

ANALYSIS AND DESIGN OF FINANCIAL STATEMENT ACCOUNTABILITY MANAGEMENT INFORMATION SYSTEM

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Abstract

This research conducted in Lampung Province, Indonesia, aims to investigate the factors influencing the issuance of opinions on the financial statements of district governments. The study utilizes interviews processed through to analyse and design of the Financial Statement Accountability Management Information System (SIMALK) application to analyze the impact of technology utilization and oversight on financial reporting. Findings reveal that the Reasonable Without Exception (WTP) opinion by BPK RI is supported by the internal control system within SIMALK and oversight by the Inspectorate, rather than the presence of the SPI. The flowchart of SIMALK illustrates a systematic data processing and decision-making workflow. Financial supervision involves audits by district and provincial inspectorates, ensuring compliance with budgetary allocations and financial accountability. The study underscores the importance of public sector financial reporting in promoting transparency and accountability, highlighting the need for continuous training, technological infrastructure, and commitment from local governments to enhance governance practices and stakeholder trust.

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INTRODUCTION

Public sector financial reporting, specifically government financial statements, serves as a tangible representation and realization of transparent government financial regulation, management accountability in order to establish effective governance (accounting for governance). The development and enforcement of laws and regulations within the realm of State finance play a crucial role in promoting and maintaining good government governance. In Indonesia, public sector financial reporting has experienced significant growth, as evidenced by the enactment of Law No. 17 of 2003 regarding State Finance, Law No. 1 of 2014 regarding the State Treasury, Law No. 15 of 2004 regarding the Audit of State Financial Management and

Responsibility, and Law No. 15 of 2006 regarding the Financial Audit Agency or BPK[1].

The state financial audit standard (SPKN), which is owned by the BPK, serves as an impetus for the central government and local governments to enforce transparent public accountability. In this context, accountability can be construed as the local government's responsibility to account for resource management and the execution of policies entrusted to them. Furthermore, accountability serves as a means to assess the success or failure of an organization's mission, in meeting predetermined goals and objectives. This is achieved through regular and periodic accountability mechanisms[2].

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Government Regulation No. 71 of 2010, which pertains to Government Accounting Standards, stipulates that local government financial statements are formulated with the purpose of furnishing pertinent information concerning the financial status and all transactions conducted within a specified reporting period. It is imperative that the accounting information contained in these financial statements possesses the capability to facilitate the decision-making process and is readily comprehensible to its intended users. The value of information is gauged by its capacity to augment the user's knowledge and confidence in making informed decisions. An audit opinion represents a professional assertion made by auditors concerning the fairness of the information presented in the financial statements[3].

The Financial Statement Accountability Management Information System (SIMALK) is a system specifically designed to effectively manage, process, and report financial information in order to enhance accountability and transparency within financial management. By utilizing this system, organizations are able to efficiently monitor and report on their financial activities. SIMALK is particularly tailored to assist local governments in the management, supervision, and enhancement of accountability in regional financial statements. Its overarching objective is to promote transparency, efficiency, and accountability in regional financial management[4]. The implementation of SIMALK requires commitment from local governments, training for users, and adequate technological infrastructure to support the operation of this system.

In other side, Agency theory investigates the dynamic interplay between the principal, who acts as the employer, and the agent, who functions as the recipient of the principal's directives. Within the context of agency problems, the agent, equipped with ample information, seeks to optimize its utility function. Conversely, the principal endeavors to incentivize the agent to exert effort by offering rewards that align with the objective of attaining optimal output from the agent[5].

The agency theory originated from the arrangement in which a principal employs an agent to perform tasks and grants decision-making authority to said agent. Within the

realm of financial management, the local government plays the role of the agent, who is obligated to provide the principal with information through financial statements. Public accountability encompasses various forms of the agent's responsibility towards the principal in terms of presenting, reporting, and disclosing all activities[6].

Stewardship Theory was formulated based on the premise that humans possess the inherent qualities of trustworthiness, accountability, integrity, and honesty, which they exercise in the interest of the public or stakeholders. The stewardship theory posits that the actions of a manager are driven by the collective interests, be it the common interest or the interests of the organization. Management theory postulates a robust correlation between organizational success and principal satisfaction[7].

Local Government Financial Supervision refers to the direct guidance provided by officials to their subordinates regarding their respective responsibilities. This supervisory practice holds significant importance in ensuring the efficient, effective, and cost-effective execution of activities in accordance with predetermined standards. Specifically, local government financial supervision focuses on overseeing the regional financial budget, which includes the Regional Revenue and Expenditure Budget (APBD)[8].

In Government Regulation No. 60 of 2008, it is stated that the Government Internal Control System (SPIP) constitutes an intrinsic process in which leaders and all employees engage in a continuous manner to effectively and efficiently accomplish organizational objectives. The government's internal control system is implemented as a preventive and detective measure against fraudulent activities[9].

Optimizing the utilization of progressively sophisticated information technology can establish a network of management information systems, streamline work processes, and transform the paradigm from face-to-face interactions to technology-driven approaches. In the interest of effective governance, it is imperative to develop and leverage information technology to enhance the capacity to manage finances and disseminate financial information to public

services. Through the utilization of information technology, financial managers and users of financial statements will benefit from improved accessibility to information pertaining to financial statements[10].

METHOD

Descriptive Methods

The descriptive method aims to direct attention towards the issues that are present during the time of the research or the actual problems. It involves presenting the facts about the problem under investigation as they are, along with rational interpretations[11].

This study seeks to describe a phenomenon or event occurring within the district government office environment in Lampung Province, specifically pertaining to the significance of information contained in local government financial statements in achieving a "Reasonable Opinion Without Exception (WTP)" as stated in the IHPS I BPK RI report for the year 2020[12].

Qualitative Approach

Qualitative research, in general, can be employed to investigate various aspects of human life, history, behavior, social activities, and organizational functions. According to Bogdan and Taylor, as cited by V. Wiratna Sujarweni (2014), qualitative research is a research methodology that generates descriptive data through the observation and analysis of people's speech, writing, and behavior. This approach aims to provide a comprehensive and holistic understanding of the phenomenon under investigation[13].

Data Analysis Methods

The data collection in this study is conducted in a continuous manner until the data is prepared for reduction, presentation, and ultimately drawing the final conclusion. Reduction involves the process of selecting, concentrating, simplifying, abstracting, and transforming the raw data obtained from field records. Presenting the data as a collection of reduced information, organized in a relevant and meaningful manner, enhances comprehension and facilitates subsequent actions. Drawing conclusions is the outcome of research verification aimed at testing the

validity, robustness, and compatibility of the findings[14].

In order to facilitate the process of data analysis, the SIMALK data application is utilized. This software serves the purpose of testing theories, identifying trends, and examining information by means of classifying, sorting, organizing, and checking relationships within the data, followed by modeling it[15].

The utilization of SIMALK contributes to the attainment of credibility, dependability, and confirmability, thereby supporting the enhancement of research quality. The fundamental principle underlying SIMALK's functioning is to locate identical words between different informants. Moreover, SIMALK accommodates a variety of research methods, including conversation analysis, thus enabling the collection of data through interviews to be conducted more effectively[16].

This application follows a systematic approach to obtain a valid conclusion through System Analysis and Development. The steps involved are as follow:

1. Preparation

Collect Requirements: Identify user needs and specify functional and non-functional requirements.

System Analysis: Create a system model that includes data flow charts and entity-relationships[17].

2. System Design

System Architecture: Define the system architecture, such as service-oriented or micro-based architecture.

Database Design: Develop a database schema that includes tables, relationships, and indexes.

User Interface Design: Design an intuitive and user-friendly interface[18].

3. System Development

Backend Programming: Develop APIs and business logic using server-side programming languages (e.g., Python with Django/Flask, Java with Spring, or Node.js).

- Frontend Programming: Create user interfaces using frontend frameworks (e.g., React, Angular, or Vue.js).

4. System Testing
 - Unit Testing: Perform testing on each functional component individually.
 - Integration Testing: Ensure all components work harmoniously together.
 - System Testing: Conduct comprehensive testing to verify that the system meets the specified requirements[19].
5. Implementation and Maintenance
 - Implementation: Provide user training and migrate data to the new system.
 - Maintenance: Monitor the system and perform routine maintenance tasks.

RESULTS AND DISCUSSION

Data Analytics

The findings of this study consist of assertions regarding the factors that impact the issuance of opinions on the financial statements of district governments in Lampung Province. The information obtained from interviews, which were processed using the SIMALK application, revealed that the Reasonable Without Exception (WTP) opinion of BPK RI was corroborated by the utilization of technology through the SIMALK application and the oversight conducted by the Inspectorate. The financial Internal Control System adopts management procedures within the SIMALK application and is subjected to supervision by the Inspectorate. Consequently, the presence of the SPI does not exert any influence on the issuance of opinions, as internal control cannot be dissociated from the utilization of technology and oversight.

Reseracher make the Flowchart of SIMALK to support system running well, show on figure below:

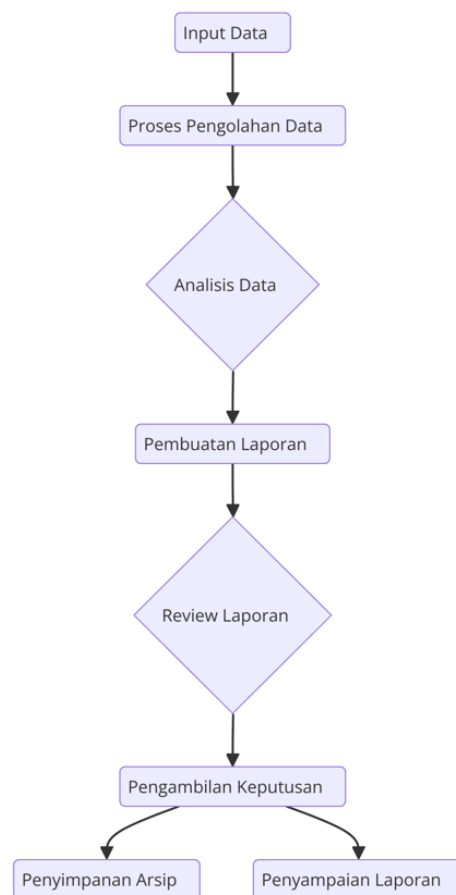


Figure 1. Flowchart of SIMALK

On figure 1 show that The diagram depicts a flowchart for a data processing and decision-making workflow. Here are the steps outlined.

1. Input Data
2. Data Processing
3. Data Analysis
4. Report Creation
5. Report Review
6. Decision Making: Archive Storage and Report Deliver

This flowchart describes the sequential steps involved from data input to final decision-making, including the creation and review of reports, and the subsequent actions of either archiving or delivering the report

So, for result of Acountability and Auditing System, they are:

Supervision

Supervision is an essential process aimed at ensuring that all activities are conducted in accordance with the predetermined plans. This

process involves comprehensive examination of various aspects, including budgetary allocations, implementation of activities, and financial accountability. In the case of financial supervision within the OPD (Office of Regional Development), the term "auditor" is used, denoting the practice of being audited by three auditors for a minimum period of one year. These auditors include representatives from the district inspectorate, provincial inspectorate, and BPK (the Supreme Audit Board). Financial supervision is conducted by both regional and provincial inspectorates.

Government Internal Control System

The internal control system encompasses the organizational structures, methods, and tools that are harmonized within the organization to uphold the security of the organization's assets and verify the accuracy and integrity of accounting data.

The enforcement of internal control involves managing finances in accordance with applicable regulations and laws, aiming to minimize the likelihood of errors in financial reporting. Furthermore, it is the duty of the inspectorate to oversee the implementation of the internal control system of the local government.

The SIMALK application enables the measurement of internal and district audits. This means that any discrepancies in bookkeeping will be identified through SIMALK. On the other hand, when transactions and activities necessitate physical evidence, it becomes the responsibility of auditors, such as the inspectorate, to directly verify the provided evidence by conducting field visits or contacting the relevant department (OPD).

Financial Statement Accountability Management Information System (SIMALK)

The utilization of information technology in local governments takes the form of the SIMDA computer application program, which is a facility provided by BPKP and developed by the Deputy for Supervision for Regional Financial Implementation. Its purpose is to ensure the accountability of state financial operations.

The financial information system in place incorporates the use of the SIMALK financial program. Specifically, the SIMALK financial system consists of SIMALK A, which integrates

the BPKAD server with all regional agencies within Lampung Province. By implementing the SIMALK application, a comprehensive financial system is established, encompassing budgeting, administration, accounting, and reporting processes. As a result, financial management becomes more transparent, accountable, and subject to audit.

Presently, it is evident that information technology plays a crucial role, particularly within the financial sector. This claim is substantiated by the adoption of SIMALK for the local government's bookkeeping, replacing the previously manual method. Government Regulation No. 56 of 2001 stipulates that government administration reporting can be conducted through either manual means or utilizing information technology. The implementation of SIMALK is aimed at enhancing the capacity of local governments in line with legal requirements. The utilization of the SIMALK computer application is expected to facilitate the effective management of financial reporting, consequently ensuring the production of transparent financial statements.



Figure 2. Auditing Compliance Score

On Figure 2 show, The compliance scores have shown a significant improvement, increasing from 85% in 2020 to 95% in 2022. Moreover, the research findings indicate a notable shift, as the observed issues in 2020 were primarily minor, whereas in 2022, no major issues were identified.

Recommendations have evolved from the improvement of documentation to the maintenance of current practices, thus reflecting an enhanced level of compliance. The following are the principal components and benefits of SIMALK, along with the benefits derived from its usage:

1. Transparency: SIMALK enhances transparency in the management of regional finances by facilitating easier and more accessible means of obtaining financial information.
2. Efficiency: The implementation of SIMALK leads to a reduction in the time and cost required to manage and report regional finances, as it automates various processes.
3. Accountability: By providing tools for improved monitoring and supervision, SIMALK contributes to increasing the accountability of local officials in managing public finances.
4. Decision Making: SIMALK aids in the facilitation of better and more timely decision-making by providing accurate data and reports.
5. Compliance: SIMALK ensures compliance with government accounting regulations and standards, thereby minimizing the risk of budget violations and misuse.

CONCLUSION

the critical role of public sector financial reporting in promoting transparent government financial regulation and accountability in Indonesia. Through the enactment of laws and regulations such as Law No. 17 of 2003 and Government Regulation No. 71 of 2010, the country has made significant strides in enhancing governance through financial transparency. The implementation of systems like SIMALK and adherence to audit standards contribute to the credibility and reliability of financial information. Challenges in this realm include the need for continuous training, technological infrastructure, and commitment from local governments. Overall, effective public sector financial reporting not only ensures accountability in resource management but also serves as a tool for evaluating the success of governmental policies and objectives. By upholding transparency and accountability in financial management, Indonesia can strengthen its governance practices and foster trust among its citizens and stakeholders.

Some suggestion for next research to discuss about sistem detailly about: First, Compare with Industry Benchmarks: Evaluate how these metrics stack up against industry standards. Second, Detailed Segment Analysis: Break down the financial data into more granular segments (e.g., departments, projects). Third, Predictive Analysis: Use historical data to forecast future financial performance.

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