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Quality Analysis of Accrual-Based Accounting Implementation in Local Governments (Comparative of Padang Pariaman Regency and Solok City)

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Abstract

The purposes of this research are to see the result of quality assessment in accrual-based accounting implemented in Regional Apparatus Organization (OPD) in Padang Pariaman Regency and Solok City Government and to see whether there is the different quality of accrual accounting implemented between the two regions. Assessment of the quality of the implemented accrual-based accounting comes from the time of recognition of the transaction. The rate of accounting quality based on accrual is taken through five kinds of accrual transactions, namely asset-to-expense conversion transactions, unpaid expense accrual transactions, unpaid asset accrual transactions, uncollected income transactions, and liabilities-to-income conversion transactions. The method used in this research is a quantitative approach in the form of comparison. The data used in this study is the questionnaire forms of respondents as primary data. The respondents chosen are financial statement maker apparatus. The results showed that there were significant differences in the quality of accrual-based accounting implementation to OPD in Padang Pariaman Regency and Solok City.

Keywords: *Accrual Basis, Accrual Implementation Quality*

1. Introduction

In the implementation of regional autonomy, the central government gives authority to regions to manage their finances by issuing Law (UU) Number 32/2004 which has been revised through Law Number 23/2014 concerning Regional Government and Law Number 33/2004 which has been revised through Law Number 1/2022 concerning Financial Balance between the Central Government and Regional Governments, which is the basis for the importance of regional financial management in managing public funds [1]. Financial management has to be proved transparently and responsibly. Various efforts have been made by the government, one of which is by implementing New Public Management (NPM) which aims to produce efficient and effective services, but not profit-oriented.

According to Sari and Putra, the purpose of NPM is to change the management of state finances to be more informative [2]. Accrual-based accounting is an international best practice in modern financial management in accordance with NPM principles (financial management is carried out with transparency and accountability) [3]. The transition process in the government accounting system from cash-based recording to accrual is not easy, and there are many challenges that must be passed, such as human resources who do not have an accounting background [4], and the budget that is not yet available to implement the new system. According to the Chairman of the Government Accounting Standards Committee (KSAP), the biggest challenge from the shift from the cash basis to the accrual basis is the strong commitment from the leadership of Ministries/Agencies and Local Governments where the accrual-based accounting implemented in the early days is not easy (requires commitment and quality human resources) [5] [6]. The accrual-based accounting implementation in the government is currently still oriented to the results of accrual accounting reports which is not accrual-based in the process [7].

In 2015, the government has required all ministries/agencies and local governments to implement accrual-based accounting in financial management. Changes in the government's financial accountability system started with the publication of Law No. 1 of 2004 concerning the state treasury and later turned into Government Regulation No. 71 of 2010 where every entity from the government has to apply the accrual-based accounting standards. The SAP implementation has an impact that is trusted in improving the quality of financial report quality in the central and local governments [8]. According to Government Regulation No. 71 of 2010, accrual-based government accounting standards are to recognize revenues, expenses, assets, debts, and equity in accrual-based financial reporting and recognize revenues, expenditures, and expenses in reporting the implementation of the budget basis set out in the Regional Government Budget. The local governments' regulation in the accrual-based accounting implementation is implemented with the issuance of Minister of Home Affairs Regulation, Number 64 of 2013, concerning the implementation of Accrual-Based SAP in Local Governments.

The accrual basis is used to measure the assets, liabilities, and equity of funds so that the accrual basis knows the effects of transactions and other events happening when the cash or cash equivalents are received or paid [9]. In the accrual-based accounting implementation, it is important to pay attention to the recording of transactions carried out, so that the good/bad quality of the accrual-based accounting implementation to the government is very dependent on the suitability between the occurrence of transactions and the time of recording [10] where the time of recognition of financial transactions is if the recording time is more accurate, the quality of accruals becomes higher Recognition of financial transactions with local governments is recognized and recorded after being ratified by authorized officials and recognized in the financial statements in the period they occur.

This is different from Ritonga's research which examines the quality of accrual-based accounting implemented in local governments in Indonesia. This research takes the object of Padang Pariaman Regency and Solok City to see if there are differences in the quality of accrual accounting implementation in each Regional Apparatus Organization (OPD) in regional government (between city and district governments). The regions selected in 2020 received an unqualified opinion for the rate from the Supreme Audit Agency (BPK) for presenting financial statements. This study aims to examine differences in the quality level of accrual-based accounting implementation between OPDs of the two regions based on the timeliness of transaction recognition with 5 dimensions proposed, namely asset conversion transactions into expenses, unpaid expense transactions, unpaid asset accrual transactions, uncollectible receipt transactions and conversion of liabilities into revenue transactions [11].

Since the implementation of accrual-based accounting is mandatory in all central and local government ministries, several studies have been conducted to determine the development and quality of accrual-based accounting that has been applied, including Ismiyati (2016) researching five local governments (Bantul, DIY, Karanganyar, Sleman, and Yogyakarta) found that the quality, accrual-based accounting implemented, varies and is not the same in each region. Examines the quality of local governments in Indonesia consisting of districts/cities and provinces, finding results that the quality of accrual-based accounting implementation is still low in various local governments.

Herwiyanti et al. (2017) analyzing the implementation of accrual-based accounting at the Inspectorate General of the Ministry of Finance found that being ready for the Inspectorate

General of the Ministry of Finance in the accrual accounting system implemented was good, starting from aspects of communication, resources, organizational commitment to organizational structure with satisfaction ratings reaching 93.40 percent [12].

Gujarati and Permana (2020) conducted a study to analyze the implementation of accrual-based SAP at the East Java Provincial Forestry Service. Examined the quality of accrual-based accounting implementation in three work units of state ministries/central government institutions, namely: the Head Office of the Directorate General of Treasury, the Sleman tax service office, and the main secretariat of the Central Statistics Agency. with the highest percentage at the Head Office of the Directorate General of Treasury and the lowest at the main Secretariat of the Central Statistics Agency [13].

Purwanto (2015) examined the accrual-based accounting implementation in three pilot project Regional Apparatus Work Units (SKPD) in the Special Region of Yogyakarta, from the results of the study it was found that the strategy taken in the context of implementing accrual-based accounting was to develop accounting policies, prepare facilities and infrastructure, preparing human resources, forming a pilot team, compiling guidelines for the preparation of local government financial reports, forming a companion team and requiring all SKPDs to compile an accrual-based 2014 annual financial report in addition to a CTA-based financial report [14].

Currently, the accrual-based accounting implementation in Indonesia has entered its sixth year, although it has been implemented a sixth year, there are still many obstacles and perceived shortcomings, including the low quality of implementation, lack of understanding and competence of human resources because they do not have an accounting education background and the magnitude of the burden that must be incurred to implement the new system. Based on the various problems above, evaluating the accrual accounting implementation is very important to do. The evaluation is expected to find problems encountered in the accrual-based accounting implementation, solve the problems, and identify efforts to implement accrual accounting in accordance with SAP, but not many studies to measure the quality of accrual accounting implementation are already done.

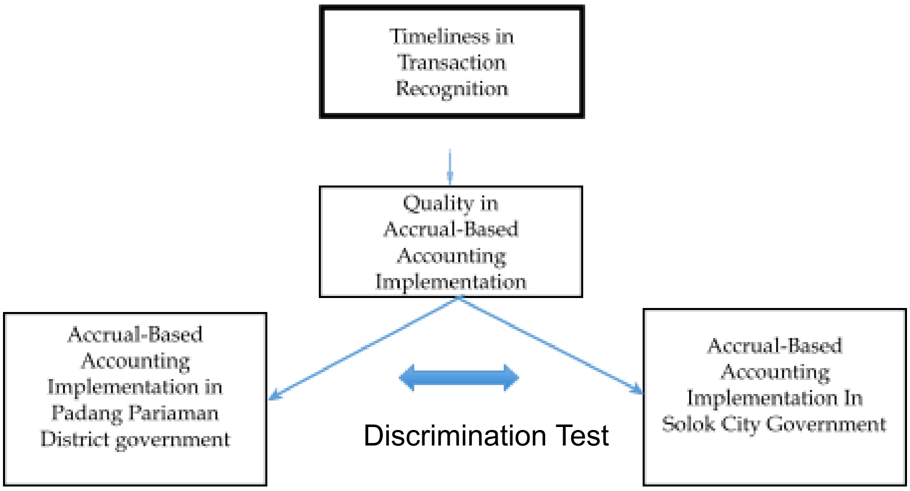

Figure 1. Research Model

Source: Research Data, 2022

The hypothesis in this study is as follows:

H 1: There is a difference in the quality of the accrual-based accounting implementation in the Padang Pariaman Regency Government and the Solok City Government.

2. Research Method

The method of this study is a quantitative approach in the form of comparison (comparative). In this study, analysis and differences in the accrual-based accounting quality implemented were carried out in the OPD Government of Padang Pariaman Regency and Solok City, where the authors measured the quality of accrual-based accounting based on the timeliness of transaction recognition. The population in this study is the accounting department employees who work in 26 Regional Apparatus Organizations (ODP) with the same affairs in the government of Padang Pariaman Regency and Solok City. From each OPD, 2 respondents who are authorized and responsible for preparing OPD financial reports are taken (echelon IV and staff making financial reports).

The data used are primary data for this study. Data was collected by distributing questionnaires given via Google Forms to the respondents who became the object of research. The questionnaire includes the accrual accounting treatment regarding the time of recognition and recording of the conversion of assets into expenses, accruals of unpaid expenses, accruals of unpaid assets, accruals of uncollected revenues, and conversion of liabilities into local government revenues.

2.1 Analysis Method

2.1.1 Simple descriptive statistics

The data analysis procedure in this study was undertaken in several stages. The first stage is descriptive statistical analysis aimed at getting an overview of the data obtained. Calculating the percentage of the highest and lowest levels of achievement on the types of accrual transactions with the best and worst implementation quality and also calculating the percentage of total performance value to analyze the accrual accounting quality for its implementation in regional governments as a whole.

2.1.2 SEM PLS Analysis

Data analysis was performed using SEM (Structural Equation Modeling) using Partial Least Square (PLS) analysis tool. The measurement model is used to test the validity and reliability in the outer model, as well as the R-square test, goodness of fit, and path coefficients in the inner model and bootstrapping.

3. Findings

Quality of Accrual-Based Accounting Implementation for Accrual Transactions in Solok City

Table 1. Respondent's Answers in Solok City

Descriptive Statistics

	N	Min	Max	Mean	Std. Dev
quality value percentage D1	26	167	1,000	67946	206645
quality value percentage D2	26	417	1,000	90065	119662
quality value percentage D3	26	600	1,000	86604	108370
quality value percentage D4	26	000	1,000	28481	286894
quality value percentage D5	26	000	1,000	17308	365850
Valid N (listwise)	26				

Based on the average percentage of the performance achievement on accrual-based accounting implementation in Solok City, the highest average was obtained at 90%, namely in unpaid expense transactions. Meanwhile, the lowest average was in the conversion of liabilities to income transactions at 17.3%. This is because there are many achievements because there is no transaction activity.

Quality of Accrual-Based Accounting Implementation for Accrual Transactions in Padang Pariaman Regency

Table 2. Respondent's Answers in Padang Pariaman Regency

Descriptive Statistics

	N	Min	Max	Mean	Std. Dev
quality value percentage D1	26	583	1,000	81808	096047
quality value percentage D2	26	625	1,000	84715	100248
quality value percentage D3	26	350	667	55115	067732
quality value percentage D4	26	000	867	33565	196119
quality value percentage D5	26	000	1,000	10577	301439
Valid N (listwise)	26				

Based on the average percentage of the performance achievement on accrual-based accounting implementation in Padang Pariaman Regency, the highest average was obtained at 84.7%, namely in unpaid expense transactions. Meanwhile, the lowest average was in the liability conversion to income transactions of 10.6%.

Quality of Accrual-Based Accounting Implementation In Padang Pariaman Regency and Solok City

Table 3. Respondent's Answers In Padang Pariaman Regency and Solok City

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev
Total Percentage of Solok City. quality	26	414	832	62062	130700
Total Percentage of Quality in Padang Pariaman Regency	26	417	871	65304	085617
Valid N (listwise)	26				

The table above shows the total value of accrual quality achievement for all types of accrual transactions in Padang Pariaman Regency and Solok City. Based on the highest score, the conclusion was that the quality of the implementation of Accrual for the Government of Padang Pariaman (87.1%) was better than the quality of Accrual Accounting implementation for the Government of Solok City (83.2%).

3.1 SEM Analysis

3.1.1 Path Chart

Diagram is a description technique for a concept applied by using the measurement of various indicators. The path diagram was operated by using 2 latent variables in this study. Each variable owns an indicator.

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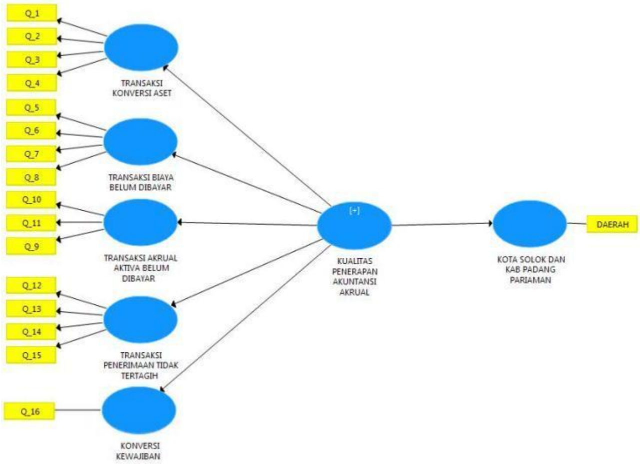

Figure 2. Path Chart

3.1.2 Outer Model

Before testing the hypothesis, the feasibility of the data needs to be tested for the validity and reliability of the variables. According to Hulland (2010), three criteria, which are reliability, must be met to get a good measurement model. convergent validity and discriminant validity. The validity and reliability tests results are explained beneath [16]:

- **Convergent Validity Test**

This test is the correlation indicated between indicators and latent variables. There are two ways in achieving the verification of convergent validity, and the ways are obtained from the achievement of criteria and model comparison tests. Prove the convergent validity is done by the achievement of criteria in the SEM/PLS approach. The convergent validity is already met by measurement if the requirements have been met, namely having a loading factor indicator of at least 0.4 [15]. The loading factor results are presented in the following figure:

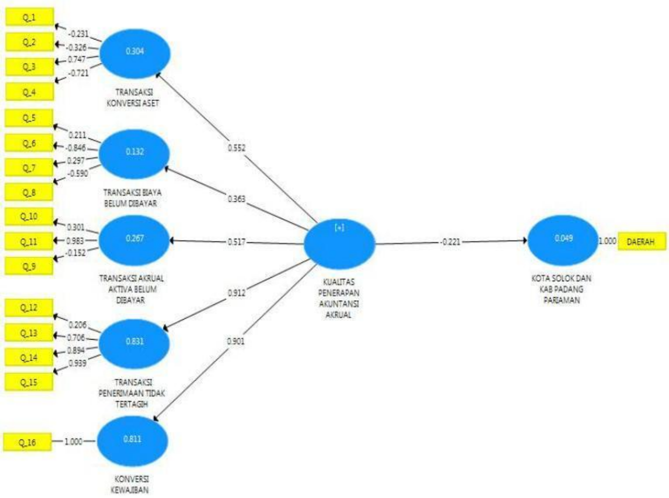

Figure 3. Path Chart

Indicators that have a large loading factor value indicate that the indicator has a strong relationship with latent variables so it supports high reliability. The loading factor value (loading factor) shown in Figure 3 is in the range of values between 0.152 to 1,000, meaning that a loading factor owned by indicators is less than 0.4. It means that for the results, not all indicators have good convergent validity. Thus, all indicators have not been said to be valid in measuring each of the latent variables. Indicators with a loading factor value of less than 0.4 were dropped from the model with the following results:

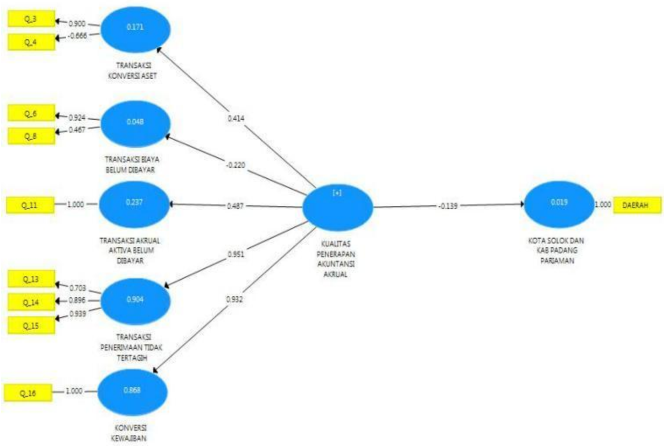

Figure 4. Path Chart

The loading factor value (loading factor) presented in Figure 4 is in the range of values between 0.467 to 1,000, meaning that indicator has no loading factor that is less than 0.4. These results indicate that all indicators have good convergent validity.

- **Discriminant Validity Test**

The test was conducted to determine how far the validity value difference between a variable and other variables is in comparison. Measuring discriminant validity is done by comparing the square root value of the AVE gained from the correlation values between variables. If the AVE square root of the latent variable has a value greater than 0.7 and greater than the correlation value with all other latent variables, the discriminant validity will be good.

Table 4. Discriminant Validity Test

RESEARCH VARIABLES AND DIMENSIONS	Average Variance Extracted (AVE)
LIABILITY CONVERSION	1,000
SOLOK CITY AND PADANG PARIAMAN REGENCY	1,000
QUALITY OF ACCOUNTING APPLICATION	0,538
UNPAID ASSET ACCRUAL TRANSACTIONS	1,000
LOAD TRANSACTION UNPAID	0,536
ASSET CONVERSION TRANSACTION	0,627
UNBILLED RECEIPT TRANSACTIONS	0,726

Source: Research Results Processed With Smart PLS 3.0, 2022

Table 2 shows that the AVE value of all latent variables ranges from 0.536 to 1,000, meaning that all indicators have a loading factor greater than 0.5. Thus, all indicators are said to be valid in measuring each of the latent variables. This shows that all latent variables used in this study have good discriminant validity.

- **Composite Reliability**

This is reliability to measure latent variables states that this coefficient is close to Cronbach's internal coefficient value called an internal consistency coefficient. Moreover, This reliability coefficient suits congeneric measurements because it assumes that the precision and scale of measurement between indicators have differences. A good composite reliability of 0.7 is owned by the indicator group that measures a variable although it is not an absolute standard. Composite reliability is presented in table [17]:

Table 5. Composite Reliability

VARIABEL DAN DIMENSI PENELITIAN	Average Variance Extracted (AVE)
LIABILITY CONVERSION	1,000
SOLOK CITY AND PADANG PARIAMAN REGENCY	1,000
QUALITY OF ACCOUNTING APPLICATION	0,864
UNPAID ASSET ACCRUAL TRANSACTIONS	1,000
LOAD TRANSACTION UNPAID	0,872
ASSET CONVERSION TRANSACTION	0,810
UNBILLED RECEIPT TRANSACTIONS	0,887

Source: Research Results Processed With Smart PLS 3.0, 2022

The table above shows that the composite reliability value of all latent variables ranges from 0.810 to 1,000, meaning that the overall composite reliability value is 0.7. This means that all latent variables are proven to have good composite reliability. Thus, the outer model or measurement model has been tested, and indicators and latent variables in this study have convergent validity, discriminant validity, and good reliability. So it is feasible to proceed to the next stage, namely hypothesis testing or structural model testing.

3.1.3 Inner Model

The inner model evaluation is to evaluate the effect of latent inter-constructs and hypothesis testing which is a structural model in predicting causality between latent variables. The structural model is R-Square used to evaluate the significant level of the dependent construct, the path coefficient value, or the t-value of each path in hypothesis testing. If the R-Square value is higher, the prediction model of the proposed research model is better [18] [19]. The structural model uses R-Square and compares t-count with t-table for evaluation [20].

- **Fit Test (*Goodness of fit*)**

The Goodness of Fit is the suitability of the model based on established criteria tested. The measurement of Goodness of Fit from the Inner Model is by using an R-square dependent latent variable with the same interpretation as regression.

- **Path Coefficient Hypothesis Test**

This hypothesis test is to decide the relationship between variables conducting a causality analysis. Exogenous variables have a significant effect on endogenous variables if the p-value (probability) < 0.05. The results are in the following table:

Table 6. Structural Model Testing Table

HYPOTHESIS	Sample Mean (M)	T Statistics (|O/STDEV|)	P Values
QUALITY OF ACCRUAL-BASED ACCOUNTING IMPLEMENTATION -> SOLOK CITY AND PADANG PARIAMAN REGENCY	0,067	8,601	**0,013**

Source: Research Results Processed With Smart PLS 3.0, 2022

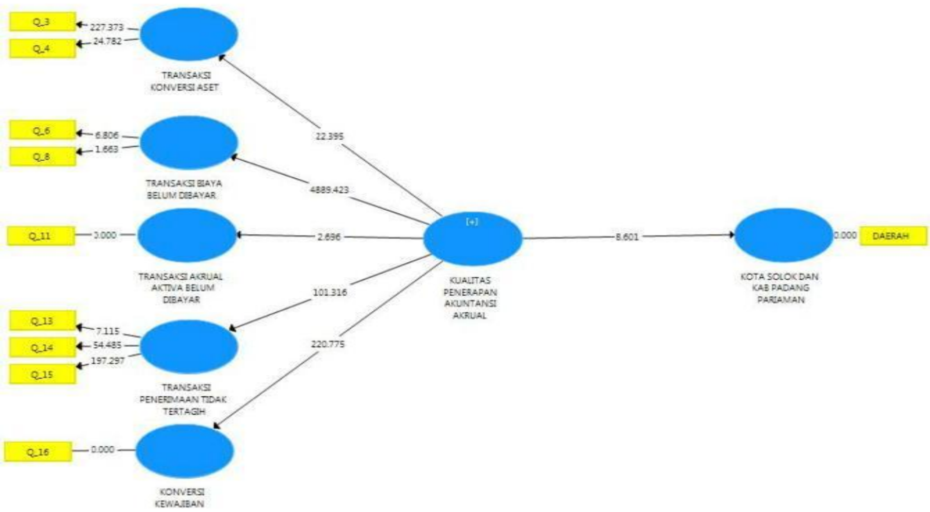

Figure 5. Hypothesis Test Results (T Statistic)

3.2 Hypothesis test

Based on table 5 and Figure 5, the sample mean value is 0.067, the significance value is 0.013 <0.05 and the statistical T value is 8.601 > T table is 1.645 so reject H0 and accept H1. Thus, it can be concluded that there is a significant difference in the quality of the application of accrual-based accounting in the government of Padang Pariaman Regency and Solok City. The sample means value of 0.067 means that the quality of the accrual-based accounting application at the Padang Pariaman Regency government (D=2) is 0.067 higher or better than the quality of the accrual-based accounting application in the Solok City government.

4. Conclusion

The quality of accrual accounting implementation at the Padang Pariaman Regency government and the Solok City government shows that the value of the quality of accrual application in Solok City is highest on "unpaid expense transactions" and the lowest on "conversion of liabilities into revenue transactions" transactions, while the achievement of the quality of accrual application in Padang Pariaman Regency is highest in “unpaid fees” transactions and the lowest is in “conversion of liabilities into revenue transactions”. There is a difference in the quality of accrual-based accounting application between the Padang Pariaman Regency and the Solok City Governments, namely the quality of the Padang Pariaman government's accrual-based accounting implementation quality 87.1% better than Solok City's 83.2% and based on the results of hypothesis testing it represents that a significant difference is found in the quality of accrual-based accounting implementation in the government of Solok City and Padang Pariaman Regency**.** Further research can further explore and research more deeply related to the quality of accrual-based accounting implementation in government not only by using questionnaires but can by equipped with direct interviews in order to obtain more extensive information.

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