. The interviewee from Ciamis were the Head of Accounting and Reporting Division, and Head of Financial and Assets Sub-Division. According to the them, below were the critical factors in supporting the accrual based government accounting implementation:

1. Leadership Commitment

The strong will from the Mayor and the Legislative of the Ciamis Municipal to sustain the unqualified opinion, had motivated them to give full support in the accrual based accounting implementation. The form of the support was the budget allocation for the implementation and preparation. Since 2017, the Ciamis municipal had granted rewards to the working units that implementing the accrual based accounting system perfectly.

2. Accounting Information System Application

The accounting information system application procurement had been started from the preparation period of the accrual based accounting implementation. The Ciamis Municipal had been depended enormously in the implementation, since they only had some accounting staffs with the accounting education background, including the working units. The financial statements

produced by the working units had been always examined by the Accounting Division.

3. Coordination and Communication with Related Parties

Ciamis Municipal had always consulted and communicated with the government auditor (BPK) for every accounting issues. The consultation and communication had also been done with the internal auditor, but not as much with the government auditor. It was because most of the members of the internal auditor in Ciamis Municipal did not have accounting education background.

4. Regulation

Ciamis Municipal had developed also local regulations, such as: local financial management and accounting policy. Both regulations had become the based of the the accrual accounting implementation.

5. Human Resources

Ciamis Municipal did not have enough accounting staffs with the accounting education background. To overcome this problem, they had provided accounting information system training to the accounting staffs. This was the short-term strategy solution, since the Ciamis Municipal did also considered the increasing of the accounting knowledge for their employees.

The Local Government of Cimahi City

The interviewee of the Cimahi City was the Head of the Accounting Sub-Division. According to the interviewee, Cimahi City had prepared the accrual based accounting implementation since 2014. Below were the critical factors in supporting the accrual based government accounting implementation based on the sequence of factor role:

1. Leadership Commitment

The top management of Cimahi City had put full supporting in the he accrual based accounting implementation, especially from the Head of Accounting and Treasury Division and Head of Accounting Sub-Division. Both of them had been played significant role in the implementation and had initiated the help desk to help the working units in solving the financial reporting problem. The Mayor and Legislative also encouraged the implementation by allocating sufficient budget.

2. Accounting Information System Application

Cimahi City had developed the accounting information technology. This application was very beneficial to accelerate the accounting process and to overcome obstacles in the process. Most of the obstacle had been caused by the accounting staffs that did not have any accounting education background. This application had become the critical factor in the accrual based accounting since 2015.

3. Human Resources

Cimahi City actually had enough employees with accounting education background. However, the placement of the employees had not been arranged in accordance to the education background. Until 2017, none of the Accounting Officials were having accounting education background. Yet, the Cimahi City has committed to increase the competence of the accounting staffs by providing the permission to them to pursue higher education and accounting trainings.

4. Regulation

Cimahi City, just like other region, had developed also local regulations, such as: local financial management and accounting policy. Both regulations had become the based of the the accrual accounting implementation.

5. Coordination and Communication with Related Parties (Internal and Exernal)

Cimahi City had build communication and coordination with the working units in supporting the accrual based accounting implementation. Intensive communication did help the working units to overcome the obstacles they found. However, the communication and coordination with the internal auditors had not been sufficient since they were not yet familiar with the accrual based accounting system. The internal auditor onl reviewd the financial statement once a year, and there were no proper accompaniment.

The Local Government of Sumedang Municipal

The interviewee from Sumedang Municipal was the Head of Resarch and Development Sub-Division. According to the interviewee, they had prepared the accrual based accounting few years before it was implemented. Below were the critical factors in supporting the accrual based government accounting implementation basaed on the sequence of factor role:

1. Leadership Commitment

The top management of Sumedang Municipal had important role in the accrual based accounting implementation. The commitment had been represented by allocating the budget for providing the accounting socialization, training, and forming the help desk. The Sumedang Municipal also provided reward system for the working units that could submit financial statement on time. On the contrary, for those working units that could not submit the financial statement on time, the Sumedang Municipal gave punishment in the form of delay the budget distribution.

2. Accounting Information System Application

Sumedang Municipal had developed the accrual based accounting application since 2014. Eventhough the application has not been created integrally, however it was really effective in supporting the accrual based accounting implementation. They had depended on the application.

3. Human Resources

Sumedang Municipal did not have plenty accounting staffs with the accounting education background. Nevertheless, they had been trying to optimalize the existing employees by providing the regular accounting training. The competence of the accounting staffs then expected to be improved.

4. Coordination and Communication with Internal and External Auditor

The Internal Auditor (IA) of Sumedang Municipal had functioned as the working units partner properly. IA did review the financial statement, and communicated the result. IA gave time schedule to follow up the review and examination result. If the working units did not make any action, then the IA would give warning notice to them.

Further, IA always accompanied government auditors (BPK) when they did examination. The communication between IA and the external auditor and also the Sumedang Municipal went very well.

5. Regulation

Sumedang Municipal, just like other region, had developed also local regulations, such as: local financial management and accounting policy. Both regulations had become the based of the the accrual accounting implementation.

The Local Government of Tasikmalaya Municipal

The interviewee from Tasikmalaya Municipal was the Head of Accounting Division and Accounting Staff. According to the interviewee, they had prepared the accrual based accounting since 2014. Below were the critical factors in supporting the accrual based government accounting implementation based on the sequence of factor role:

1. Leadership Commitment

The Top and Middle Management of Tasikmalaya Municipal had strong willingness to implement the accrual based accounting correctly. Therefore, the top management had prepared the local regulation related to the local financial management and accounting policy. Further, the commitment from the top management had been represented in form of budget allocation for the implementation process. Tasikmalaya municipal also established the helpdesk to assist the working unites in solving the accounting problems. Meanwhile, the middle management level, Head of Accounting Division had become the 'leader' that supervising the implementation.

2. Human Resources

Most of the staffs in the Accounting Division had the accounting education background. However, in the working units the staffs with accounting education background were only a few. The Staffs in the Accounting Division had been assisting the working units properly. Regular training had been provided for the accounting staffs. Nevertheless, staff placement policy sometimes did not support the implementation of accrual based accounting system, by assigning staffs with the accounting education background not in the right position.

3. Accounting Information System Application

The accounting information system application had become an important role since there were lack of staffs with the accounting education background in the working units.

4. Coordination and Communication with Internal Auditor (IA)

The IA held the working unit financial statement once a year. This process did help the Tasikmalaya Municipal to improve the implementation of accrual based accounting.

5. Regulation

Tasikmalaya Municipal, just like other region, had developed also local regulations, such as: local financial management and accounting policy.

1.11 Local Government Get Unqualified Financial Statemets Opinion After The Accrual Based Implementation

The Local Government of Bekasi City

The interviewee of Bekasi City was the Head of Accounting Division. According to the interviewee, they had prepared the accrual based accounting since 2010. Below

were the critical factors in supporting the accrual based government accounting implementation based on the sequence of factor role:

1. Coordination and Communication with Related Parties

In Bekasi City, the communication and coordination had been done not only between the working units, but also with the external party i.e government auditor (BPKP and BPK). The communication had been held regularly, and had been very useful in overcoming obstacles. By the regular communication and coordination, the working units in Bekasi City had the opportunity to discuss accounting issues and made the same perception about them.

Further, the communication and coordination with the governmental auditor had supported Bekasi City in implementing the accrual based accounting system. The review from them, had improved the implementation process.

2. Leadership Commitment

The top management of Bekasi City had always being very supportive. The commitment had represented in form of intensive communication with the Accounting Division. Therefore, every problems would be known directly by the top management of Bekasi, and they would soon give their respond and decision for the problems. The top management also put unqualified opinion as the target. Every attempts to accomplish it, would be supported by the budget allocation. Other form of the leadership commitment was the plan to increase the remuneration for the accounting staffs in every working units. However, the commitment of the top management had been realised in some working units, eventhough Bekasi City got unqualified opinion for the financial statements in 2015

3. Human Resources

Bekasi City did not have plenty accounting staffs with the accounting education background. To overcome the problem, Bekasi City had provided accounting trainings for the employees in the Accounting Division. Further, the Accounting Division had provided assistance for the working units by opening the helpdesk. With these efforts, the competence and the accounting knowledge of the accounting staffs had improved.

4. Accounting Information System Application

Bekasi City had utilized the accounting information system application since the cash towards accrual based being implemented. However, the change of the accounting based into accrual based caused the previous accounting application some adjustments. Bekasi City was working with the accounting system improvement.

5. Regulation

Bekasi City had developed also local regulations, such as: local financial management and accounting policy.

The Local Government of Indramayu Municipal

The Interviewee of Indramayu Municipal was the Head of Deputy of Financial Division. According to the interviewee, they had prepared the accrual based accounting few years before it was implemented. Below were the critical factors in supporting the accrual based government accounting implementation based on the sequence of factor role:

1. Leadership Commitment

The top management of Indramayu Municipal had very supported in the accrual based accounting implementation in the form of sufficient budget allocation. The Mayor did not put any hesitation to ask for accounting data from the working units. The Legislative also had put the consideration by approving the budget for implementation.

2. Accounting Information System Application

Indramayu Municipality had used the accounting information application system since the cash toward accrual based implemented. Unfortunately, in the first year of accrual based implementation, the application had not yet worked properly, since it needed the adjustments. Eventhough the accrual based accounting information system had yet been developed completely, it had helped the working units in preparing the financial statement.

3. Human Resources

In all 64 working units in Indramayu Municipal, there were only 14 accounting staffs with the accounting education background. Therefore, Indramayu Municipal then formed the implementation team consisted of representations all of working units. The implementation team had the responsibility in preparing the financial statement for Indramayu Municipal

4. Regulation

Indramayu Municipal had developed also local regulations, such as: local financial management and accounting policy.

The Local Government of Tasikmalaya City

Tasikmalaya City got unqualified opinion for the accrual financial statement, and had become the third fastest local government in submitting the financial statement. The interviewee of Tasikmalaya City was the Head of Accounting Division. Below were the critical factors in supporting the accrual based government accounting implementation based on the sequence of factor role:

1. Human Resources

Tasikmalaya City was one among local government that had plenty of staffs with the economics education background, eventhough not accounting education background. Therefore, the human resources in Accounting Division had sufficient accounting and financial knowledge. This condition had become the important element in supporting the accrual based accounting implementation.

2. Leadership Commitment

Top and middle management in Tasikmalaya City had high commitment in supporting the accrual based accounting implementation in form of allocating sufficient budget for providing the accounting training and developing the accounting application system. They also did communicate and give directions to the employee properly.

3. Accounting Information System Application

Tasikmalaya municipal had used the accounting information system technology. The reliance on the application was quite high.

4. Regulation

Tasikmalaya City had developed also local regulations, such as: local financial management and accounting policy.

5. Coordination and Communication with Internal Auditor (IA)

The IA of Tasikmalaya City did review the working units financial statements. In the review process, the working units had opportunity to consult their obstacles. Unfortunately, the review had not yet been done regularly.

1.12 Local Government Not Yet Get Unqualified Financial Statements Opinion After The Accrual Based Implementation

The Local Government of Bandung City

Bandung City was one among three local government in Province of Jawa Barat that had not earned unqualified opinion, for both before and after the accrual based accounting implementation. The interviewee of Bandung City was the Head of Accounting Division. Below were the critical factors in supporting the accrual based government accounting implementation based on the sequence of factor role:

1. Leadership Commitment

The top and middle management had supported the accrual based accounting by providing the budget allocation to be used in the preparation and implementation period. However, the involvement from them were less sufficient. The communication channel from the low management to the top management did not work smoothly. Therefore, frequently the lower management did not acquire the instruction from the top management.

2. Human Resources

Bandung City had 150 employees with the accounting background from diploma to master degree. However, the staff placements mostly had not been in accordance to the employee skill and ability. To overcome this situation, Bandung City had provided accounting trainings for the employees in the Accounting Division

3. Accounting Information System Application

Bandung City had employed the accounting information application before the accrual based accounting implemented. However, the application was not integrated and could not be used to prepare the consolidated financial statement.

4. Regulation

There was regulation had been developed for the local financial management and accounting policy. Unfortunately, some regulations were contradictory caused the confusion among the employees.

5. Coordination and Communication with Internal Auditor (IA)

Coordination and communication with the IA had not worked properly. IA had not reviewed working units regularly. The monitoring over government audit audit follow up had not been evaluated.

6. Internal Communication

Internal communication among Bandung City local government environment was not smoothly. The instruction from the upper management mostly had not been delivered to the employees and caused mis-interpretation. Therefore, the data and information submission usually was delivered late.

7. Knowledge Transfer System

The transfer of knowledge in Bandung City worked sufficiently, however not comprehensively to all employees. It was related to the bad internal

communication. This condition influenced the accrual based accounting implementation.

5. DISCUSSION & IMPLICATION

The accrual based accounting implementation was a big lead for Indonesia in establishing good governance. In order to make the implementation could be work appropriately, some pre-conditions and real efforts were needed. Some factors that becoming the pre-condition in the accrual based accounting implementatio ware political will, reformation design, adaptive implementaion model, and strong coordination (Lawson, 2012). Indonesia government had set up the four pre-condition. The political wall had been represented by the issuance of UU. 17/2003 about the government financial management. This regulation became the foundation of the accrual based governmental accounting implementation. This Act also became the representation of the financial reformation in the Indonesian Government.

To actualize the reformation, the Government then made coordination and cooperation with many parties, including with the professional accountant institution in Indonesia. The cooperation resulted the PP. No 24/2005 about the cash toward accrual governmental accounting, and PP No. 71/2010 about the accrual based governmental accounting. Both regulation showed the adaptive implementation model in Indonesia. The full accrual based has not yet implemented, instead it was the cash toward accrual accounting that being applied considering the readiness of the condition of the Indonesian government (including logal government) at that time. Therefore, the governmental accounting had been implemented gradually, in 2005-2014 using the cash toward accrual and since 2015 using the full accrual based.

At the technical level, the institutions of Indonesia Government had done many efforts to support the implementation. Preparing the human resources to have the accounting knowledge and skill, making the accounting policy, coordinating with the upper management of the government and also with the internal auditor, and developing the accounting system application were examples of the efforts being done. From our investigation, the factors indeed became the critical factors in supporting the accrual based accounting implementation.

Similiarities among Local Governments

Based on our study, all local governments made the accountign policy that was in accordance to the governmental accounting standard (Standar Akuntansi Pemerintahan/SAP). The accounting policy worked as guidance for the government institutions in implementing the accrual accounting, starting from the identification process, transaction recording, account classification, reporting and disclosure preparation. All of the process was done in the same way. Therefore the financial statement consolidated was easy to make. The accounting policy also worked as guidance in the reviewing process by the auditor, for both internal and external. This findings were in line with Kam (1986) statement, “the obstacles of role of regulatory can be able to use to shape behavior in the irregularities, or tin the form of illegal act”.

To accelarate the accounting process, the government then provided the accounting information system application. This application would decrease the error in calculating and reporting process. As Alavi & Leidner (2001) and Lee & Hong (2002) said that “IT today can perform quick search, access and retrieval of

information by supporting cooperation and communication among members of the organization. In Essence, IT certainly can play variety of roles to support organizational process of knowledge management". The local governments usually purchased the accounting system application from the third party. Only few of them developed the accounting system application by their own.

Margilaj and Bello (2015) had explained that the human resources and information system were the important factors in implementing certain knowledge. Eventhough the institution already used the accounting application system, yet without the good human resources the system would not work properly. Therefore, the local government then had been preparing their human resources with the accounting knowledge and skill through accounting training and by recruiting staff with the accounting education background.

The financial statement produced by the accounting application system and accounting staffs, it needed review from both internal and external auditor. The internal auditor (IA) did the review over the financial statement regularly, and gave consultation over the obstacles faced by the working units in the process. This mechanism did help the local governments in implementing the accrual based accounting system.

Beside making communication and coordination with the IA, the local governments also established the communication with all elements in the institution in order to identify the difficulties encountered and to help finding the solutions. This circumstance was in accordance to Edward III (1980) in Subarsono (2006) that effectiveness of communication expressed as communication between organization or between people in same perception about the contents of the policy. Communication is an important aspect that determines the success of the implementation of a policy.

Finally, the implementation would not be succeed if there was no commitment from the top management. One form the commitment was the budget allocation. It was the commitment that could encourage all elements in the local government in the implementation to organize the accounting policy, to provide the accounting training, to create the accounting application system, and to do communication and coordination internally and externally.

Uniqueness in the Local Governments

The result of the study showed that there were intensity difference in the critical factors in supporting the accrual based accounting. The intensity differences were particularly in the leadership commitment and communication-coordination with internal auditor factors.

The higher commitment from the top management had been shown in Province of Jawa Barat, then followed by Ciamis Municipal. Both local governments had designed the reward and punishment system for their employees related to the accrual based accounting implementation. Meanwhile, Bandung city had lack of leadership commitment. The intensity difference related to the the succesful of accrual accounting implementation. Province of Jawa Barat since 2011 earned the unqualified opinion. In the meantime, Bandung City had not yet earned the unqualified opinion. This findings proved that the leadership commitment did become the most important factor in supporting the accrual based accounting

implementation. The leader had motivated their members to contribute in the process of achieving the institution goal.

Other uniqueness was the communication and coordination with the internal auditor (IA). Eventhough in the most local governments the IA did not had sufficient accounting knowledge, yet the intense communication between the institutions and the IA did support the local government ini eliminating the obstacles. We found that Province of Jawa Barat had the most intense communication with the IA, not only when the IA reviewing the financial statement. The communications were made anytime beside the regular schedule. On the contrary, in the other local governments the communicatio had not yet established intensively. This result showed that the communication with the IA did become the critical factor in supporting the accrual based accounting implementatioin.

Implication

Our study proved that the Indonesian Governmetn had prepared the factors needed as the existing precondition of accrual based accounting implementation. The factors had been proven become the critical factors in supporting the implementation. The factors wer the political commitment, reformation design, adaptive implementation model, and strong coordination (Lawson, 2012). For other countries that willing to implement the accrual based governmental accounting, what Indonesia had been done could become the example as best practice.

Other implication was the factors in the techincal level. According to our investigation, the factors must be considered were the intensive leadership commitment, skilled human resources, accounting information system technology, regulation, communication and coordination with other parties. All factos had been proven become the critical factorsin supporting the success of accrual based accounting implementation in the technical level.

6. CONCLUSION

This study aims to investigate the critical factors in supporting the implementation accrual governmental accounting system. From the investigations we found five factors become the critical factors. Among the factor, leadership commitment was represented by the budget allocation for the preparation or the implementation period and was the most important factor. The second and the third factors were the human resources and the accounting system applicatino. The forth and fifth factors were the communication with internal and external auditor, and the regulation. We presumed this factors would become the elements must be considered when the government would change the governmental accounting standard.

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