

Implementation of Good Governance in Local Government Systems in Indonesia

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Abstract: *This paper discusses the application of government accounting to initiate good governance in local government. This paper initially describes good governance in regional financial management. Next are the regional government accounting standards and finally, the implementation and good governance of the regional government accounting system. Discussion on accrual-based government accounting. This study uses a qualitative approach with a descriptive method. This study indicates that the application of local government accounting is closely related to four governance arrangements, namely fairness, transparency, accountability, and responsibility. Good governance can be achieved by empowering systems and institutions based on laws and regulations. Good financial management and control based on the government accounting system is the main priority of action taken by the government. In the study, it can also be concluded that accrual-based accounting standards are one of the implementations of good governance in Indonesia's local government accounting system.*

Keywords: *Good Governance, Local Government, Government Accounting System (SAP), Regional Finance.*

Introduction

Initial reforms of public sector organizations were implemented in industrialized nations in response to a variety of existing critiques (Kamayanti, 2011). The belief that commercial business methods and private sector management are superior to public sector practices and management has spawned a new paradigm that ushers in transformation (Pollitt et al., 2007). By adopting the concept of new public management and reinventing governance, public sector institutions can establish good public governance by enhancing their performance and utilizing their resources economically, efficiently, and effectively (Frederickson, 1996).

In recent years, problems associated with corruption, collusion, and nepotism, as well as all of their associated practices, such as abuse of authority, bribery, facilitation payments, illegal fees, rewards based on corruption, collusion, and nepotism, and the use of public funds for private gain, have garnered widespread attention. Based on the 2015 Indonesian Corruption Perception Index (CPI), no Indonesian province's governance has been rated as excellent (index value of 7.43) (Rini & Damiati, 2017).

Good governance is a demand that the government sector must meet. The government's efforts to provide services to the community are shown in the

achievement of performance as stated in the commitment. Through performance improvements, the government can carry out two-way communication with its people to find common ground for solving problems (Duadji, 2012). This is a sign that creating a government that is responsive, free of corruption, and has good performance and accountability is a condition that must exist to be fulfilled (Azlina & Amelia, 2014). To achieve this, it is necessary to integrate the development and application of an appropriate, clear, and measurable accountability system so that the administration of government and development can take place in a manner that is efficient, effective, clean, accountable, and free from corruption, collusion, and nepotism. The application of this accountability system is the creation of a governance system. Effective governance Good government governance is supposed to liberate the Indonesian people from adversity (Dwiyanto, 2021).

Good governance can be interpreted as the government being run following the principles of good management by integrating the three main pillars of good governance actors, namely the state, the business world, and society (Nawawi, 2012). There are nine principles or characteristics of good governance: 1) participation; (2) the rule of law; (3) transparency; (4) responsiveness; (5) consensus orientation; (6) equity; (7) effectiveness and efficiency; (8) accountability; (9) strategy vision (Fitriasuri, 2021). Applying the nine principles of good governance can be used in totality, and the quality of service and governance is ideal. However, it has only begun to be genuinely pioneered in Indonesia since the Reformation era.

Making the government's financial records more open to public scrutiny and accountability is one way to begin achieving good governance. In this instance, government accounting serves as a vehicle for advancing good governance on a fundamental level (Mardiasmo, 2002). The intended articulation and elaboration can be done through management accounting, financial accounting, and government sector audits or examinations. These three tools pay close attention to the pillars of good governance in the body of knowledge. By applying all three to the economic processes or operations of the government sector, there will be an atmosphere of checks and balances (Abdullah, 2004).

Government organizations are free to design and implement various procedures expected to produce the required information. However, because accounting standards have regulated the information that must be presented to parties outside the organization, the organization must design a government accounting system that can produce financial reports as stipulated in Government Accounting Standards, also referred to as SAP (Nugraheni & Subaweh, 2011). Because of this, SAP has become the standard for creating government accounting systems that output information in accordance with government accounting requirements. Government entities must use SAP to present their financial statements. The federal and state governments, as well as local governments, must provide SAP-compliant financial reports (Indonesia, 2010). SAP will be used by users of financial statements, including the

legislature, to better understand the data contained in the financial accounts. In conducting audits, the BPK (external auditor) will consider it. Consequently, SAP serves as a model for aligning the perspectives of compilers, end users, and auditors (Langelo et al., 2015).

Several attempts to create a standard that is relevant to accounting practices in public sector organizations in Indonesia have been made by both the government and the Indonesian Accounting Association (IAA) (Nordriawan, 2006). In line with the development of accounting in the private sector, which was pioneered by the issuance of Financial Accounting Standards by the IAA in 1994, the need for SAP has strengthened again. In the commercial sector, financial accounting standards are guidelines that must be referred to in preparing financial statements for reporting purposes to users outside the company's management (Keuangan, 2007). These financial accounting standards are essential to make financial reports more practical, understandable, comparable, and not misleading. The same applies to the government sector. SAP will be a guide in preparing government financial reports to make the government clean and accountable (Gamayuni, 2009).

In Indonesia, the passing of the reform era provides a strong signal of transparency and accountability in the management of state finances. One of them is Government Regulation No 105/2000, which clearly states the need for SAP in regional financial accountability. In line with the intensification of state economic management reforms, the Minister of Finance formed the Central and Regional

Government Accounting Standards Committee, referred to as KSAP, in charge of compiling the central and regional SAP concepts as stated in KMK 308/KMK.012/2002. In general, KSAP has the task of gathering SAP. However, SAP is determined by the government through a government regulation. The authority to choose or regulate the accounting system is not in the KSAP. Still, it lies with the Minister of Finance for the central government and the Governor, Regent, and Mayor for each province, regency, and city (KSAP, 2006).

Method

This research is qualitative in nature, with the goal of describing and describing the phenomena under investigation. This style of investigation and understanding is known as qualitative research. It investigates social phenomena and human problems using methods such as in-depth interviews and focus groups (Sugiyono, 2010). While carrying out this research, the investigator constructs a complex picture by examining words and comprehensive reports from field studies conducted in natural settings. When the situation is unclear, qualitative research is used to uncover hidden meanings, comprehend social interactions, establish theories, ensure the accuracy of the data, and examine the development of the problem over time (Semiawan, 2010). Given that the purpose of this study is to comprehend and interpret the numerous phenomena that exist or occur in reality, which is a characteristic of qualitative research, the question of how to implement good governance in the local government accounting system is of particular interest.

Result And Discussion

Realizing Good Governance in Regional Financial Management

The implementation of regional autonomy has a close relationship with the demands for good governance in Indonesia. In line with the increasing level of public knowledge accompanied by the widespread influence of globalization, general provision In essence, regional autonomy is essential to create a more effective and efficient government to realize the acceleration of improving people's welfare. Therefore, to a certain extent, the provincial, district/city governments want or demand something of "sovereignty" in managing their resources to meet needs, organize interests, and overcome public problems of local communities, with little intervention from the central government (Syairozi et al. 2021). This is done to improve the welfare of the community.

The release of Law Number 23 of 2014 about Regional Government and the Amendment to Law Number 12 of 2008 concerning Regional Government explains the rules on regional autonomy. Regional autonomy is defined in the law as the autonomous region's right, authority, and obligation to administer and manage its government affairs and the interests of the local community within the structure of the Unitary State of the Republic of Indonesia. In relation to the foregoing, the current regional government system must be enhanced further because there are several challenges in the region as a result of the implementation of regional autonomy. In the period of regional autonomy, improving the quality of local government management is essential (Kaunang, 2016).

The government must be able to prepare goods and services. The definition of good in good governance has two meanings. The first is to uphold the wishes and values of the people, which can strengthen the people's ability to realize the goals of self-sufficiency, sustainable development, and social justice. The functional aspects of a successful and efficient government in carrying out its obligations to attain these aims are discussed next. Good governance is geared toward the state's ideal, which is aimed at attaining national goals and a government that performs optimally, namely effectively and efficiently, in pursuing national goals (Hayati, 2014).

In providing services to the community, local governments must be more responsive and fast and responsive. There are 3 (three) mechanisms that can be implemented by the regions to be more responsive, transparent, and accountable and can further realize good governance, namely: 1) Listening to community voices or aspirations and forming community empowerment collaborations. 2) Improving internal rules and control mechanisms; and 3) Creating a competitive environment for providing community services and marketing services (Suprpto, 2003).

The primary goals of regional financial management are accountability, financial obligation fulfillment, honesty, usability, and control. The following are the desired reforms in the management of regional finances and regional budgets in the current endeavor to empower local governments (Mardiasmo, 2021):

For regional financial management to be suitable, a number of guiding concepts have been developed. In question

are the following principles of regional financial management: 1) The principle of unity, which requires that all regional revenues and expenditures be presented in one budget document; 2) The principle of universality, which requires that every financial transaction be fully displayed in the budget document; 3) The annual principle, which limits the budget's validity period to a single year; and 4) the principle of specialty, which requires that the budget credits be specialized (Noviades, 2013).

Local Government Accounting Standards

According to Bastian (2002), Government Accounting Standards, henceforth referred to as SAP, are accounting standards utilized in the preparation and presentation of government financial statements. According to Baswir (2000), government accounting (including accounting for non-profit institutions in general) is a field of accounting pertaining to non-profit government agencies and institutions. Despite the fact that government institutions are always important, they are categorised as micro institutions, similar to businesses.

Government accounting is defined by Arif et al. (2002) as the provision of services to give government financial information based on recording, classifying, summarizing, and evaluating the financial statement. According to Hasanah and Fauzi (2017), government accounting is a service that provides quantitative information, typically financial, from government institutions so that interested parties can make sensible

economic decisions regarding alternative courses of action.

Government accounting content, according to Bastian (2002), encompasses management accounting, financial accounting systems, financial planning and development, monitoring and inspection systems, and other financial implications of government policies. With the SAP, the financial reports of the central/regional governments will be of higher quality (understandable, relevant, reliable, and comparable). The report will be audited first by the BPK to give an opinion to increase the credibility of the report before being submitted to stakeholders, including the government (executive), DPR/DPRD (legislative), investors, creditors, and society in general in the context of transparency and accountability of state finances.

According to Bastian (2002), government accounting has several objectives: 1. For government accountability, the purpose of responsibility must be to provide complete financial information and to provide financial information carefully, in the proper form and at the proper time. 2. The managerial objective, in terms of managerial purpose, is to provide financial information for planning, budgeting, implementation, monitoring, budget control, policy formulation, decision making, and government performance appraisal. 3. The purpose of supervision means that the information produced by government accounting must allow for inspections by the supervisory apparatus.

According to Nordiawan (2006), government accounting, along with social accounting and commercial accounting, is one of the branches of accounting utilized

by corporations to manage their company accounting. Regional financial management was defined in Government Regulation No. 58 of 2005. To the extent practicable within the framework of Indonesia's unitary federal state, the provinces administer government affairs in accordance with the principles of self-governance and mutual help.

Implementation of Good Governance in the Local Government Accounting System in Indonesia

The Republic of Indonesia's government uses accrual-based government accounting rules. Accrual-based government accounting standards are those that recognize income, expenses, assets, debt, and equity in accrual-based financial reporting and income, expenditure, and financing in reporting budget execution on the basis specified in the APBN/APBD. The balance sheet is prepared on an accrual basis, which means that the fund's assets, liabilities, and equity are recognized and recorded when transactions occur or when environmental events or conditions have an impact on the government's finances, regardless of when cash or cash equivalents are received or paid.

Fairness, openness, accountability and responsibility all play a role in implementing a government accounting system that is in line with good governance. In accounting, transactions are recorded in a standardized manner, which results in reports that may be utilized by the user for a variety of purposes. If an accounting system is in place that provides timely and accurate information, accountability and responsibility will rise (Zeyn, 2011). In

contrast, an out-of-date, inaccurate, and misleading accounting system will undermine the pillars of equity, openness, and responsibility.

In accounting for the public sector, numerous new paradigms are presented, which serve as the basis for the reform's implementation. Public accountability and the concept of value for money are examples. Both are integral to the concept of good government. Accrual-based government accounting is vital to attaining good governance because it monitors the effectiveness of government-implemented programs and initiatives, enhances openness and accountability, and serves as a tool to fulfill the mission of decentralization of government institutions (Putra & Ariyanto, 2015).

In concept statement No.1 of the GASB, it is claimed that "government accountability is based on the premise that the public has the right to know, the right to openly disclose facts that can be publicly contested by the people and their representatives." Financial reporting is necessary for the government to fulfill its responsibility to be accountable in a democratic society. A trustworthy government accounting system, i.e., one that can generate financial reports that are accountable, transparent, measurable, recorded, publicly reported, and accountable to the public, is an imperative necessity for good government governance.

As a result of the preparation of accrual-based SAP where complete government financial reports (Balance Sheet, Operational Report, Cash Flow Report, and Changes in Equity Report), government financial reports become more informative and trustworthy,

allowing citizens to evaluate the performance of the government with greater accuracy. Financial reports that are informative, responsible, fair, and transparent will influence government decision-making that is prudent and purely for the nation's success. With SAP, government financial reporting may be standardized, allowing stakeholders to make informed decisions based on the information offered in the government's financial statements. Financial reporting, which is typically associated with government administration, has evolved into an accurate financial report that reflects all state activities, displays the state's financial situation and state assets, and accounts for all public funds.

Conclusion

Local governments must prioritize the implementation of sound financial management practices based on the accounting system. Regional financial management can be improved by creating favorable conditions and synergies between the government, the private sector, and civil society in order to manage natural, social, environmental, and economic resources more efficiently and effectively. Every budget income and expenditure can be accounted for financially in the process of realizing regional financial management to become good governance principles, that is to say, through sound financial management. It will be beneficial to local governments if good governance is implemented in the local government financial accounting system. First and foremost, efficiency and production must be improved. As a result, all government employees at every level and in every service will strive to

contribute all of their abilities for the benefit of the government rather than for personal gain and/or for the benefit of particular groups, namely by being equitable in awarding all parties with an interest in the government. Generally accepted accrual-based government accounting standards are an embodiment of good governance that is translated into government finance as a form of resource management by following a process that is transparent and accountable, as well as responsible and fair.

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