

CHAPTER I

INTRODUCTION

1.1 Background

The Indonesian government has made reformation of the state financial management for both central and local governments to the act legislation packages of state financial sectors, named Act No. 17 of 2003 on State Finance, Act No 1 of 2004 on State Treasury. The rules of act declare that the Governor / Regent / Mayor extend the draft of regulations on responsibility for realization budget APBD to DPRD in the form of financial statements, that have been audited by BPK, at least 6 (six) months after the fiscal year ended. Financial statements are prepared and presented in accordance with SAP.

Beside the act and government regulations, the Minister of Home affair issued a *Permendagri* no.13 of 2006 on regional financial management guidelines, as it has been changed to become of the Minister of Home Affairs No. 21 of 2011. In essence all the rules have a desire for transparency and accountability in management regional finance (Tanjung, 2011).

However, since the eight years of broad autonomy to the regions, and ten years after the virtual reformation there is no significant progress in improving transparency and financial accountability of the state / region. The facts are revealed by the mass media (Warsidi, December 28, 2009) related to implementation of Government Regulation no. 24 of 2005 about Governmental Accounting Standards.

- a. The quality of government financial reports still has poor quality, both of Central and Local Governments. This is reflected by the number of BPK audit opinion in financial statements of ministries and both central and local agencies with opinion other than unqualified. From the audit of the 293 Local Government Finance Statement (LKPD's) in 2008 and one of LKPD in 2007 by BPK, 8 received unqualified opinion, 217 qualified, 21 not fair and 47 received disclaimer.
- b. The poor quality of financial statement is caused by the resistant of government staff to reform management or state finance.
- c. The ability of the government staff in preparing and reporting the financial statement accordance with governmental accounting standards have still limited. This is partly

due, caused by the insufficient human resources to handle the management and reporting the financial statement in government.

- d. Meanwhile, the accounting education in universities has only emphasized the business sector accounting (private). Beside that, for the accounting public sector, include government accounting, still has not been adequately considered.

Conditions are getting worse and very people apprehensive, reminding that the fund is managed by the government is public funds. In addition, these conditions are a challenge for local governments to improve the quality of their financial statements with accounting applying to achieve transparency and accountability in financial management.

So that, all parties including the government itself try to overcome this by making reforms in all sectors. One attempt to restore in economic, social, and politics is to get back people's trust to the government by trying to create a clean and respectable government, known as good governance. This effort is also supported by many parties, the government itself as the executive, the parliaments as legislature, and the press by non-governmental organizations.

Based on government regulation No. 101 year 2000, states that the good governance paradigm has principles in which are professionalism, accountability, transparency, excellent service, democracy, efficiency, effective, and rule of law (Suhadi & Fernanda, 2001). In a simple language, there are three main principles of good governance namely participation, transparency, and accountability (Simanjuntak, 2005).

The preparation of financial statements is a one of kind form to support the requirement of accountability. Accountability and transparency are important parts in creating a strong government, and can achieve transparent behavior and improve the competence and professionalism with the power of efficiency. Public accountability is an important factor to realize good governance which requires transparency of information for the functioning of such accountability. Accountability and transparency are clue to realize the norms of good governance (Zulkarnaen, 2008).

The points of good governance, named the duties to be responsible for organizing various activities and development of government policy. Good governance to become real, it needs high commitment from all parties, superiors and subordinates, government and society, good coordination, integrity, professionalism, work ethic and high moral.

Thus the government as the main executive of the implementation of good governance is required to provide more transparency, accountability and more accuracy. This is more important in this era of reformation, through the empowerment of institutions as a counterweight control of government power.

Based the description above, the author is interested in doing this research and to know more about how far the ability government staff to prepare financial statements in BKD Padang Panjang. In this study researchers takes the subject as follows:

"EVALUATION THE ABILITY OF GOVERNMENT STAFF TO PREPARE FINANCIAL STATEMENTS (Case Study at BKD Padang Panjang)"

1.2 Problem Definition

Based on the background stated above, then the problems the author would like to discuss in this research are:

1. Does the staff have fair understanding about GASB/SAP 2005?
2. Does the staff have been able to prepare the financial statements based GASB/SAP 2005?
3. Do the financial statements of BKD Padang Panjang have in accordance based on the standard?
4. Is the accounting cycle have fully done by government staff?

1.3 Research Objective

The purposes that the author wants to reach by doing this research are:

1. To get information about the result from evaluate the ability of government staff to prepare financial statements.
2. To understand more about developing and implementation government accounting standard in BKD Padang Panjang.
3. To understand the staffs competence in do government accounting cycle to produce the financial statements.
4. To understand the adjustment financial statements with the standard.

1.4 Significance of Study

The research is expected to provide benefits to many parties, among others:

1. So the author and reader are expected to have an understanding regarding governmental accounting in preparing financial statements.
2. So the author can contribute to BKD Padang Panjang in terms of developing the governmental accounting and implement it.
3. For the reader, this research hopefully can give additional information and could be a reference for future researchers that are concerned with government accounting.
4. For BKD and others, the results of this study can be used as consideration to evaluate the ability of government staff and as input in improving the quality of financial statements and to achieve good governance.

1.5 Research Scope

This research is conducted with a focus on the meaning financial statements. To evaluate the author uses SAP or Government Accounting Standard Board (GASB). The data of financial statements that author gets to analyze and evaluate are taken from 2010 including the result of interview to support it.

1.6 Writing Systematic

This research is divided into five chapters, those are:

Chapter I Introduction:

This chapter explains the overview of the background of the introduction, problem definition, objective research, significance of study, research scope and writing systematic.

Chapter II Theoretical Framework:

This chapter explains the definition and of accounting, governmental accounting, financial statements, ability, conceptual framework in government accounting standard board (SAP), and budgeting.

Chapter III Research Methodology

This chapter consists of research design, object, types and source of data, also data gathering methods.

Chapter IV Analysis

This chapter is divided into two parts; first part is about BKD at Padang Panjang region. The second part is the analysis and evaluation of ability government staff to prepare financial statements.

Chapter V Conclusion

This chapter consists of research conclusions of the analysis in previous chapters. This chapter will also explain the research limitations as well as suggestions and implications of the research not only for the organization itself but also to other parties who might have interest in this topic.