



Social Interaction in Local Government Financial Reporting

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Abstract. Reform of local government financial management in Indonesia has been going on since 2003. In the context of financial reporting, government accountants are required to have the ability to meet government financial reporting standards. On the other hand, the quantity and quality of human resources in accounting are very limited in government circles. This study aims to reveal how financial reporting personnel in local governments understand government financial reporting standards. This study uses a qualitative case study method. Researchers conducted in-depth interviews with eight financial reporting personnel. The stages of data analysis started with data coding, categorization of meaning, data reduction, and compiling conclusions. The process of understanding accounting personnel is not only through training and workshops but mostly through interactions with auditors. This interaction occurs naturally due to audit findings or differences of opinion between the auditor and the auditee. This research implies that the understanding of accounting personnel is triggered not only by formal education, training, and workshops but by social interaction when carrying out an assignment.

Keywords: Government Accountant, Social Interaction, Government Financial Reporting.

1 Introduction

In developed countries, government financial reporting reform was triggered by the idea of New Public Management or often called NPM. The idea of this concept was first raised by Christopher Hood in 1991. The NPM movement emerged as a result of challenges to the world public sector which was considered no longer productive, inefficient, often experiencing losses, unqualified human resources, poor innovation, and other criticisms that often arose at that time [1]. This means that the private sector at that time was considered far superior to the public sector in terms of bureaucratic management [2]. So that departing from this gap, the NPM broke out which in principle wanted the adoption of governance carried out by the private sector into the public sector. According to [3], NPM reform requires the government to abandon the traditional administrative paradigm which is considered to only refer to a procedural system which is only in the form of bureaucratic rules and administrative control. NPM rec-

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ommends that the government prioritize performance by encouraging every government employee to be more flexible and have clearer targets for public sector organizations. This was later revealed through the Reinventing Government breakthrough in the following year, namely 1992, which had the same vision as NPM. This move pioneered by Osborne and Gaebler wanted an entrepreneurial spirit in each government staff [4].

The breakthrough of NPM and Reinventing Governance then provides a doctrine for governance among developed countries. Countries such as Australia, Canada, New Zealand, England, and the United States are one of several examples of developed countries that are considered successful in implementing the NPM concept to run the bureaucratic governance of developed countries [5]. Departing from the reflection of the managerial success of developed countries, NPM reforms are also targeting developing countries. In its journey, the implementation of NPM in developing countries such as Malaysia, Indonesia, Nepal, and Brazil has been dominantly influenced by the role of international institutions such as the World Bank, UNDP, IMF, OECD, and ADB [6].

However, in reality, the spirit of NPM reform in developing countries is not as smooth as in developed countries. This is indicated by the variety of crucial problems faced by the public sector in developing countries. First, there are localized contingencies that fully assume that the public sector avoids business activities as far as possible [7], [8]. Second, the limited quality of human resources owned by the public sector [9]. Third, the ownership factor of information systems is lagging behind that of the private sector [10]. The existence of these various problems then becomes a strong reason why bureaucratic reform in the public sector is still very limited and difficult to achieve.

While reviewing further in Indonesia, financial reporting reform is reflected in the shift from using cash basis accounting to accrual basis accounting. According to [11], accrual accounting is an accounting basis where transactions and events are recognized when they occur, not only when cash or cash equivalents are received or paid. While the elements recognized under accrual accounting are debt, equity, income, and expenses. Meanwhile, it is believed that the purpose of applying the transition to accrual basis accounting is to provide financial information that is more accurate, comprehensive, reliable, and relevant for decision-making from an economic, social, and political perspective [12]. The phenomenon of shifting from cash basis accounting to accrual basis is none other than the impact of efforts to reform the government bureaucracy for accountants. So in another sense, it shows that government accountants are required to be able to adapt to the changes that occur.

Previous studies on reform in the government sector have discussed the phenomenon of political pressure which is considered to affect government performance [13], the competency value of accountants is considered lacking so it has an impact on understanding financial reporting [14], and comparison of information resulting from accrual basis accounting which is considered better than cash basis accounting. Meanwhile, this study examines the social phenomena experienced by accountants to understand regional financial reporting. This is based on a statement explaining that accounting is not a static tool that stands alone, but is a social practice or action [15]. This means that indeed accounting is not just an obligation in reporting, but also brings interest to the

surrounding environment so that in it there may be a tug-of-war of social interactions between stakeholders.

This is then in line with what was expressed by [16] which explains that changes in the accounting system in an organization are a combination of interrelated technical and social phenomena. So from this description, this study wants to examine how the social interactions that occur between government accountants and other parties during the regional financial reporting process so far.

2 Method

This research was conducted using qualitative methods with a case study approach. The character of this study aims to find meaning and interpret phenomena in depth in natural research conditions. The case study research design is used to interpret phenomena clearly and in detail to get an in-depth and overall picture of programs, institutions, people, processes, and social units [17]. Case studies are empirical studies that investigate contemporary phenomena in real-life contexts using "how" or "why" questions in photographing phenomena [18].

The phenomena that occur will be interpreted through an interpretive paradigm. Through this paradigm, humans are seen as conscious beings and act intentionally in which there is an interpretation and meaning, not causality [19]. The research was conducted on informants through in-depth interviews as a form of data representation to find reality. Data collection was carried out on eight accountants in work units in the XX city government in Indonesia. The subjects in this study were individuals who had work experience in their field for more than ten years.

3 Results and Discussion

The results of the study explain that social factors are an inherent part of the process of understanding accounting for a government accountant. The social factors referred to in this study include the interests of the auditor and political pressures that arise during the reporting process. To make it easier understanding the research findings can be seen in Fig. 1.

Based on Fig. 1, it can be seen that besides technical factors which can be in the form of training and workshops received by government accountants, social factors also go hand in hand with forming an understanding of financial reporting in government agencies. The figure also explains that the existence of social factors arises from the existence of an audit findings process which is a series of processes in assessing the quality of financial reporting that has been presented by government accountants.

The first social factor contains matters of the auditor's interests which are none other than the Inspectorate which acts as an internal auditor and the Supreme Audit Agency (BPK) as the government's external auditor. The Inspectorate as an internal auditor strictly forms an understanding of accounting for accountants in the government because indeed their main duties and functions are very closely related to what is done by government accountants. In principle, the role of the Inspectorate is to carry out internal

supervision of anything continuous with government affairs, which is reflected in the financial reporting results presented by the local government. So in other words, the inspector will be tasked with reviewing the regional financial statements before they will be audited by BPK as the external auditor. During the review process, there will be social interaction that discusses the issue of audit findings between inspectors and government accountants. From the point of view of the inspector as an internal auditor, of course, he will ask about the understatement figures in the financial statements, the completeness of documents, the internal control system, and other matters regarding financial reporting that have been presented by the accountant. Meanwhile, the accountant will act as a client who is always ready to answer questions from the inspector. So that in the end, it is from the results of this interaction that the inspector will provide suggestions for improvements to various audit findings which will indirectly provide a new understanding for government accountants regarding financial preparation and reporting.

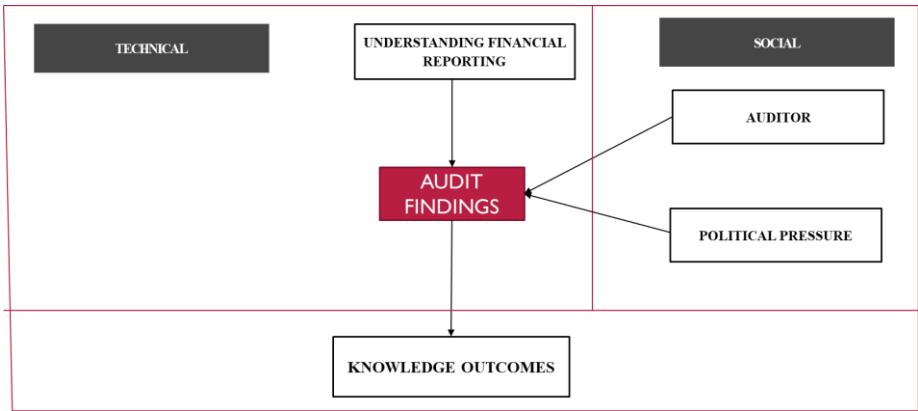


Fig. 1. Socio-Technical Interaction

Then, the second social factor relates to the political pressure that exists within the government. Political pressure leads to efforts that should be made to obtain an Unqualified Opinion (WTP) from BPK. WTP opinion is considered to be able to give a positive image to local government, especially regional leaders which will indirectly affect the political parties that carry regional heads. Therefore, the existence of pressure to obtain a WTP opinion requires every government accountant to present financial reports accurately and correctly. This means that the existence of this special request will indirectly encourage local government accountants to be able to actively play with the art of financial statement figures by applicable regulations. This is nothing intended to minimize the impact of existing audit findings. From the two social factors inherent in the local government financial reporting process, it can be interpreted that there is social interaction between the interests of the auditor and the existing political pressure, it will require government accountants to be able to understand and understand the implementation of regional financial reporting standards as material in presenting appropriate financial reports. reliable and quality.

4 Conclusion

From the presentation of the research results that have been presented, it can be concluded that the process of understanding regional financial reporting for local government accountants does not only refer to technical factors but also involves social factors resulting from social interaction between accountants and auditors and accountants with interests political. The emergence of social interaction from two directions is considered natural to occur because this is considering the existence of audit findings or differences of opinion between the auditor and the auditee which are of course difficult to separate in the process of presenting and reporting local government finances.

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