

# Usefulness Analysis Of Accrual Based Accounting Information On Local Government Financial Statement: A Qualitative Study

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# Usefulness Analysis Of Accrual Based Accounting Information On Local Government Financial Statement: A Qualitative Study

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**Abstract:** This study aims to explain the usefulness of accrual-based accounting information on local government financial statements, using framing theory analysis. Informants in the study amounted to 27 people in the Lampung Provincial Government consisting of Regional Government Budget Team (TAPD) 15 people and Government Internal Supervisory Apparatus (APIP) 12 people. Data collection techniques by semi-structured interviews, test the validity of the data using triangulation and analysis methods and qualitative data management using NVivo version 12 software. The results showed that the accrual accounting information had not been useful by the local government in decision making. Furthermore, the results of the research are presented by framing usefulness of accrual-based accounting information on local government financial statement including Diagnosis (problem): System, accounting information system is not full accrual, not integrated with planning and asset subsystems; Human Resources (HR), low understanding and less number of accounting education employees; Data of Local Government Financial Statements, not full disclosure, are not presented in full and valid; Regulation, has not regulated the use of information in financial statements; Report Users, low executive and legislative commitment and understanding about the use of financial report information for decision making. Prognosis (strategi): employee education and training, socialization to the executive and legislative, improvement of regional accounting information systems, and changes in regulations both central and regional which give role to accounting information in government financial reports. Motivational (impact): increasing efficiency and effectiveness, increasing transparency and accountability, measuring performance and internal control, comprehensive and prudent decision making, realizing the principle of prudence, for calculating service rates, minimizing budget politicization and minimizing opportunities for corruption.

**Index Terms:** accrual basic, framing theory, public sector accounting, qualitative, usefulness information.

## 1. INTRODUCTION

The financial statements are prepared to provide relevant information regarding the financial position and all transactions carried out by a reporting entity during one reporting period. Government financial statement are expected to provide useful information for users in assessing accountability and making decisions on economic, social and political decisions. Accounting information in financial statements is said to be of high quality if it meets qualitative characteristics which are normative measures that need to be realized so that they can meet the objectives of financial statements. Qualitative characteristics that must be fulfilled so that accounting information reaches the desired quality, namely: relevant, reliable, comparable and understandable (PP No. 71 of 2010). Accrual-based government financial statements, especially information on balance sheets and operational reports, can provide accurate information, especially regarding the value of government assets and liabilities, and are far more important if the accounting data is used for management's purposes in making financial decisions. Inaccurate list of asset values causes many cases of corruption and irregularities in the form of asset transfers and deviations of funds from government asset purchases that occur in Indonesia (McLeod and Harun, 2014; Harun et al., 2012)

Researchers have found evidence of limitations in the use of accrual accounting information presented in government financial reports. This shows that the qualitative characteristics of financial statements with relevance characteristics with a score that is still low and perceived to have no feedback value and do not have predictive value. The government implements accrual-based accounting is strongly influenced by the socio-political role so that accrual information is not utilized in decision making (Cohen et al., 2013; Cohen and Karatzimas, 2017). Connolly and Hyndman (2006), Hyndman and Connolly (2011) states that there are different interpretations of stakeholders regarding the use of accrual accounting information in government financial reports in the UK and North Ireland and requires a long time until benefits of accrual accounting information can be felt. Additional complexity in the application of accrual accounting in the Republic of Ireland (RoI) is felt not to provide additional value at all, the greatest benefit is only felt in capital or assets. Gamayuni (2018) in his research on several regional government in Lampung Province found that the implementation to accrual-based government accounting standard did not support the quality of financial reporting and information in financial statement has not been used in local budgeting decision causes by limited human resource capabilities. Susanto and Djuminah (2015) in their research on all local governments of the islands of Java and Madura in Indonesia found empirical evidence that the group of financial statement elements generated from accrual-based accounting has a lower benefit ratio than the financial statement element group generated from cash-based accounting. Kobayashi et al. (2016) conducts research on local governance in Japan which shows that accrual information is underutilized in the process of budgeting, evaluation, asset management or debt management, officials utilize accrual information that is useful for performance management. In addition, experience and leadership significantly contribute to the effectiveness of decision making. Research in the State of Australia found results that from 19 items of decision-making categories found 16 items of usefulness accrual information is more useful in

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decision making compared to cash-based accounting information and cash-based accounting systems are considered not useful for most decision-making situations compared to accrual-based accounting systems (Andriani et al., 2010; Kober et al., 2010). Nogueira and Jorge (2015, 2017) and Nogueira et al. (2013) in his research found that the benefits of accrual accounting information in the public sector, especially the local government of Portugal, were felt and useful enough to improve internal control and be useful in internal decision making, political decision making and technical decisions. Mbelwa (2015) in his research found that the importance of education and experience in accounting and finance about the use of accounting information to actors involved in the decision making process of local government budgeting in Tanzania. This study uses the framing theory approach by considering audit and accounting research from Ferry et al. (2017), Roussy and Brivot (2016), Bay (2011), Vogel (2011). Goffman (1986) in framing analysis study states that different interpretations are a "schemata of interpretation". Benford and Snow (2000) state that framing describes a frame consisting of three interrelated component structures consisting of: diagnosis (problem), prognosis (strategy) and motivational (impact). Kaplan (2008) explains that framing shapes how problems and solutions are defined and which strategic choices are made. The perspective of the framing theory of the three components, the author tries to build a frame by exploring ideas or ideas about "the usefulness of accounting information in the application of accrual-based accounting in the local government environment. In this study the objectives to be achieved are:

- a. Obtain information about the main problems related to the use of accrual-based accounting information on local government financial statements;
- b. Obtain information about the efforts and strategies that must be carried out by local governments in overcoming problems related to the use of accrual-based accounting information on local government financial statements;
- c. Obtain information about the benefits obtained by the local government if the strategy is implemented to overcome the problems in the effort to use accrual-based accounting information on local government financial statements.

## 2. LITERATURE REVIEW

### 2.1 Framing Theory

Goffman (1974; 1986) and Kaplan (2008) explain that the schemata of interpretation is a social structure that is negotiated collectively and appears clearly in future developments, where each individual allows to provide an understanding of the reality that occurs around them. Chong and Druckman (2007) say that unlike framing in communication, which reflects the emphasis of the speaker, framing in individual thinking refers to what members believe (audience) as the most prominent aspect of an issue. Framing is a tool that facilitates how journalists manage large amounts of information and package it effectively for their audience (Borah, 2011). Identification of framing in communication research traditionally uses inductive and deductive methods (Breu, 2015). Subsequent framing theory was developed by Benford and Snow (2000) who wrote that framing is usually described as a part consisting of three elements or related elements: diagnosis, prognosis and motivational. Diagnosis is framing about defining the problem specifically or the main

focus that describes the issues raised, there is a problem, what is the problem and what is the cause of the problem. Framing diagnosis in this study is to illustrate how stakeholders and related parties can understand the main problems including the causes of problems in the use of accounting information in accrual-based regional government financial statements in the decision-making process. Prognosis is a framing of solutions and problem-solving strategies in the usefulness of accrual accounting information in the decision-making process, for example strategies need to be conducted training and socialization about the use of financial information for decision making (Mbelwa, 2015). Professional training and experience are positively related to their usefulness associated with financial information (Nogueira et al., 2013). Motivational is a framing of what motivations are underlying so that accrual accounting information in the regional government financial statements must be utilized. Motivational as supporting framing of framing diagnosis and framing prognosis in convincing others follow their framing. For example, if the information on accrual-based accounting in the public sector can be utilized in the decision-making process, it will affect transparency and accountability and increase efficiency and effectiveness in the use of public funds and other resources (Oefogbu and Grace, 2014), and can improve internal control within the government environment. (Nogueira et al., 2017).

### 2.2 Decision Usefulness Theory

Scott (2005) writes that the information perspective relates to the equitable use of information with information content. Provision of useful information needed for decision making is now recognized as the purpose of accounting information. IPSASB (2014) explains that the purpose of financial reporting is to provide information about the financial position and performance of an organization that is useful for various users (internal and external stakeholders) in taking decisions. Dandago and Isdawani (2013) state that financial reporting is oriented to one of the following two things: towards decision making (the user who needs information contained in the financial statements for a particular decision) or to the decision model used to make that decision. Tollerson (2013) explains that in general defining decision usefulness (decision usefulness) as a decision that is concluded when considering whether to use information received about certain facts or circumstances to make one or several specific decisions. Williams and Ravenscroft (2014) state that the usefulness of decisions is not the property of any accounting data but comes from the property of any data that is more demonstrable, that is, the data reveals facts that allow an assessment to occur and is made about a situation. FASB (1978) concerning the statement number 1 of financial accounting concept that financial reporting must provide information that is useful to present and provide potential to investors, creditors and other users in investing rationally, providing credit and similar decisions. IASB (2010) states that external financial reporting purposes are generally to provide useful information to existing and potential investors and lenders, creditors and others in making decisions in providing resources to the entity. Based on this theory that information presented in government financial reports is expected to be useful in strategic decision making so as to realize good governance.

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### 2.3 New Public Management (NPM)

During the last 20 years it was marked by a reform movement called the New Public Management (NPM) which aims to understand and manage public sector activities. This needs to be solved by the bureaucratic model and introducing the concept into the public sector administration as competitiveness, efficiency and performance that is currently used in private sector management (Jesus and Eirado, 2012). Public sector reform in the 1980s era was carried out in advanced industrial countries in response to various criticisms. Various changes were made, for example by adopting an NPM approach and reinventing government in many countries, especially the Anglo Saxon State. Accounting plays an important role in the development of NPMs. A number of European Union countries have adopted and developed new ways of working, which have changed how central and local governments serve the community and result in improved performance. Accountability structures, accounting policies and reporting schemes have seen significant changes (Aurora and Mihaela, 2009). Kartalis et al. (2016) in his research in Greece explained that NPM reforms contribute to shifting organizational boundaries from cultural / archaeological to economic / financial where both of these will produce conflicting organizational goals. The implementation of accrual-based accounting standards in central and regional government environments is one form of implementation of the NPM concept in leading good governance in realizing good government governance.

### 2.4 Public Sector Accrual Accounting Implementation in Other Countries

The International Public Sector Accounting Standards Board (IPSASB), which is under the International Federation of Accountants (IFAC), is known to be responsible for developing the International Public Sector Accounting Standard (IPSAS) and strongly encourages national governments to implement accrual-based accounting (IPSASB, 2014). Data on the development of the adoption and implementation of the accrual basis in the public sector throughout the countries in the world for ten years from 2005 to 2015 shows a significant increase, 40 countries implement accrual-based accounting (Deloitte, 2015). A shift towards a comprehensive public sector accrual financial accounting and reporting structure began in the late 1980s, especially in Australia and New Zealand. Then in 1993 the adoption of an accrual basis was followed by the Swedish state which applied the full accrual basis to its financial statements, exceptions to the treatment of historical assets and taxes (Carlin, 2005). Country of Australia where all departments compile accrual-based financial statements in 1994, budget reform began in May 1999, where the National Audit Commission recommended accrual-based budgets in lieu of cash-based budgets (Andriani et al., 2010). The budget has been adopted in the Netherlands (OECD, 1997), Finland, Japan, Portugal, Sweden and Switzerland (OECD, 2002). Iceland uses a modified accrual system, in contrast to the full accrual model only because of policy problems, all long-lived assets are charged at the time of acquisition. Other jurisdictions, the main framework for cash-based reporting is maintained, coupled with additional accrual disclosures (Carlin, 2005). Ofogbo and Grace (2014) report that Nigeria will implement full accrual-based government accounting in 2016. Adhikari and Nesbakk (2016) report that most OECD member countries are underestimate of the complexity in applying

accrual accounting in the public sector and therefore require more time, resources and effort to be adopted than originally planned. The Malaysian state has implemented accrual accounting in the country's government since 2015 along with the Indonesian state, according to research (Ahmad et al., 2015), (Ferry et al., 2017) and (Mahadi et al., 2015). Adhikari and Mellemvik (2010) in their article show that the majority of South Asian countries have considered the adoption of cash-based IPSAS as a path to the adoption of accrual-based public sector accounting. Legenkova (2016) conducts studies and evaluates the impact of IPSAS on the reliability, credibility and integrity of financial reporting in the State Administration in Russia and significantly provides services more effectively and efficiently. Cohen and Nikolaos (2013) in their study found that the application of accrual accounting is strongly influenced by the socio-political role followed by technical-rational factors and institutional role factors.

### 2.5 Reform and Application of Public Sector Accrual Accounting in Indonesia

The implementation of accrual-based accounting in the Indonesian government was actually had to be implemented since 2008 according to the mandate of Law Number 17 of 2003 concerning State Finance and Law number 1 of 2004 concerning State Treasury. The regulation states: "Provisions regarding the recognition and measurement of accrual-based income and expenditure as referred to in article 1 number 13, 14, 15, and 16 of this law shall be carried out no later than 5 (five) years and" Provisions regarding recognition and measurement Accrual-based income and expenditure as referred to in Article 12 and Article 13 of this law shall be carried out no later than 2008 fiscal year. Indonesia has carried out significant economic and political reforms for purposes intended to encourage democracy, strengthen accountability, and create transparency in relation to the practice of public sector governance, accounting reform in Indonesia shows the limitations of laws and regulations against long-standing and applied patterns since a long time ago. The root of this problem may lie in the central control tradition that has been played in the form of accounting dialogics which has failed to emerge from the importance of accounting reform (Harun et al., 2015). Indonesian Government's decision to implement accrual accounting in 2008 was part of a larger political and economic reform after the financial and political crisis that occurred in 1998 (Harun et al., 2012). The Government of Indonesia, both the central government and regional governments, are obliged to implement accrual accounting since 2015 as a mandate for the implementation of Government Regulation (PP) number 71 of 2010 concerning accrual-based Government Accounting Standards (SAP) that bring major changes in the financial reporting system in Indonesia. 10 (ten) countries that apply accrual-based government accounting together with its implementation in Indonesia in 2015, namely: Malaysia, Singapore, Turkey, Switzerland, Austria, Nigeria, South Africa, Chile and Island (Deloit, 2015). Especially for local governments, in 2013 the Ministry of Home Affairs has issued Regulation of the Minister of Home Affairs Number 64 of 2013 concerning Accrual-Based SAP Application in Local Governments. This Ministerial Regulation is a guideline for local governments to carry out accrual-based accounting in full by the 2015 budget year. Several other studies on the application of accrual-based SAP to local governments in Indonesia include: Gamayuni (2018) in his research on several

local governments in Lampung Province shows that the application of SAP accruals does not affect the quality of financial reports and information in financial statements has not been used in local government budgeting decisions. Kristiawati (2015) states that there are three determinants of the successful application of accrual-based government accounting in local governments, especially West Kalimantan, namely: 1) Commitment of leaders, 2) Quality of HR and 3) Supporting tools. Maimunah (2015) revealed that the central and regional governments need to conduct intensive education and training on employees in the financial sector regarding the preparation of accrual-based government financial statements, in addition to providing accrual accounting information system tools.

#### 2.6 The use of Accounting Information in Financial Reports

Financial reports play an important role for a variety of users, consisting primarily of creditors, investors, employees, customers, governments and their agencies, as well as the general public in making vital financial decisions. Shagari and Dandago (2013) findings about the usefulness of corporate financial reporting decisions to the general public. The results of the survey show that financial statements are used by various users, including investors, creditors, government, employees, and other groups of users who use this financial accounting information for various decision-making. To make financial statements more useful for each group of users, the report must be adjusted to suit the specific needs of the user group. Tollerson (2012) states that relevant disclosure is more important than reliable disclosure. However, to improve analyst understanding of the company, reliable information is more important than relevant information. Study Number 14 published by the International Public Accounting Standards Board (2014), explains that the information presented in accrual-based government accounting in financial reporting allows stakeholders to:

- Assess the accountability of managing all of the entity's resources and the distribution of these resources;
- Assess the performance, financial position and cash flow of an entity;
- Decision making regarding the provision of resources, or doing business with an entity;

Accrual accounting provides full cost information from government activities, so the government can:

- calculate service costs as a consequence of a policy to achieve the objectives and costs of alternative mechanisms to achieve these objectives;
- decide whether to produce their own services within the government, or buy goods and services directly from non-governmental organizations;
- decide whether the user will be charged with the services provided;
- allocate responsibility for managing certain costs.

The use of accrual accounting information in a research result shows that less attention is given to the competence and capacity of treasury officials, budget officials, policy makers and key actors at the organizational level, who are truly involved in realizing the utilization of public sector accrual accounting information in context specific ones (Adhikari and Nesbakk, 2016).

### 3. Previous Research

Several studies abroad have different results and interpretations about the benefits of accrual accounting information in the public sector, including: Connolly and Hyndman (2006) in UK & North Ireland, Hyndman and Connolly (2011) in Republic of Ireland, Kobayashi et al. (2016) in Japan, Andriani et al. (2010) and Kober et al. (2010) in Australia, Cohen and Karatzimas (2017) in Greece, Nogueira et al. (2013) and Nogueira and Jorge (2015; 2017) in Portugal and Mbelwa (2015) in Tanzania.

### 4. Study Methode

The type of research used is descriptive research with qualitative methods on phenomenological research approaches rather than grounded theory (Creswell, 2015). This study aims to explore information in the form of ideas or ideas related to phenomenon of the implementation of accrual-based Government Accounting Standards (SAP) in the government sector. The focus of the problem is on the utilization of accrual-based accounting information in local government financial statements. A qualitative approach is used because this research is designed to get in-depth information about the phenomenon under study from the perspective of other informants and data sources (Sugiyono, 2017). The locations chosen by the researchers as research sites are: 1) Regional Device Organization (OPD) in the Lampung Provincial Government as an OPD representing the Regional Government Budget Team (TAPD) consisting of the Regional Revenue Agency (Bapenda), the Regional Development Planning Agency (Bappeda) and the Regional Finance Agency (Bakueda), 2) An internal supervisory organization in the Lampung Provincial Government that represents the Government Internal Supervisory Apparatus (APIP) consisting of the Lampung Province Regional Inspectorate and the Lampung Finance and Development Supervisory Agency (BPKP) representative. Research time May sd June 2018. The selection of informants in this study used purposive sampling technique with consideration of positions and functions representing the Regional Government Budget Team (TAPD) and informants who functioned as the Government Internal Supervisory Apparatus (APIP). The number of informants in this study by considering the opinion of Creswell (2015) in his book which states that in one phenomenology qualitative research is a size of 20 individuals, while in grounded theory uses 20 to 30 individuals in order to develop a complete theory. Based on this, the authors took the initiative to use the number of informants between 10 to 20 individuals in one group of informants. The number of informants from the TAPD group was 15 people and the number of informants from the APIP group was 12 people, with a total of 27 informants. Job tenure ranges from 1.3 years to 13 years, male informants number 16 (sixteen) people and female informants are 11 (eleven) people. The identity of the informant was disguised by giving the informant code TAPD: IF#TAPD01-11-TAPD15, APIP informant: IF#APIP01- IF#APIP12. The type of data in this study is primary data and data triangulation using data source triangulation and data collection techniques. Triangulation of the data that the author uses as well as to assess the reliability and validity of the data in the study and to reduce the bias between the two researchers and informants (Sugiyono, 2017). In addition to data transcripts from interviews, the author made observations at the research location and used documentation analysis by looking at the financial statements and regulations

related to SAP accruals. Data obtained through interview techniques with semistructured interview type. Interview structure in the form of questions verbally to the informant with the same type of question with the structure of the question starting from the frame of diagnosis about the main problems and constraints related to the use of accrual accounting information, the frame of prognosis regarding the efforts and strategies that must be done in order to overcome the problems and constraints presented in the frame diagnosis and motivational frame about why it needs to be done and what the benefits are when efforts and strategies are implemented in order to overcome some problems so that accrual-based accounting information can be utilized in the decision-making process. The data collection stage uses two stages, first the researcher comes and asks permission to be willing to be an informant. If the informant is willing, then the researcher gives the interview sheet in the same format to all informants by giving a prior explanation about the research theme and giving an opportunity to express their opinions and ideas in writing about the research theme. The second stage the researcher asked the informant to do the interview at that time or according to the schedule agreement with the informant. The results of interviews were recorded and transcribed. The total recording time of the interview was around 4 hours 10 minutes with an average of 9 minutes of interview record for each informant, with a total of more than 50 pages of interview transcripts from 27 TAPD and APIP group informants of the Lampung Provincial Government. Data analysis techniques in this study use data analysis techniques according to Creswell (2015), where data analysis is done after completion of data collection in a certain period. The first step in data analysis is as follows: providing raw data in the form of interview transcripts, field notes and the views of the researchers themselves; organizing and storing data to be analyzed, reading all data, coding, arranging themes, describing data, constructing between themes, interpretations and giving meaning to the themes that have been compiled. The second analysis step divides the main themes and trends identified in the first step into three data analysis frames namely "diagnosis" (D), "prognosis" (P) and "motivational" (M). Each feature D, P and M that appears is three frames as a result of the study, and the three frames that appear hereinafter are referred to as empirical data. The coding process using computer-assisted qualitative data analysis software (CAQDAS) qualitative data processing and processing software is quite popular in the form of NVivo version 12 application, a data management tool designed to analyze qualitative research data. Data coding output from NVivo 12 is word frequency query result and explore the code diagram as the basis for data processing. The use of NVivo software in the process of qualitative analysis can increase accuracy and prestige in research that can produce a reliable analysis and can improve the quality of qualitative research (Yuliansyah et al., 2012).

## 5. Result

**Table 5.1** Characteristics of TAPD and APIP group research informants

Group Informant/ Position	amount	class	Amount
<b>I. Informant TAPD</b>			
- Echelon III (division head)	5	IV a	9
- Echelon IV (Head of the sub-division)	10	III d	5
		III c	1
<b>Total</b>	<b>15</b>		<b>15</b>
<b>II. Informant APIP</b>			
- Auditor	4	IV b	1
- First class auditor	4	IV a	4
- First class junior auditor	2	III d	2
- Junior auditor	1	III c	1
- SPI head	1	III b	1
		III a	2
		II d	1
<b>Total</b>	<b>12</b>		<b>12</b>

**Table 5.2** Mainframe the usefulness of accrual-based accounting information on local government financial statements

Usefulness framing	
<p><b>Diagnosis:</b> Main focus (Identifying problems including causes of problems)</p>	<ul style="list-style-type: none"> <li>- System: the accounting information system is not integrated and not full accrual and does not produce daily and monthly accrual data;</li> <li>- HR: the number of HR based on accounting education is still lacking, and understanding of human resources on the use of information in the LKPD is still low;</li> <li>- LKPD data: the data in the financial statements have not been full disclosure, not presented in full, are invalid, especially in calculating the value of fixed assets.</li> <li>- Regulation: does not give a role to information presented in LPKD, has not regulated the use of information in LKPD, especially in the planning and budgeting process.</li> <li>- Report Users: low commitment and understanding of leaders as users of the report (user), lack of understanding of the legislature about the importance of information in LKPD.</li> </ul>
<p><b>Prognosis:</b> What and how? (Identifying solutions in the form of problem solving strategies and efforts)</p>	<ul style="list-style-type: none"> <li>- Improved system: provision of accrual-based online accounting information systems and integrated with planning and budgeting systems.</li> <li>- Education and Training: tiered technical education and training related to the use of accounting information at the operational level in each OPD.</li> <li>- Regulatory Changes: regulatory changes, both central and regional governments that give roles to accounting information in government financial reports and guidelines on the use of accounting information, especially in government planning and budgeting processes.</li> <li>- Socialization: to all stakeholders aligned with local governments including the legislature on the use of information presented in the LKPD.</li> </ul>
<p><b>Motivational:</b></p>	<p>That the use of accrual accounting</p>

<p>Why does this need to be done? (Identifying motivations that support the diagnosis statement and prognosis)</p>	<p>6 information as a result of the implementation of accrual-based accounting in the public sector is useful for:</p> <ul style="list-style-type: none"> <li>- Improve the efficiency and effectiveness of regional financial management;</li> <li>- Increase transparency and accountability in regional financial management;</li> <li>- Improve the performance and evaluation of government performance;</li> <li>- Improve government internal supervision;</li> <li>- Facilitate decision making and decision making that is more prudent and comprehensive;</li> <li>- Realizing the precautionary principle (conservatism);</li> <li>- Reducing the politicization of the budget and minimizing opportunities for corruption;</li> <li>- Used in calculating service rates.</li> </ul>
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financial management system, planning system and asset management system. So that the system has not been able to produce valid accrual-based accounting information. The financial management system used is the regional management information system (SIMDA) under the coordinator of the Regional Financial Management Agency (Bakeuda), the regional development planning information system (SIPPD) under the coordinator of the Regional Development and Planning Agency (Bappeda) and the regional asset management system (SIMADA) below coordinator of the Lampung Provincial Government Regional Assets and Assets Bureau. Additional information obtained from informants that starting in 2019 the Lampung Provincial Government will implement an integrated system between planning and budgeting, administration and accountability, namely: e-planning and e-budgeting adopted from the Government of North Sumatra Province. This system must also be applied throughout the district / city governments in Lampung Province.

### 3 Discussion

Based on the description of the results of the above research can be carried out discussions or detailed descriptions of the results of processing interview data in the form of frames of usefulness framing related to the theme of the research namely "the benefits of accrual-based accounting information in local government financial statements". The discussion will then be presented with excerpts from interviews from informants who support the statement that is used as the theme of each framing element.

#### 6.1 Diagnosis Frame

The diagnosis frame is a frame that describes the main focus associated with existing constraints or problems including the use of problems in terms of the use of accrual-based accounting information in the Local Government Financial Statements (LKPD). The results of data analysis of interviews with informants found that the main problems including the cause of the problem can be grouped into 5 (five) main problems, namely:

**System:** what is meant in the frame as a result of interview analysis is the accounting information system. Problems related to accounting information systems are caused by the following: systems that are still constrained by network connections, not yet integrated between planning systems and financial management systems and fixed asset management systems, the accrual accounting information system that has not been tested is not running still requires a lot adjustments related to the implementation of accrual basis. As a result of the quotation of the interview with the informant who stated this which represented 6 TAPD informants and 3 APIP informants.

"...related to problems and constraints there are still some, first related to the system, because the accrual accounting information system has not been integrated with the planning system" (IF#TAPD03).

"...so the first problem is that the recording system has not been able to accommodate all accrual reports that have to be presented" (IF#APIP10).

Observation results in the field obtained information that the existing system in the Lampung provincial government currently uses a system that is not yet integrated between the

**HRD:** problems related to HR are caused by the following matters: lack of understanding of HR in each OPD in the Lampung Provincial Government regarding accrual-based accounting, low mastery of HR in terms of information technology (IT), lack of human resources with accounting education background. Interview excerpt 3 informants who stated this, representing 4 TAPD informants and 7 APIP informants who supported the statement

"...the second problem is in terms of human resources, of course, because not all of these human resources can utilize the accrual accounting information. Mastery in IT technology is also one of the keys" (IF#TAPD03).

"...that it needs readiness from human resources (HR) because not all of the friends working in the accounting area in each OPD understand. So it is necessary to add a special time to prepare the HR" (IF#TAPD09).

"...the second is related to human resources or human resources as the constituents do not really understand related to accruals" (IF#APIP01).

**LKPD data:** problems related to the presentation of data in LKPD obtained from interviews of APIP informants as internal government auditors judged that accrual information presented in local government financial statements was not full disclosure, accrual accounting data is presented once a year not monthly, not presented in full, wrong and erroneous in the presentation of financial report data, presentation of invalid fixed assets data, and many fixed assets whose value is not known, how it is used and the problem in calculating depreciation of fixed assets. Interview excerpt 3 informants who stated this, representing 5 APIP informants who supported the statement:

"...related to that, there are several things that need to be conveyed here. First, from the content of the financial report itself where the financial statements presented are not full disclosure" (IF#APIP01).

"...constraints in the use of this accrual accounting information are first that the regional government financial report data is compiled once a year at the end of the year, whereas accrual-based reports should be

*used day by day and can be monitored by numbers" (IF#APIP 02).*

*"...so there are actually some information related to the financial statements that are not presented in full, so if they are not displayed in full when the leader wants to make decision it is rather ambiguous, so he cannot use the information in the financial statements" (IF#APIP06).*

<sup>9</sup> This is not in accordance with accounting principles in financial reporting, namely the principle of full disclosure, in PP No. 71 of 2010 explained that financial statements are presented in full information needed by users. A complete presentation is also a "relevant" element of the qualitative characteristics of the financial statements as stated in PP No. 71 of 2010. <sup>2</sup> Government financial accounting information is presented as <sup>2</sup> complete as possible, covering all accounting information that can influence decision making by taking into account existing constraints. This result supports the results of previous studies by Cohen and Karatzimas (2017) that the qualitative characteristics of government financial statements with the lowest score are given to the value of "relevance".

**Regulation:** problems related to regulation are caused by the following: there are no regulations governing the use of accounting information, especially during the preparation of regional development planning documents starting from RPJMD, RKPD and Renja SKPD. There is no regulation that requires accounting information to be integrated with the planning system and there is no clause in the budgeting field regulation which states that when preparing the budget must see information in the financial statements. Interview excerpt from 3 informants who stated this, representing 4 TAPD informants and 4 APIP informants who supported the statement:

*"...there are no central or regional regulations that regulate the relationship between the preparation of regional development planning documents (RPJMD, RKPD, Renja OPD) with regional financial accounting information" (IF#TAPD05).*

*"...there is no clause stating that when we compile the budget we must look at the information in the financial statements that exist, when preparing the budget only see the RKPD, that's where the problem is that in composing the budget regulation is what makes accounting information unused" (IF#TAPD12).*

*"...so to complete the regulation it is necessary to make regulations about the role of information in the financial statements, what to do, how to follow up, especially for the basis of decision making" (IF#APIP09).*

<sup>18</sup> Based on the results of interviews with several informants above, it can be concluded that there are no regulations that explicitly regulate both central and regional instructing that accrual-based accounting information presented in government financial statements is utilized especially in the planning and budgeting process. The cycle of regional development planning and budgeting planning documents in the regions does not

<sup>26</sup> cate the role of the LKPD, as stated in the scheme of the development planning system based on Law No. 25 of 2004 concerning the National Development Planning System which does not include information in the LKPD in the process of preparing development planning documents. and regional budgeting documents. This supports the results of Harun et al. (2015) which states that accounting reform in Indonesia shows the limitations of legislation against the pattern that has been implemented for a long time.

<sup>3</sup> Report User: Government Regulation No. 71 of 2010 states that there are several groups of users of government financial statements, but are not limited to: the community, representatives of the <sup>2</sup> people, supervisory institutions, <sup>2</sup> examination institutions, parties who give or play a role in the process of donations, investments, lenders and the government. The user of the report referred to in this discussion is the government in this case the regional leader and the legislative party. Problems related to user reports are caused by the following conditions: lack of awareness, commitment and awareness of regional heads and other relevant stakeholders about the importance of accrual-based accounting information, and lack of coordination between fields ranging from planning, budgeting, administration and reporting area. Lack of awareness from the DPRD as legislators about the importance of information in the financial statements. Interview excerpt 3 informants who stated this, representing 4 TAPD informants and 3 APIP informants who supported the statement:

*"...became the basis for the drafting of the APBD but it was not fully fulfilled in the financial statements, the problem was not used when discussing with the DPRD as the user of the report" (IF#TAPD01).*

*"...LKPD as we know it, has not been widely used by local government administrators, both DPRD members and Regional Heads such as Governors or Regents in decision making in the management of local government" (IF#TAPD10).*

*"...the third is related to the user as a user of the report, namely the stakeholders of the board who do not understand the financial statements, only a few people understand the financial statements" (IF#APIP01).*

## 6.2 Prognosis Frame

Frame prognosis is a frame that describes solutions in the form of efforts and strategies in solving the problems described in the frame of diagnosis. The efforts and strategies that need to be carried out include:

**Education and Training:** strategies to overcome problems related to the frame of diagnosis Human Resources (HR) is to provide additional knowledge about the procedures for using information on accrual-based accounting presented in the LKPD. Efforts are made to provide education and training to employees in operational fields in the fields of planning, budgeting and administrative level officials in each regional government office. Interview excerpt from 3 informants who stated this, representing 5 TAPD informants and 6 APIP informants who supported the statement:



"...then related to HR, of course it still needs to be continually upgraded through training.." (IF#TAPD03).

"...it is very necessary to do education and training on how information is used" (IF#TAPD06).

"...the strategy is to improve HR training training for all OPDs, and also in financial institutions, to increase knowledge" (IF#APIP09).

The results of this study support the research in the field of public sector accounting conducted by Mbelwa (2015) in the country of Tanzania which states that the importance of education and experience in the field of accounting and finance about the use of accounting information to actors involved in the budget decision making process. Adhikari and Nesbakk (2016) in their research that the use of accrual accounting information where less attention is given to the competence and capacity of treasury officials, budget officials, policy makers and key actors at the organizational level.

**Socialization:** a strategy to increase awareness and understanding to stakeholders in the Lampung Provincial Government needs to be conducted in the form of information dissemination to stakeholders both DPRD members, Regional Heads and OPD leaders. Important socialization was carried out mainly related to the importance of information presented in local government financial reports that are useful in strategic decision making, especially in the planning and budgeting process and within the scope of the budget discussion at the legislative level. Interview excerpt from 3 informants who stated this, representing 5 TAPD informants and 6 APIP informants who supported the statement:

"...if the strategy to be more used is indeed awareness, it means that the awareness of the legislature is the main not to ignore the contents of the financial statements, meaning that things that must be done may increase the legislative's knowledge of the importance of financial statements through socialization and other media" (IF#TAPD01).

"...there needs to be a strategy such as conducting socialization to government officials, DPRD members and the Governor to level up policy makers by doing the initialization" (IF#TAPD 10).

"...the head of the SKPD and the stakeholders who utilize it needs to be given socialization and understanding" (IF#APIP01).

**Regulation Changes:** regulatory change strategies need to be carried out, because the existing regulations have not mandated the use of information presented in regional financial reports. Especially regulations governing the development planning process and budgeting process. Law No. 25 of 2004 concerning the National Development Planning System in the process of drafting the planning document does not mandate to see information presented in the Government Financial Report, as well as in the flow of the preparation of budget documents. Interview excerpt 3 informants who stated this, representing 5 TAPD informants and 4 APIP informants who supported the statement:

"...then the third is changes in the relevant laws and regulations, [...] and certainly all must have support from the government and alignments and commitments from all stakeholders" (IF#TAPD09).

"...then it seems like a circular letter to OPD is needed for planning, so accounting information can be used as a guide in making decisions in the planning process" (IF#TAPD10).

"...yes, there should also be regulations that regulate it too, for example, for budget preparation we must use the information presented in the financial statements" (IF#APIP10).

The regulation in the field of accounting has focused on the usefulness of decisions (decision usefulness), when choosing between alternatives to present accounting data, policy makers mandate reporting based on which techniques they believe will produce information that is most useful for economic decision making by certain users (Williams and Ravenscroft, 2014). Other regulations at the local government level that need to be reviewed are related to accounting information in the LKPD, namely the ministerial regulation on the guidelines for the preparation of regional revenue and expenditure budgets issued annually. This regulation according to the informant has not stated clearly the clause which states that in the preparation of the budget in the region in order to use the information presented in the LKPD. Regulation is one form of government support that can affect the quality of local government financial statement (Gamayuni, 2018) and regulation in the field of accounting is the implementation of accounting reform in Indonesia to reduce the limitations of legislation in Indonesia (Harun et al., 2015).

**System Improvement:** the next strategy as an effort to overcome existing problems related to the system is that it is necessary to improve the system, especially the integrated system, starting from the planning, budgeting, administration and reporting process and the management of fixed assets. In addition to an integrated system, the system must be connected with interested parties aligned with local governments ranging from OPD leaders to regional heads. Interview excerpt 3 informants who stated this, representing 4 TAPD informants and 4 APIP informants who supported the statement:

"...then the system must be online and connected directly between the parties concerned (users) and those who need the information in decision making" (IF#TAPD02).

"...the strategy of course must depart from the existing problems, meaning that this system must be well integrated between planning, then finance, then assets and also from the income side" (IF#TAPD03).

"...it's better if the local government has an online system application that can be directly monitored by its leaders, so the movement of assets or cash movements day by day can be seen by the leader" (IF # APIP02).

The system is a series of two or more interconnected components, which interact in achieving goals, the system almost consists of various small subsystems, each of which performs a special function that is important to support for a larger system. The characteristics that exist in a system are: used as a tool to achieve goals, is a business entity, the existence of functional elements (input, process, output, and feed back), interconnected, structured, and tiered (Susanto, 2017). Accounting information systems are management information subsystems that process financial data into financial information (Romney and Steinbart, 2011). The current management information system used by the Lampung Provincial Government is the Regional Management Information System (SIMDA) which consists of three subsystems as the main module namely, the budgeting module, the administration module and the accountability module that produces financial report information. Based on observations in the field that the information system has not produced accrual accounting information, where the process of generating accrual accounting information is still done manually by performing stages of data adjustment offline based on the data resulting from reconciliation with all OPD. So it can be concluded that the current system is not full accrual.

## 6.2 Motivational Frames

A motivational frame is a frame that describes the impact and benefits to be obtained that support statements in the frame of diagnosis and frame prognosis. Based on the results of the interview analysis, APIP and TAPD informants from the Lampung Provincial Government obtained expectations in the form of motivation if the problems were overcome by implementing a series of strategies in an effort to use accrual accounting information in the Regional Government Financial Statements (LKPD) used as a basis for decision making. Most informants convey expectations if accounting information presented in accrual-based local government financial statements can be utilized by the parties decision makers or policy makers in the area of local government. These expectations include:

- 1) Improve the efficiency and effectiveness of regional financial management;
- 2) Increasing transparency and accountability in regional financial management;

Other expectations conveyed by informants, even though in small intensity arises from the results of interviews with informants, are as follows:

- 1) Improve the performance and performance evaluation of the government;
- 2) Improve government internal supervision (internal control);
- 3) Facilitate decision making, more prudent and comprehensive decision making;
- 4) Realizing the principle of prudence (conservatism) in regional financial management;
- 5) Reducing the politicization of the budget and minimizing opportunities for corruption;
- 6) Information can be used in preparing service rates.

The motivational statement from the results of this study supports previous studies conducted by Oefo (2014), Kobayashi et al. (2016), Nogueira et al. (2013), Nogueira and Jorge (2017) which states that public sector accrual accounting information is useful to improve

transparency and accountability, efficiency and effectiveness, performance management, useful for internal decision making and internal control. This motivation is in line with the objectives of the implementation of accrual-based accounting in the government sector, as stated in study number 14 published by the International Public Sector Accounting Standards Board (IPSASB) in 2014, explaining that the information presented in accrual-based government accounting in reporting finance all stakeholders to:

- a. Assess the accountability of managing all of the entity's resources and the distribution of these resources;
- b. Assess the performance, financial position and cash flow of an entity;
- c. Decision making regarding the provision of resources, or doing business with an entity;

Accrual accounting provides full cost information from government activities, so the government can:

- a. Calculate service costs as a consequence of a policy to achieve the objectives and costs of alternative mechanisms to achieve these objectives;
- b. Decide whether to produce their own services within the government, or buy goods and services directly from non-governmental organizations;
- c. Decide whether the user will be charged with the services provided;
- d. Allocate responsibility for managing certain costs.

## 7. Conclusion

The author analyzes the results of interviews and builds a frame for the utilization of accrual-based accounting information from the TAPD point of view and the APIP point of view in the Lampung Provincial Government. Frames formed from these two points of view will form one main frame as well as the objectives expected from this study. Frames are presented in three frames, namely diagnosis, prognosis and motivational. The results of framing analysis of the usefulness of accrual-based accounting information in local government financial statements can be summarized as follows:

- a. Frame diagnosis of the accrual of information accrual-based accounting information on local government financial statements, obtained an overview of the problems and constraints faced in the utilization of accrual-based accounting information in the financial statements of local governments, namely: 1) HR includes: the number of human resources accounting education is still lacking, and understanding HR regarding the utilization of accounting information in the LKPD is still low, 2) LKPD data includes: the data in the financial statements are not full disclosure, are not presented in full, invalid, especially in the calculation of fixed asset values, 3) The system includes: an integrated accounting information system and not full accrual, and does not produce accrual data on a daily and monthly basis; 4) Report Users include: low leadership commitment and understanding as users (user) reports about the benefits of LKPD information, and lack of awareness of legislators about the importance of information in LKPD, and 5) Regulations include: no regulation giving the role of information presented in the LKPD, regulations that have not regulated the use of accounting information in local government financial statements, especially in the planning and budgeting process

- b. Frame prognosis of accrual accounting information on local government financial statements, obtained a description of strategies and efforts to overcome the problems in the frame diagnosis, namely: 1) Education and HR training in stages at the operational level in each OPD, 2) Socialization to the ranks of regional leaders including the legislative about the utilization of information presented in LKPD, 3) Provision of accrual-based online accounting information system and integrated with the e-planning and budgeting system (e-budgeting) and directly monitored by the leadership, 4) Changes in regulations both central and regional provide the role of accounting information on government financial statements, and make guidelines on the use of accounting information, especially in the government planning and budgeting process.
- c. Frame motivational accrual information on accrual accounting information on local government financial statements, obtained an overview of the benefits obtained by local governments if the strategy is implemented to solve problems, namely: 1) improving the efficiency and effectiveness of regional financial management, 2) improving transparency and accountability in financial management, 3) improve performance and performance appraisal as well as improve internal supervision of local governments, 4) facilitate decision making, be more realistic and more precise in prudent and more comprehensive budgeting decisions, 5) reduce budget politicization and minimize opportunities for corruption, 6) realize principles prudence in regional financial management (conservatism), 7) can be used in calculating service rates.

## 8. Limitation

This study only involved informants in the Lampung Provincial Government, without involving informants from the District / City Government. This research is more of a qualitative analysis with a deductive phenomenological research approach, not grounded theory that is inductive in nature.

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