



## Implementation of Financial Accounting System at The Regional Finance and Asset Management Agency of Banten Province

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**Keyword:** *Accounting System, Aset Management, Descriptive.*

*Abstract : This study aims to examine the implementation of Financial Accounting System at the Banten Province Financial Management Agency. This research method is a descriptive quantitative research method. The data used in this study include primary data and secondary data. The implementation of Financial Accounting System at the Banten Province Financial Management and Asset Agency has been carried out in accordance with the applicable regulations.*

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## **Introduction**

Good government governance worldwide, including in Indonesia. With the implementation of regional autonomy, the central government's policies in certain areas have been changed to regional policies, including policies in local financial management. With the implementation of regional autonomy on January 1, 2001, through Law No. 2 of 1999, which was revised by Law No. 32 of 2004 concerning Regional Government, the government's reform of state financial management included the enactment of Law No. 17 of 2003 concerning State Finance.

The implementation of Government Accounting Standards is expected to produce Financial Statements presented by Regional Governments in Districts/Cities/Provinces that are of higher quality compared to before. However, in its implementation, there are still some issues regarding the transformation of accounting in financial statements.

Financial Statements serve as a medium for an entity, in this case, the government, to be accountable for its financial performance to the public. The government must be able to present financial statements that contain high-quality financial information. Government Accounting Standards (GAS) explain that high-quality financial statements possess the characteristics of being relevant, reliable, comparable, and understandable (Government Regulation No. 71 of 2010).

Accounting systems in Indonesia at the central level are regulated by the Minister of Finance through Minister of Finance Regulation No. 59/PMK.06/2005 concerning the Accounting System and Financial Reporting of the Central Government. Meanwhile, the accounting system for local governments is regulated by Government Regulation No. 58 of 2005 concerning Regional Financial Management and supported by the Minister of Home Affairs Regulation No. 59 of 2007, Article 232, as revised by Minister of Home Affairs Regulation No. 21 of 2011 concerning Guidelines for Regional Financial Management, which regulates the Government Accounting System for Regional Governments.

Government Regulation of the Republic of Indonesia Number 56 of 2005 concerning the Local Financial Information System (SIKD) states that the local financial information system is a system that documents, administers, and processes data related to local financial management and other related data into information that is presented to the public and used for decision-making in the planning, implementation, and reporting of local government accountability. Meanwhile, local financial information refers to all information related to local finances that is needed for the implementation of the local financial information system.

Financial reports are a product generated by the field or discipline of accounting. Therefore, competent human resources are needed to produce high-quality financial reports. The same goes for government entities, where competent human resources who understand government accounting, local finance, and even organizational aspects of governance are needed to produce high-quality local financial reports (Roviyantie, 2011).

Law No. 33 of 2004 concerning regional autonomy and Government Regulation No. 104 of 2000 concerning the financial balance between the central and regional governments are two laws that aim to realize wider regional autonomy. The implementation of wider regional autonomy means granting freedom to manage all aspects of governance, including financial management, resources, and the utilization of regional potentials. However, behind this freedom, there must be accountability of local governments to the public in order to create good accountability in local government management.

To achieve this, community control over governance, especially regarding finances, is necessary. This can be done when the community receives high-quality accounting

information. In obtaining high-quality accounting information, continuous improvements are needed to create accountable local financial management. According to Mardiasmo (2002:20), accountability is the obligation of the trustee to provide accountability, present, report, and disclose all activities and responsibilities to the granting party who has the right and authority to demand such accountability.

With the implementation of Minister of Home Affairs Decree No. 29 of 2002, accountability demands are directed towards local governments. Particularly, the accountability reports consisting of Balance Sheet, Financial Statements, Budget Calculations, and Cash Flow Statements are essential to ensure the accountability of the public sector's accounting. To achieve accountable local financial management, a good accounting system is necessary, as the accounting system supports the creation of accountable local government financial management. The accounting system currently applied in Local Governments is a budget accounting system, which tends to only account for the use of the established budget. Developing a suitable system for implementation in the regions results in a local government financial accounting system that is expected to replace the current accounting system applied in local governments. The Cash Flow Statement presents cash information related to operating, investing, financing, and transitory activities, depicting the beginning balance, receipts, expenditures, and ending cash balance of the central/local government during a specific period.

According to Dwi (2012:145), the Cash Flow Statement is defined as a report that provides information about the cash inflows and outflows and the cash position of an entity for a specific period. The Cash Flow Statement consists of cash receipts and cash disbursements. Cash receipts encompass all cash inflows to the General Treasurer of the State/Local General Treasurer, while cash disbursements include all cash outflows from the General Treasurer of the State/Local General Treasurer.

An accounting system consists of procedures that must be implemented to generate the information needed by parties within and outside the organization. Meanwhile, Government Accounting System, based on Minister of Finance Regulation No. 238/PMK.05/2011, is a systematic series of procedures, equipment, and other elements to fulfill accounting functions, starting from transaction analysis to financial reporting within the government organization's environment.

Local government accounting is a part of accounting that has its own pattern or standards of financial accounting, which distinguishes it from commercial accounting or social accounting. Local government financial accounting is not the same as the bookkeeping practiced in the financial administration of local government entities thus far. The main difference between bookkeeping in accounting lies in the recording system and underlying assumptions used. Accounting, in essence, uses a double-entry recording system with the accrual basis assumption. On the other hand, bookkeeping generally uses a single-entry recording system and the cash basis assumption.

Notes to the Financial Statements include narrative explanations or details of the figures presented in the Budget Realization Report, Statement of Changes in Net Assets, Operational Report, Statement of Equity Changes, Balance Sheet, and Cash Flow Statement. Notes to the Financial Statements also include information about the accounting policies used by the reporting entity and other information required and recommended to be disclosed in the Government Accounting Standards, as well as the necessary disclosures to achieve fair presentation of financial statements.

Local government finance was only implemented by the Tangerang District Local Government in 2006. The Local Government Financial Statements are assessed by the Government auditor, in this case, the Supreme Audit Agency (BPK), which provides an opinion. In this regard, the BPK can provide five types of opinions: Unqualified Opinion (WTP), Unqualified Opinion with Emphasis of Matter, Qualified Opinion (WDP), Adverse Opinion (TW), and Disclaimer of Opinion.

The information contained in financial statements will be more useful if it can be compared with previous period financial statements or financial statements of other reporting entities in general. Comparisons can be made internally and externally. Internal comparisons can be done when an entity applies the same accounting policies from year to year. External comparisons can be made when the entities being compared apply the same accounting policies. If a government entity adopts better accounting policies than the ones currently applied, the changes are disclosed in the period of the change.

The issues described above provide the conviction that the preparation of guidelines for local government financial accounting is highly necessary, considering the time limit for Local Governments to present accountability reports containing financial statements. Developing an appropriate system to be implemented in the regions results in a Local Government Financial Accounting System that is expected to replace the accounting system currently established in Local Governments, referred to as the Local Government Financial Administration Manual (MAKUDA).

The implementation of an accounting system that is still relatively new tends to require many improvements and adjustments in its application to achieve accountability. This study aims to determine the implementation of the Financial Accounting System for Financial and Asset Management in the Provincial Financial Management Agency (BPKAD) of Banten.

### **Research methods**

The research object refers to the variables that are the focus of the researcher. In this study, the object of research is the implementation of the financial accounting system in the Provincial Financial Management and Asset Agency of Banten Province.

This research will be conducted in the Banten Provincial Government because local governments have not fully implemented government accounting standards and the local government financial accounting system as guidelines for preparing and presenting local government financial statements. As a result, the quality of the financial statements produced does not fully meet the characteristics of quality financial statements based on Government Regulation No. 71 of 2010 on Government Accounting Standards.

The research method used in this study is descriptive quantitative research. The types of data used are primary data and secondary data. Primary data refers to data collected directly from the research object without further processing and developed based on the author's understanding. Secondary data refers to data obtained from the Provincial Financial Management and Asset Agency of Banten Province as the research object, which has been processed and documented in the local government, such as organizational structure.

The data source refers to where the data is obtained or collected. The data sources that will be used are field research and library research. Field research is conducted by directly visiting the object location, which is the Provincial Financial Management and Asset Agency

(BPKAD) of Banten Province, to obtain the required data. Library research is conducted by gathering data from literature related to the discussed problem.

The data collection methods used are interviews and documentation. Interviews involve communication between two individuals, where one person seeks information from another by asking questions based on specific objectives. Interviews are conducted to gather relevant information regarding the Financial Management and Asset Management of Banten Province, and interviews are conducted with several employees responsible for specific departments who serve as sources of information. Documentation involves gathering written materials, including printed data or files obtained from the Provincial Financial Management and Asset Agency of Banten Province, with the aim of complementing additional research data and obtaining information that supports data analysis, such as company profiles and others.

## Results and Discussion

The Provincial Financial Management and Asset Agency (BPKAD) of Banten Province implements a financial accounting system in carrying out its financial management activities by using a computerized system with the Standard Government Accounting (SAP) application. The Standard Government Accounting (SAP) is an accounting standard used to prepare financial statements for both central and regional government agencies.

In Indonesia, the accounting system at the central level is regulated by the Minister of Finance Regulation No. 59/PMK.06/2005, concerning the Accounting and Financial Reporting System of the Central Government. Meanwhile, the accounting system for local governments is regulated by Government Regulation No. 58 of 2005 regarding Regional Financial Management, supported by the Minister of Home Affairs Regulation No. 59 of 2007 article 232, which was revised by the Ministry of Home Affairs Regulation No. 21 of 2011 concerning Guidelines for Regional Financial Management, specifically in article 232, which regulates the Local Government Accounting System.

The Government Regulation of the Republic of Indonesia No. 56 of 2005 concerning the Local Government Financial Information System (SIKD) states that the local government financial information system is a system that documents, administers, and processes data related to local financial management and other related data into information presented to the public and used as decision-making material for planning, implementation, and reporting of accountability by local governments. Meanwhile, local government financial information refers to all information related to local finance that is needed in the implementation of the local government financial information system.

Regional Financial Management is the overall management of activities that include planning, implementation, financial administration, reporting, accountability, and supervision of regional finances. The management of regional finances regulated in this ministerial regulation includes the authority of regional financial management, general principles and structure of the Regional Budget (APBD), the preparation of the APBD draft, APBD determination, the preparation and determination of the APBD for regions without a Regional People's Representative Council (DPRD), APBD implementation, APBD changes, cash

management, regional financial administration, regional financial accounting, accountability for APBD implementation, supervision and guidance of regional financial management, regional losses, and management of Public Service Agencies (BLUD) finances. To realize this, it requires the support of financing resources in building the region in line with the implementation of decentralization. Therefore, it must also be accompanied by good regional financial management by the local government (good governance). In the management of regional finances, it should be oriented towards the principles of:

1. Transparency, which means the openness of the local government in the process of policy-making regarding regional finances, and providing the public with the freedom to obtain information related to the use of finances in regional development.
2. Efficiency, which means that every expenditure of regional budget is based on the proportion of the needs of regional programs and activities in order to generate outputs or income without compromising optimal public services.
3. Effectiveness, which means that the implementation of financial policies should be appropriate and targeted according to the needs of the community, and the budget realization should be in line with the development plans and fully utilized.
4. Accountability, which means that trust in the management of local finances must be accounted for to all elements of society. Institutionally, accountability is carried out to the Legislative (Regional Council) as a representative of the community, which can assess the performance of the Executive (Local Government) using comprehensive criteria and benchmarks that cover policy aspects and budget utilization.
5. Participative, which means the direct or indirect involvement of the public in providing assessments, corrections/criticisms, and constructive input towards a professional and accountable system of managing local finances. Additionally, development policies in the local budget accommodate the aspirations of the community and give a significant role to the community in the form of community empowerment in building the region through development projects.

In the implementation of development in Banten Province in 2017, it was inseparable from financial management, which involved the processes of planning, implementation, management, and reporting. This is in accordance with the Republic of Indonesia Law Number 25 of 2004 concerning the National Development Planning System. The following is the cycle of local financial management.



Source : Badan Pengelolaan Keuangan dan Aset Daerah Provinsi Banten

Figure 1. Cycle of Regional Financial Management

From the cycle of local financial management, one of the tasks of the Regional Financial Management and Asset Agency of Banten Province is to serve as the Regional Financial Management Official, abbreviated as PPKD, who is the head of the regional financial management unit, referred to as the head of SKPKD, responsible for implementing the management of the Regional Budget (APBD) and acting as the general treasurer of the region.

The implementation of a quality financial accounting system, namely the Government Accounting Standards (SAP), explains that quality financial statements meet the characteristics of being relevant, reliable, comparable, and understandable (Government Regulation No. 71 of 2010). The implementation of the financial accounting system by the Banten Province Regional Financial Management and Asset Agency meets the criteria and can be considered of quality.

In the government accounting system, reporting entities and accounting entities are established to implement the local government accounting system. The local government accounting system is implemented by the Regional Financial Management Official (PPKD) at the Regional Financial Management Unit (SKPKD), while the accounting system for Regional Work Units (SKPD) is implemented by the Financial Administration Official (PPK) of each SKPD.

In this regard, asset inventory activities are one of the functions of the Regional Financial Management and Asset Agency of Banten Province, particularly in the area of regional wealth. Through asset inventory, the number of assets owned and the number of assets that can be utilized can be determined. Additionally, asset inventory serves as a means of safeguarding the assets owned by the Banten Province government.

Therefore, it is necessary to develop strategic planning, both short-term, medium-term, and long-term, regarding the management of regional assets, as well as the need to establish performance indicators for the management of regional wealth. These performance indicators are crucial to assess the performance of the local government in managing regional wealth and provide guidance for the local government to take action and avoid negative consequences.

After formulating and having a well-defined plan, the next stage is execution or implementation. In its implementation, it is important to prioritize and consider principles such as efficiency, effectiveness, transparency, and accountability. This aims to optimize the management of regional assets. The management of regional assets includes distribution, security, and maintenance, thus requiring a professional unit for managing regional wealth. In the management of regional assets, the Banten Province Regional Financial Management and Asset Agency (BPKAD) has organized it well to avoid overlapping responsibilities and duties. Although BPKAD performs its duties professionally, the role of the community and the Regional People's Representative Council (DPRD) is also needed to conduct oversight (monitoring) of the utilization of these regional assets to prevent misuse of regional wealth.

Regarding the security of regional wealth, adequate measures must be taken, including both physical security and internal control systems, to support efficient and effective management of regional assets. The provision of these measures involves processes such as recording transaction journals and grouping them into general ledgers for each account, including sales and all costs.

### **Conclusion**

The implementation of Financial Accounting System at the Banten Province Regional Financial Management and Asset Agency (BPKAD) has been carried out in accordance with the applicable regulations. The Financial Accounting System at BPKAD can be utilized by the provincial government of Banten to manage assets and the management of regional assets, which includes several stages: needs planning, budgeting, procurement, distribution (including storage), utilization, maintenance, and disposal.

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