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Analysis of the Financial Performance Report of the Regional Government of North Sumatra in 2023 with the Standards Government Accounting

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ABSTRACT

The implementation of accrual-based Government Accounting Standards (SAP) in the North Sumatra Provincial Government in 2023 has shown significant progress in improving transparency and accountability of financial statements. This report analyzes regional financial performance by emphasizing the importance of transparent public financial management to increase public trust. Despite improvements compared to the previous year, some regions still face challenges in achieving the set standards, especially related to human resource competencies and internal controls. Financial performance indicators, such as effectiveness, efficiency, and financial independence, showed mixed results, with some regions achieving good performance, while others still needed improvement. Regulations and audits by the Supreme Audit Agency (BPK) play an important role in maintaining compliance and efficiency of regional financial management. Therefore, increasing the competence of human resources and strengthening the internal control system are needed to ensure sustainability and improve the quality of financial reports in the future

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INTRODUCTION

Transparency and accountability in public financial management are two fundamental elements that local governments must have. Transparency allows the public to gain open access to government financial information, which ultimately increases public trust in the institution. Meanwhile, accountability ensures that the government is responsible for the financial management carried out, while preventing potential budget misuse (Nasution & Atika, 2019).

Government Accounting Standards (SAP) explain the objectives of financial statements for presenting useful information for stakeholders in assessing accountability and transparency (Panggabean, 2019). With the implementation of accrual-based SAP, financial reports become more transparent and reflect the actual financial conditions. The implementation of SAP has been proven to improve the quality of financial reports in various government institutions, including in North Sumatra Province (Sari & Kusmilawaty, 2023).

In 2023, the North Sumatra Regional Government showed progress in terms of transparency and accountability of its finances. This progress was influenced by the implementation of better SAP and tighter supervision in regional financial management. The local government strives to prepare financial reports in accordance with applicable accounting standards, thereby increasing public trust (Rizki & Rialdy, 2023).

A good financial accounting system also contributes to increasing the accountability of local government performance in North Sumatra. With a well-organized accounting system, the government can more easily monitor and evaluate financial performance. Coupled with strict supervision of the quality of financial reports, the accountability of government performance is increasingly guaranteed (Prayogo & Setiany, 2020).

In addition, the implementation of adequate information technology and internal control systems also support the improvement of the quality of local government financial reports. Information technology facilitates the process of recording and reporting finances, while internal control systems help ensure that all financial transactions are carried out according to established procedures (Nasution & Atika, 2019).

Overall, various efforts made by the North Sumatra Regional Government to improve financial transparency and accountability have shown positive results. By optimizing the implementation of SAP, increasing supervision, and utilizing information technology, the quality of government financial reports can continue to improve, thus supporting the creation of better governance (Susanto & Rambano, 2022).

LITERATURE REVIEW

Regional Government Financial Performance

The financial performance of local governments reflects the government's ability to manage financial resources efficiently and effectively to achieve regional development goals. Some of the main indicators of financial performance include the effectiveness ratio, efficiency, and regional financial independence. Effectiveness is measured by the achievement of predetermined regional revenue targets, while efficiency reflects how well local governments utilize available resources to produce the desired output (Ningsih et al., 2022). Meanwhile, financial independence refers to the ability of a region to finance its own needs without relying significantly on transfers from the central government (Ronal & Massua, 2023).

The efficiency of regional financial performance describes the ability to minimize the use of resources to achieve maximum results. This indicator is measured using the regional expenditure efficiency ratio, which shows the extent to which the budget is utilized in accordance with the expenditure plan (Harahap et al., 2021). Several studies have revealed that expenditure efficiency in various regions is still not optimal, marked by expenditure that exceeds the budget (Dewi & Lubis, 2022). This condition indicates the need for improvements in budget management so that efficiency can be increased.

The effectiveness of financial performance is assessed based on the region's ability to meet revenue targets. One indicator that is often used is the effectiveness ratio of local revenue (PAD), which shows how successful the local government is in optimizing revenue from local sources. Research shows that the effectiveness of financial management in several regions is quite good, with an effectiveness ratio exceeding 100% (Martati et al., 2019). However, there are still a number of regions that need to improve the effectiveness of their financial management to achieve maximum results (Ronal & Massua, 2023).

From an economic perspective, regional financial performance also involves balanced management of revenues and expenditures to encourage sustainable economic growth. This includes the ability of regions to allocate resources strategically to support local economic development (Rusmita, 2019). Regions with higher levels of financial independence tend to have better economic performance, because they are able to manage resources more flexibly to support local initiatives (Ronal & Massua, 2023). However, dependence on transfers from the central government is still a major challenge for many regions in achieving economic independence (Ningsih et al., 2022). Indicators such as effectiveness, efficiency, and financial independence provide a comprehensive picture of the financial performance of local governments. Although some regions have shown good results, the challenges of increasing efficiency and achieving optimal financial independence still require special attention.

Government Accounting Standards (SAP)

Government Accounting Standards (SAP) explain the purpose of financial reports to present useful information for stakeholders in assessing accountability and transparency used to formulate policies, economics, social and politics by providing information on the position and changes in economic resources, liabilities, and equity of local governments, allocation and use of economic resources owned by local governments, compliance with the realization of the budget plan that has been prepared against the regulations that have been set, how reporting entities fund government activities and meet liquid fund needs, the government's potential to finance the implementation of government activities and services to the community, as well as evaluating policies on the ability of local governments and SKPDs to fund their activities (Panggabean, 2019).

Government Accounting Standards (SAP) are a set of technical guidelines designed to regulate the principles, methods, procedures, and accounting practices that must be applied by government entities in preparing financial statements. SAP aims to ensure that government financial statements have quality characteristics, such as relevance, reliability, comparability, and ease of understanding. With the implementation of accrual-based SAP as stipulated in Government Regulation No. 71 of 2010, it is hoped that transparency of financial reporting and public accountability can be increased (Prasetya, 2023). SAP also aims to create uniformity in the process of preparing and presenting financial statements across local governments in Indonesia (Nufus, 2015).

The implementation of SAP has a major impact on increasing the transparency of government financial reports. The accrual method used in SAP allows for more complete and accurate reporting of the financial position, budget realization, cash flow, and financial performance of the entity concerned (Nufus, 2015). This is important to provide useful information for the general public and other stakeholders in assessing the government's financial performance (Nufus, 2015). Various studies have shown that the implementation of SAP has succeeded in improving the quality of financial reports, thereby contributing to increasing government transparency and accountability (Sari & Kusmilawaty, 2023).

In addition to transparency, SAP also plays an important role in strengthening the accountability of government financial reports. With structured and clear standards, SAP helps ensure that financial reports are prepared in an accountable manner (Yuniar et al., 2021). Quality financial reports, produced through the implementation of SAP, have a positive impact on government accountability (Yuniar et al., 2021). This accountability is very important to build public trust and ensure that the government is responsible for managing public finances (Ningtyas et al., 2019). Therefore, the implementation of SAP not only improves the quality of financial reports but also strengthens government accountability in carrying out its duties and obligations.

Regulations and Policies

Regional government in preparing and presenting financial reports responsible to the community, which generally consists of internal and external parties. The internal parties are the inspectorate and the Regional People's Representative Council (DPRD), while the external parties consist of creditors, investors, institutions grant providers, and other external stakeholders (Panggabean, 2019).

Regional financial management in Indonesia is based on various regulations aimed at ensuring transparency, accountability, and efficiency in the use of public funds. One of the main rules is the implementation of Government Accounting Standards (SAP), which serve as guidelines in the preparation of regional government financial reports. SAP is designed so that financial reports can be presented fairly in accordance with generally accepted accounting principles (Idrus et al., 2018).

In addition, related regulations also cover compliance with laws and regulations, as well as the requirement to implement an effective internal control system by local governments. Differences in legal norms and interpretations of regulations often become obstacles in the implementation of efficient audits and financial management. Therefore, regulatory harmonization is needed to support the strengthening of the authority of the Supreme Audit Agency (BPK) in carrying out its audit function.

The Audit Board of Indonesia (BPK) plays a key role in assessing local government financial reports through an independent audit process. BPK provides a professional opinion on the fairness of financial reports based on four main criteria: the application of Government Accounting Standards, the adequacy of information disclosure, compliance with laws and regulations, and the effectiveness of the internal control system (Idrus et al., 2018). The opinions given, such as unqualified opinions, reflect that the financial reports have been prepared according to standards despite challenges such as non-compliance and misuse of assets that can harm local governments (M. et al., 2023). In addition, BPK also plays a role in providing recommendations for improving and increasing the efficiency of regional financial performance through follow-up on the results of audits that have been carried out (Sayang et al., 2023).

METHODOLOGY

The method used to analyze the financial performance report of the North Sumatra Regional Government in 2023 based on Government Accounting Standards is a descriptive method. This study uses a qualitative approach with data collection techniques such as observation and documentation to gain a deep understanding of the implementation of accrual-based Government Accounting Standards in the relevant government agencies (Sari & Kusmilawaty, 2023).

The 2023 North Sumatra Provincial Government Financial Report (LKPD) is prepared in accordance with the accrual-based Government Accounting Standards (SAP). The data used in preparing this LKPD includes financial data originating from regional government financial transactions, including revenue, expenditure, assets, and liabilities. Secondary data sources in preparing this report include audit results from the Audit Board of Indonesia (BPK), which provide information on compliance with SAP and weaknesses in internal control that affect the quality of financial reporting. The implementation of accrual-based SAP in North Sumatra Province has succeeded in improving the quality of financial reports to be more transparent and accountable, although there are still obstacles related to regional complexity and weaknesses in internal control that need to be addressed.

RESULTS AND DISCUSSION

The implementation of accrual-based Government Accounting Standards (SAP) in the North Sumatra Provincial Government has succeeded in improving the quality of financial reports to be more transparent and accountable. Research conducted in North Sumatra Province shows that the implementation of accrual-based SAP has been carried out in accordance with government regulations, thus contributing to improving the quality of financial reports. However, obstacles remain, especially in terms of the readiness of human resources (HR) who are still less competent in understanding and implementing accrual-based SAP.

Despite limitations in HR competency, the preparation of accrual-based financial reports continues to run well. This is supported by references to financial reports from previous periods that help HR prepare reports in accordance with applicable accounting standards. In addition, research in Simalungun Regency revealed that the implementation of SAP had a significant positive impact on the quality of local government financial reports, although the effectiveness of the government's internal control system has not been able to moderate this impact (Aruan, 2020).

Overall, the implementation of accrual-based SAP in the North Sumatra Provincial Government in 2023 has met the applicable provisions and has had a positive impact on the transparency and accountability of financial reports. However, efforts are needed to improve HR competency and strengthen the internal control system to overcome various existing obstacles and ensure the sustainability of improving the quality of financial reports.

In 2023, the financial report of the North Sumatra Provincial Government reflects a clearer and more accountable structure of revenue and expenditure, thanks to the implementation of accrual-based Government Accounting Standards (SAP). Revenue and expenditure are recorded in detail, allowing for the identification of budget surpluses or deficits with a higher level of accuracy. The implementation of accrual-based SAP has succeeded in improving the quality of financial reports, making them more reliable to support the decision-making process.

Compared to previous years, there has been significant progress in the preparation of financial reports. In the previous period, several regions in North Sumatra had not succeeded in obtaining an unqualified opinion from the BPK, indicating deficiencies in the presentation of financial reports. However, the implementation of accrual-based SAP has helped improve the quality of financial reports, although there are still regions that need to make further improvements in order to meet the established standards.

Compliance with Government Accounting Standards in North Sumatra in 2023 shows significant improvement. The financial statements prepared by the Environment and Forestry Service of North Sumatra Province fully comply with applicable regulations, reflecting increased transparency and accountability. In addition, the Social Service of North Sumatra Province has also demonstrated compliance with Government Regulation No. 71 of 2010, which is the basis for setting government accounting standards. The financial statements of the North Sumatra Provincial Government in 2023 show improvements in transparency and accountability thanks to the implementation of accrual-based SAP. Although significant progress has been made, several regions still need to improve the quality of their financial statement presentation in order to obtain better audit opinions and achieve higher standards.

CONCLUSIONS AND RECOMMENDATIONS

The implementation of accrual-based Government Accounting Standards (SAP) in the North Sumatra Regional Government in 2023 has brought significant progress in improving transparency and accountability of financial reports. Although several regions have shown good financial performance, there are still challenges to be faced, especially in terms of human resource competency and internal control. The varying financial performance indicators indicate that there are still regions that need to make improvements to achieve the set standards. To ensure the sustainability and improvement of the quality of financial reports, further efforts are needed to improve HR competency and strengthen the internal control system. In addition, regulation and audits by the Audit Board of Indonesia (BPK) are very important in maintaining compliance and efficiency of regional financial management.

FURTHER STUDY

This study still has limitations, so further research is needed on the topic of Analysis of the Financial Performance Report of the Regional Government of North Sumatra in 2023 with the Standards Government Accounting in order to perfect this study and increase insight for readers and writers.

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