
**ASSESSMENT OF ACCOUNTING SYSTEMS IN THE PUBLIC SECTOR
(CASE STUDY OF SOUTH SORONG DISTRICT)**

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Abstract

The research purposes were to determine the factors that drive or hinder the accounting system, determined the impact of accounting procedures on financial reporting, and presented some policy recommendations to ensure good financial reporting in government agencies and improve public sector accounting systems. From the research result, it can be concluded that (1) the background of public sector accounting staff is very important or have an impact in applying of good accounting system in local government; (2) experience and knowledge in cash management was influenced in improving the application of good public sector accounting system; (3) Regular control or inspection of financial management may also promote the adoption of a good public sector accounting system; (4) regularly bank reconciliation can also improve the application of a good public sector accounting system; and (5) planting of shares or capital in regional development is very important in the application of public sector accounting system.

Keywords: assessment, accounting system, public sector

1. Introduction

Accounting was defined as the process of collecting, recording, summarizing, analyzing, processing, and interpreting of financial and accounting data of an organization. The accounting system is a set of rules and procedures were articulated by an appropriate theoretical power into the system. Therefore, the field of public sector accounting is currently ignored by the attention of researchers and academics in Indonesia. However, there is general awareness throughout the world about the need to pay attention to the development of public sector accounting and financial control. The reason is clear, the government, in large part, if not all nations constitute the largest business entity in many places, the core of the economy.

Public sector accounting also was defined as a process of activities such as collecting, analyzing, recording, summarizing reporting, and interpreting transactions of government units. Public sector accounting as a result of development, traditional cash accounting procedures barely meet the reasonable accounting demands for modern governance in providing necessary services or information. Thus, government accounting must be dynamic to accommodate fundamental roles and development. The public sector, a non-profit organization, was faced the challenge of the shortcomings and weaknesses of government accounting and financial management systems, including accountability, underutilized assets, and hidden losses and long-term liabilities.

Accounting reforms in the public sector have been conducted over the past several decades worldwide from New Zealand, Australia to the UK (Ball, et al., 1999).

The development of public sector accounting in Indonesia before the reform era can be considered less rapid. At that time, public sector accounting was received less serious attention. Development orientations were more directed to the industrial sector and tend to ignore public sector development. As a result, the public sector is less efficient and lags behind the private sector. With the reform era, there are demands to improve the performance of public sector organizations to be more oriented towards the creation of good public and corporate governance. Public sector accounting has a strategic and central role in realizing *good public and corporate governance* (Mardiasmo, 2002).

Ellwood dan Newberry, (2007) stated that the government accounting purpose was produced financial information in a form that is easily useful to all interested parties. As can be seen, by other authors, the importance of accounting systems of government units is primarily “in respect of compliance with legal provisions rather than financial position and income determination”. Copeland, et al. (1971: 400) stated that “the main purpose of government accounting was exercised control over the financial affairs of government units. Supervision was conducted to ensure that legal and budgetary provisions are formally adopted which are similar and not violated.

The bureaucratic nature of departments or government units on compliance to formally adopt budgets and keep in the cash targets are not given space for explicit and comprehensive financial reporting. Therefore, operating within the prescribed legal framework does not indicate the efficiency and effectiveness of their operations in accordance to the Clynn (1987, p.5-7), stat that “because the department or unit continues in a predetermined cash target or because the industry nationalized remains within the loan limits – It cannot be believed that their programs are effective and efficient“. Many authors have called for reform of the overall accounting system for government units to ensure that information users are provided with the necessary information. Dye state that “this is the time to focus on how the government accounts to report what they have done”.

The main purpose of public sector accounting is not contributed to more profit, but to control public behavior to protect all public funds (Ellwood and Newberry, 2007), and end-users are voters neither stakeholders (Sadka, 2007). Due to the fundamental mismatch on the objects, the potential for non-adjustable problems may arise during utilizing (Carlin, 2005).

The service function inherent in government operations contrasts with a company in which shareholders contributed on capital and elect the director board to oversee activities. Members of the director board with other shareholders and other interested members have access to accounting data, such as net income and return on investment based on management decisions. To compensate for the lack of business style, supervision, government accounting has developed its formal control procedures, the budget, for example, should be adopted by government agencies to act as an indication of income and expenditure.

In a modern democratic government, the basic objectives were used to evaluate the performance of public sector organizations are financial objectives, public goals, and growth objectives. The financial objectives were related to the government's ability to meet the needs and aspirations of taxpayers, public objectives focusing on meeting the demands of citizens (i.e. people inside and outside taxes), and growth goals were adjusted for improving economic performance and international relations (Okoye and Oghoghme, 2011). Efficient and transparent public sector financial reporting systems help achieve the above objectives of which enhance the credibility of financial information systems, public trust and attract local and foreign investment.

From the above discussion then the research question can be formulated as follows: (1) How the application of Public Sector Accounting System in South Sorong regency?; (2) How does Public Sector Accounting System play a role in controlling financial management performance in South Sorong Regency ?; (3) What is the role of Public Sector Accounting System in improving financial management accountability in South Sorong Regency?, and (4) What is the role of Public Sector Accounting System in improving government operational management controls in South Sorong regency?. Previous research that supports this research is Okoye and Oghoghme (2011), Obazee (2011), Ozugho (2009), Saleh (2007), Zakiah (2007), Hong (2004), Zik (1999), and Langendijk (1990). Okoye and Oghoghme (2011).

2. Method

Types and Source Data

The data sources were used in this research including Primary and secondary data. The primary data collecting methods were used questionnaires and interviews. The secondary data collecting methods were used to review, textbooks, journals, unpublished works of other researchers, newspapers, and other relevant publications.

Population and Sample

The population in this study were covering all internal financial staff of the south sorong government. However, the sample of this study used criteria (purposive sampling) consisting of treasury, auditors and accounting section. The following is a table of staff distribution for the regional government of South Sorong, West Papua Province, Indonesia:

Table 1. Data

No	SKPD	Jumlah
1.	Kepala Dinas/ Badan/ Kantor	29
2.	Kepala Seksi Keuangan	29
3.	Bendahara Penerimaan	14
4.	Bendahara Pengeluaran	29
5.	Bendaraha Barang	29
6.	Pegawai Inspektorat/Auditor	31
	Total	161

Data Source: regional government of south sorong, west papua, Indonesia 2019

Analysis

The method used in this research is multiple linear regression analysis, where the regression equation is:

$$Y = a + b_1X_1 + b_2 X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Discription:

Y = Public Sector Accounting System

a = contant

b₁...b₅ = Regression coefficient

X₁ = Employee educational background

X₂ = Cash

X₃ = Control

X₄ = Provision and reconciliation

X₅ = Stock

E = error

3. Results and Discussion

Reliability test of the independent variable

A reliability test is a tool to measure the questionnaire which is a measuring tool of construction or variable. According to Nunnaly (1967) in Ghozali (2001), constructs are said to be reliable if Cronbach Alpha > 0.6. Reliability test results in this study can be seen in Table 1 below.

Table 2.
Alpha Cronbach test results on independent variables

Variable	Cronbach Alpha	Evidence
Background of Respondents (X1)	.633	Reliable
Cash (X2)	.682	Reliable
Check (X3)	.622	Reliable
Bank reconciliation (X4)	.642	Reliable
Stock (X5)	.669	Reliable

Depending variable: Y

The results showed that all coefficients Alpha Cronbach of variables are greater than 0.60 means it can be concluded all the concepts set to measure each variable are reliable. So, the items on each concept variables are suitable for use as a measuring tool.

Validity Test of Variable

Table 3.
Validity test of independent variables

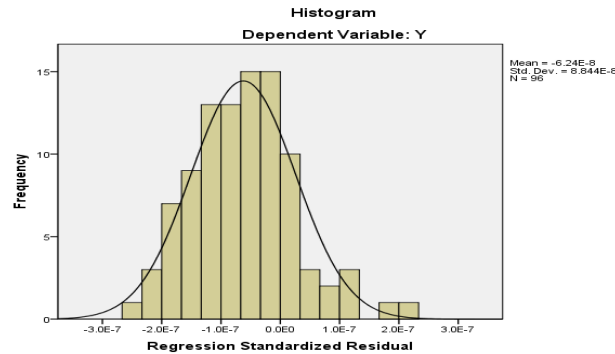
Variable	$r_{\text{count value}}$	$r_{\text{table value}}$	Evidence
Background of Respondents (X ₁)	.515	.198	Valid
Cash (X ₂)	.376	.198	Valid
Check (X ₃)	.524	.198	Valid
Bank reconciliation (X ₄)	.492	.198	Valid
Stock (X ₅)	.439	.198	Valid

Table 2 was shown that all indicators used to measure the variables have a correlation coefficient greater than $r_{\text{table}} = 0.198$ (r_{table} value for $n = 100$), so all indicators are valid.

Normality test

The normality test was done using the PP Plot test chart to test the residual regression model as shown in Figure 1.1 below.

Figure 1 Normal Distribution



Normal probability Criteria was shown that the curve follows the normal distribution model, so the regression model in this study meets the normality assumption.

Multicollinearity Test

The multicollinearity test objective was determined whether the regression model finds a correlation between the independent variables. A good regression model should not be a correlation between variables (Ghozali, 2001). The data analysis was shown there is not variable with VIF greater than 10 and a tolerance value less than 10%, which means no correlation between independent variables greater than 95%. On the other hand, the independent variable correlation matrix has the highest correlation is Cash (X2) with bank reconciliation (X4) with a correlation value of 36.5% i.e. less than 95% of maximum tolerance levels. It can be concluded that there is no multicollinearity between independent variables in the regression model.

Heteroscedasticity Test

The heteroscedasticity test objective was determined whether variants of the regression model occurs inequality from one observation to another (Ghozali, 2001). The way to detect is to see if there is a specific pattern on the Scatterplot chart between SRESID and ZPRED, where Y is the predicted Y-axis, and the X-axis is the residual (actual Y-Y prediction) has not standard (Ghozali, 2001). The heteroscedasticity test result was shown that the point does not form a certain pattern or does not have a clear pattern and also point lies above and below 0 (zero) on the Y axis, it is concluded that there is no heteroscedasticity. Thus, the assumption of normality, multicollinearity, and heteroscedasticity in the regression model can be met from the model used in this study.

Linear Regression Analysis

Multiple linear regression analysis objectives were determined the influence of independent variables on the dependent variable. From the study results, the standard regression equation can be written as follows:

$$Y = 0,248 X_1 + 0,230 X_2 + 0,359 X_3 + 0,247 X_4 + 0,369 X_5$$

Test of Fit Goodness

The accuracy of the sample regression function in assessing the true value can be assessed from Goodness of Fit. Statistically, this can be measured by a coefficient of determination, F statistic value, and t statistic value. A statistical calculation called statistically significant if the test statistic value is in the critical area (the area where H_0 was rejected), or known to be insignificant if the test value is within the area where H_0 was accepted (Ghozali, 2001).

Partial test (t-test)

T-test result was showed that the variable of education background of the accounting staff (X_1) resulted in $t_{\text{count}} = 2.178$ with 0.000 significance level. By using the limit of 0.05, the significant value of $t_{(x1)}$ is smaller than the 5%, which means that H_0 rejected and H_1 accepted. Thus, the first hypothesis was accepted. T-test result was showed that the variable of Cash (X_2) resulted in $t_{\text{count}} = 2.032$ with 0.000 significance level. By using the limit of 0.05, the significant value of $t_{(x2)}$ is smaller than the 5%, which means that H_0 rejected and H_2 accepted.

Thus, the second hypothesis was accepted. T-test results were that the variable of Check (X_3) resulted in $t_{\text{count}} = 3,119$ with 0,000 significance levels. By using the limit of 0.05, the significant value of $t_{(x3)}$ is smaller than the 5% level, which means that H_0 rejected and H_3 accepted. Thus, the third hypothesis was accepted. T-test result was showed that the bank reconciliation variable (X_4) resulted in $t_{\text{count}} = 2.134$ with 0.000 significance level. By using the limit of 0.05, the significant value of $t_{(x4)}$ is smaller than the 5% level, which means that H_0 rejected and H_4 accepted. Thus, the fourth hypothesis was accepted.

T-test result was showed that the stock variable (X_5) resulted in $t_{\text{count}} = 3,245$ with 0,000 significance levels. By using the limit of 0.05, the significant value of $t_{(x5)}$ is smaller than the 5% level, which means that H_0 rejected and H_5 accepted. Thus, the fifth hypothesis was accepted.

Interpretation of Regression Test Results

The education background of the accounting staff (X_1) has a positive and significant impact on the public sector accounting system (Y) with a regression value of 0.248 and the t-value of 2.178 with a significance level of 0.000. Cash (X_2) has a positive and significant impact on the public sector accounting system (Y) with a regression value of 0.230 and the t-value of 0.032 with a significance level of 0.000.

Checking (X_3) has a positive and significant impact on the public sector accounting system (Y) with a regression value of 0.359 and t-value of 3.119 with a significance level of 0.000. Bank reconciliation (X_4) has a positive and significant impact on the public sector accounting system (Y) with a regression value of 0.247 and a t-value of 2,134 with a significance level of 0,000. Stock (X_5) has a positive and significant impact on the public sector accounting system (Y) with a regression value of 0. 369 and the t-value of 3.245 with a significance level of 0.000.

F-Test

F test was used to test the effect of the independent variable on the dependent variable simultaneously (together). Associated with the hypothesis, namely:

- a. $H_0: b_1, b_2, b_3, b_4, b_5 = 0$ means there is no significant effect of the education background of accounting staff, cash, check, bank reconciliation, and the stock to public sector accounting system.
- b. $H_a: b_1, b_2, b_3, b_4, b_5 > 0$ means no significant effect of the education background accounting staff, cash, check, bank reconciliation, and the stock to the public sector accounting system.
- c. Testing the effect of independent variables on the dependent variable was used the results of the F-test statistically shown the value of $F_{-count} = 1.621$ with a significance level of $0.000 < 0.05$. This means that simultaneously the education background of accounting staff, cash, check, bank reconciliation, and stock significantly affect the public sector accounting system.

Coefficient of determination (R²)

The coefficient of determination (R²) measures how far the model's ability to explain the variation of the dependent variable. The coefficient of determination is between zero and one (Ghozali, 2001). The coefficient of determination (adjusted R²) obtained is 1. This means that 100% of the implementation of Public Sector Accounting System (PSAS) in Sorong Selatan can be explained by the education background of accounting staff, cash, checks, bank reconciliation, and stock variables or thus Public Sector Accounting System (PSAS)) implementation can be predicted without errors from variables of education background of accounting staff, cash, checks, bank reconciliation, and stock.

In this study, various items such as total asset recognition and liability recognition of the total cost of goods and services, revenue recognition, stock disclosure, accounting records manipulation, accountability and transparency, financial control function, financial report comparison, stewardship function, maintenance and ease of bookkeeping and accounts, and quick decision-making; empirically used in examining the effect of two accounting systems – cash basis and accrual basis, in promoting effective financial reporting of public sector entities in Sorong Selatan regency.

Our results were shown that cash accounting basics significantly promote effective financial reporting of public entities in Sorong Selatan Regency as a result of t-test (0.203) less than the critical value of 1.98. These findings are supported by previous research such as Okoye and Oghoghomeh (2011), Obazee (2011), Ozugbo (2009), Saleh (2007), Zakiah (2007), Hong (2004), Zik (1999), and Langendijk (1990). Okoye and Oghoghomeh (2011) were reported that cash accounting systems are significantly effective in providing accounting information for the efficient performance of public sector organizations because there is no indication of the long-term fiscal power of a relationship between revenues, costs, and changes in net value and taxpayer trade-off expenses current and future. They claim that with cash accounting, it is difficult to evaluate the efficiency of the revenue collection staff and find losses during the collection process because the total revenue gained in a given fiscal year is unknown. Obazee (2011) claimed that the cash accounting system is not comprehensive to provide a true and fair view of government activities.

Ozugbo (2009) asserts that accountability and transparency are difficult to achieve in cash accounting systems due to a lack of information on the income and expenses of the periods,

assets and long term liabilities, accounts receivable and payable, stock value, and total cost of goods and services. Saleh (2007) asserts that with cash accounting, it is difficult to produce correct information on the total cost of services and goods generated throughout the year and those costs are important for performance evaluation, control, public contract policy, and measurement of efficiency and effectiveness.

Zakiah (2007) claimed that accounting fees do not have useful accounting information about the value of the stock and it will result in management finding it difficult to make the right decisions. Hongs (2004) argued that there is a strong potential to spend excessive amounts allocated when a cash basis was used. Zik (1999) stated that the use of the cash basis generates too many activities from different financial years thereby inhibiting effective performance measurement. Langendijk (1990) disclosed that under cash accounting no recognized liability and consequently the deficit in one fiscal period may increase over other fiscal periods.

Similarly, the study reveals that the accrual accounting basis significantly encourages effective financial reporting of public sector entities in the South Sorong Regency. Other studies such as Ozugbo (2009), Saleh (2007), SAFA (2006), and Appollos (2001) are following our results. Ozugbo (2009) asserted that accountability and transparency of taxpayers' money utility are guaranteed accruals because the system provides more comprehensive information.

Saleh (2007) argued that accrual accounting distinguishes between current receipts and capital receipts because income was recognized at the acquisition times, and receipts occur when earnings are collected and this provides better financial information. SAFA (2006) reported that with accrual accounting systems, accountability assured, and information about assets and liabilities is available, the comparability of financial information becomes effective, are sufficiently fit for revenue, and compliance reporting becomes possible and effective.

Appollos (2001) claimed that information generated from accrual accounting can be used to estimate how much is needed to acquire assets annually as budgets and this becomes the right decision. However, the work of Adeboyo (2001), Ross (2008), Hajik and Kpamalu (1998), and Volkskrant (1994) failed to agree on these findings. They claimed that accrual accounting is not following the budget, increased operating costs, more difficult to understand and operated, delays the review and assessment of the cash position, and involves subjective adjustments to the financial statements, which are vulnerable to various forms of manipulation.

Conclusion

1. The education background of public sector accounting staff is very important or impacts the application of a good accounting system in local government because it will improve service and accountability.
2. The experience and knowledge in cash management affect improving the application of good public sector accounting system because with sufficient experience of work and good knowledge will push the performance quality of apparatus in doing work effectively, efficiently, and appropriately.

3. Regular controls or checks on financial management improve the adoption of a good public sector accounting system in terms of accountability.
4. Regular bank reconciliation improves the application of a good public sector accounting system because it can know the financial position and can be a benchmark in assessing whether performance is following the planning.
5. The planting of shares or capital in regional development is very important in the application of the public sector accounting system because it can provide income for the local treasury.

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