

# Pidie Regency Government Agencies, the Application of Government Accounting to the Acquisition of "Unqualified (WTP)" Status has been Approved for the 2015-2020 Period (According to Government Regulation of the Minister of Home Affairs No. 13 Year 2006)

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## Abstract

*The purpose of this study was to ascertain the Pidie District Government's strategy for retaining WTP opinions on accrual-based financial statements. The descriptive qualitative approach was used in this study, along with a case study method and data collection via interviews. The study's findings indicated that the financial statements used to maintain the WTP opinion were prepared using a variety of methods, including increased commitment between leaders and their subordinates, improved management of regional property and receivables, increased the quality of human resources, team formation, improved information technology, and increased the inspectorate's role as an auditor. Obstacles to retaining the WTP's viewpoint include inefficient SIAP applications and job transfers.*

## Keywords

government agencies; WTP opinion; application of government accounting



## I. Introduction

Public sector accountability is currently getting a lot of attention along with the implementation of regional autonomy. Regional autonomy gives the local government the authority to manage their own household by minimizing interference from the central government and has the right and obligation to use the financial resources they have in accordance with the needs of the developing community in the area. To support the implementation of regional autonomy, the government has issued various laws and regulations that have undergone many reforms, including Law no. 17 of 2003 concerning State Finance, Law no. 12 of 2008 concerning Regional Government, Law no. 33 of 2004 concerning Financial Balance between the Central and Regional Governments, as well as PP. 71 of 2010 which basically the government compiles a Government Accounting System that refers to the accrual-based SAP (Government Accounting Standard). Financial statements are said to be fair if they are free from material misstatement. The fair assessment of the financial statements is provided by an independent auditor in the form of an audit report.

The audit opinion is given by the Supreme Audit Agency (BPK) as an independent government auditor by providing confidence to stakeholders on the fairness of the information presented by the Regional Government. The opinion giving by BPK is divided into 5 types of opinion including Unqualified Opinion (WTP), Unqualified Opinion with Explanatory Paragraph (WTP-DPP), Unqualified Opinion (WDP), Unqualified Opinion (TW) and Disclaimer of Opinion (TMP) (Bastian, 2006: 222). WTP opinion is the highest assessment of the quality of financial management which ensures that financial

information is presented fairly in accordance with applicable government accounting standards (Budiman, 2017). The benefits obtained by the achievement of the WTP opinion for the Regional Government are evidence of the realization of the success of good governance. The achievement of the WTP opinion is one of the criteria that shows financial performance as a determinant of the feasibility of the region in receiving regional incentive funds (Keuda Kemendagri, 2013). In addition, the Central Government will allow Regional Governments that have obtained WTP opinions twice in a row to issue regional bonds as financing receipts (Muttaqin, 2015).

The achievement of the WTP opinion has been targeted in the 2015-2020 RPJMN in the field of governance and bureaucratic reform. The target that has been set in the RPJMN for local governments is the national average for the achievement of WTP opinions for districts of 60% and cities of 65%. The target of WTP opinion can be achieved by the Regional Government after the implementation of accrual-based SAP. One of them is shown in West Aceh Province that there is an increasing trend after the implementation of accrual-based SAP by 40% in the 2015 fiscal year. This shows that the application of accrual-based accounting has succeeded in improving the quality of financial reports (Andryanto, 2017). The achievement of the WTP opinion is a reflection of accountability which is a step to produce better performance.

Eight districts and cities in Aceh received awards and certificates from the Minister of Finance of the Republic of Indonesia for their achievements in achieving the Unqualified Predicate (WTP) from the Supreme Audit Agency (BPK) of the Republic of Indonesia 11 to 5 times in a row. The eight areas are; Banda Aceh (11 times), Aceh Besar and Sabang (7 times), Langsa City (6 times) and West Aceh, Aceh Jaya, Aceh Tamiang, Central Aceh, Bener Meriah Regency, Bireuen Regency and Gayo Lues, 5 times each. Meanwhile, the Aceh Government, Southwest Aceh Regency, South Aceh Regency, East Aceh Regency, North Aceh Regency, Nagan Raya, Pidie, Pidie Jaya, Simeulue, won 4 times. Followed by Aceh Singkil and Subulussalam City as many as 3 or three. Just got the charter.

Despite getting the Unqualified Predicate (WTP) from the Supreme Audit Agency (BPK) RI, Southeast Aceh Regency and Lhokseumawe City are the two districts and cities with the lowest or smallest receiving WTP from BPK RI. This problem is caused by a discrepancy with the criteria in the opinion assessment. This allows other local governments to experience a decline in opinion.

Research on maintaining WTP opinions was among others conducted by Muttaqin (2015), explaining the Pidie District Government in applying accrual-based SAP according to PP No. 71 of 2010 and designing strategies to obtain WTP opinions. This is the same as Setyawati's research (2017) explaining the application of obtaining WTP opinions on the local government of Teungah Regency which was formulated using IFAS and EFAS analysis. In defending the WTP opinion, there is a study that has been conducted by Vidiyana (2016) explaining the role of the inspectorate in helping the Surakarta City Government to maintain the WTP opinion. Research from Yazied (2017) the efforts of the West Nusa Tenggara Provincial government in obtaining and maintaining the opinion of the WTP.

The results of observations with the local government of the Pidie Regency, the researchers are interested in researching the application of maintaining the WTP opinion on accrual-based financial statements in the Pidie Regency local government. This is because the regional government of Pidie Regency has obtained a WTP opinion in the 2015 fiscal year. The Pidie Regency Regional Government has prepared in order to maintain the WTP opinion by making commitments from its leaders and staff by signing a performance agreement document and conducting socialization related to government policies.

## **II. Review of Literature**

### **2.1 Public Sector Accounting**

Public sector accounting is a financial management technique and analytical process used to manage public finances at the highest level of government and its subordinate agencies. Municipal governments, the BUMN, the BUMD, non-governmental organisations (NGOs), and social foundations are among these entities and departments, as are projects incorporating public and private sector partnership (Bastian, 2019). Local government is a kind of public sector organisation tasked with the responsibility of providing services and meeting community needs in order to generate prosperity.

### **2.2 Audit**

Financial auditing is the assessment of the central government's and regional governments' financial statements. Article 23E of the Republic of Indonesia's 1945 Constitution demands that BPK conduct audits of the performance of governmental financial management. State financial auditing is a process of identifying, analysing, and evaluating problems that is conducted independently, objectively, and professionally in accordance with established audit standards for determining the truth, accuracy, credibility, and reliability of information pertaining to the management and responsibility of state finances. (Act No. 15 of 2004). The examination of financial statements is conducted to reassure users of financial statements that they are presented properly and reliably.

The State Audit Agency is a high state institution in the Indonesian constitutional system that has the authority to examine the management and responsibility of State finances (BPK). BPK serves as the government's external auditor. State financial audits consist of several types of audits carried out in accordance with their objectives. The following are the types of state financial audits carried out by BPK, namely performance audits, audits with a specific purpose and financial audits.

The result of the examination conducted by an external party, namely the BPK, is an opinion. According to Law No. 15 of 2004, an opinion is an examiner's professional statement regarding the fairness of financial statement information presented based on the following criteria:

- a. Effective design and implementation of internal control systems
- b. Compliance with applicable laws and regulations
- c. Compatibility with SAP and
- d. Adequacy of disclosure of financial information in the notes to financial statements.

There are 4 (four) types of opinions given by BPK, namely: Unqualified Opinion, Qualified Opinion, Unqualified Opinion and Statement of refusal to give an opinion. Giving opinions on local government financial reports in order to add quality value to the reported financial statement information, so that it is useful for its users. The essence of the examination conducted by BPK on the financial statements of local governments is to process data into useful information to conclude that the condition of the financial statements of the audited reporting entities is reasonable (John and Setiawan, 2009:65).

### **2.3 Criteria for Giving Opinion on Financial Audit**

Body inspection State finances as an external audit of the financial management of regional governments or other bodies, which are authorized to audit financial statements, contain open statements including unqualified (WTP), Exceptional (WDP), Unreasonable (TW), and disclaimer of opinion (WTP). TPM). Giving opinions to local governments is based on criteria that have been determined in accordance with Law Number 15 of 2004.

The more criteria that are met, the higher the opinion rating obtained by the local government. The criteria for giving local government opinions are as follows:

- a. Compliance with government accounting standards
- b. Adequacy of disclosure
- c. Compliance with laws and regulations
- d. Effectiveness of internal control system

## **2.4 Implementation Strategy in Order to Defend the Opinion of PAPs**

Opinion on financial statements is something that stakeholders of an organization pay attention to because of opinion on financial statements because a quality opinion shows an answer to good forms of accountability from all organizational management, especially in the scope of government, because this is one proof that the local government has used and responsible for the state's money as well as possible. The quality of a good opinion of a financial report can be achieved by carrying out certain strategies. In general, the meaning of the WTP opinion is when all the information presented in the financial statements is fair and there are no exceptions. In the context of auditing the management and responsibility of State finances, it is BPK. Strategy according to Rangkuti (2009: 36) is a tool to achieve goals by looking objectively at internal and external conditions so as to anticipate changes in the external environment. Strategy can be designed by identifying regulation as a goal to be achieved and identifying current conditions. If there is a gap between regulations and conditions, the strategy can be designed into the steps to be taken (John and Setiawan, 2009: 142). The strategy proposed by Suwanda (2010: 145) is not only the preparation of an action plan, but also the preparation of other supporting aspects. This is by explaining 9 strategies in obtaining WTP opinions, namely, leadership commitment, forming a team, making action plans, preparing budgets, designing internal control systems,

According to Athukoral and Reid (2003) in the application of accrual-based SAP, there are two approach strategies, namely the big bang model and the gradual model. The big bang model approach is the application of the accrual basis for all government units simultaneously and with a short period of time. The advantages of this approach are that it supports changes in organizational culture, quickly achieves goals, and can avoid interest risks. The disadvantages of this approach are that the workload is high, there is no time to resolve problems that may arise, and political commitments may change.

The second approach to applying the accrual basis is to be carried out in stages. The advantage of this approach is that problems that may arise and how to solve them during the transition period, cash basis can still be carried out in parallel to reduce the risk of failure. The weakness of this approach is that it will require a lot of human resources because it applies the two bases in parallel, changes in organizational culture do not occur, and the momentum of applying the accrual basis is lost.

Organization must have a goal to be achieved by the organizational members (Niati et al., 2021). Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired (Shah et al, 2020). The development of human resources is a process of changing the human resources who belong to an organization, from one situation to another, which is better to prepare a future responsibility in achieving organizational goals (Werdhiastutie et al, 2020).

In addition to being careful in choosing an accrual implementation strategy, further recommendations for developing countries in the application of SAP accruals according to Athukoral and Reid (2003) include: First, political commitment in applying the accrual

basis for developing countries is very important because this political commitment is needed to eliminate incompatible interests.

Second, communicating the objectives, results and benefits to be achieved from the intense application of the accrual basis to the parties concerned.

Third, the need for professional accountants. Accountants are urgently needed in the application of accrual-based SAP because the shortage of accountants can cause delays in the application of accrual-based SAP. To get professional accountants and auditors, it can be done by increasing capacity such as training and recruitment;

Fourth, the accounting information system must be adequate. The main key to implementing accrual-based SAP is cash-based accounting information. Therefore, if a country does not yet have a reliable cash-based accounting system, then the country must first concentrate on improving the existing systems and processes, namely the cash basis, before considering moving to accrual accounting.

According to Widjajerso (2008), the key factors for the success of applying the accrual basis of accounting include independence from an accounting standard-setting process, effective communication, success in dealing with related issues, and the ability to develop accounting changes apart from supporting factors from politicians and audit institutions.

### **III. Research Methods**

This study uses research subjects, namely the leaders and several employees who are involved in the process of preparing financial reports at the Pidie District Government. Researchers conduct analysis through interviews (in-depth interviews) to:

- a. Secretariat of the Regional Finance Agency of Pidie Regency.
- b. Head of Accounting Division of the Pidie Regency Regional Financial Agency
- c. Head of sub-administration
- d. Inspectorate
- e. Staff of the Accounting Sub Division of the Pidie Regency Regional Finance Agency
- f. Head of Sub Division of Tax Objection, Planning and revenue evaluation of the Regional Finance Agency of Pidie Regency.
- g. Head of Sub Division of Evaluation and Control of Reporting of the Regional Finance Agency of Pidie Regency

The object of research in this study is the efforts of the Regional Government in an effort to obtain the Status of "Unqualified (WTP)" for the Application of Government Accounting in Pidie Regency Government Agencies.

#### **3.1 Data Types and Sources**

This research uses a descriptive qualitative approach with a case study method because it is felt that this type of research explains a condition that the Pidie district government maintains the opinion of the WTP. In this study, data were collected by interview (in-depth interview) and supported by observation, documentation and triangulation. The data used is primary data. Data were obtained from the Regional Financial and Asset Management Agency (BPPKAD) of Pidie Regency, the Inspectorate and Regional Secretariat of Pidie Regency. In addition, it is supported by secondary data. Secondary data in the form of IHPS, financial statements, LHP, laws, regulations, evidence and other records related to this research.

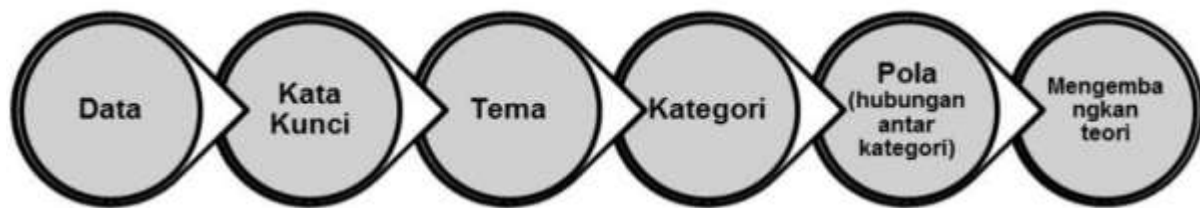


### 3.2 Data Analysis Technique

Data analysis in this study used thematic analysis. According to Poerwandari (2013) thematic analysis is the process of coding information that can produce a list of themes, theme models or complex indicators so that researchers can find patterns that other parties cannot see clearly. The stages of data analysis in this study are:

First, organizing data by selecting cases or problems related to the application of SAP accruals and strategies for obtaining WTP opinions at the Pidie Regency Government, making research questions, and determining how to collect data.

Second, after the raw data is obtained from the field, the next stage is the initial analysis of the data by conducting factual compaction and finding themes. According to Poerwandari (2013), concept development in the second stage is as shown in the following figure.



Source: Poerwandari (2013)

**Figure 1.** *Concept Development at the Data Analysis Stage*

Third, at this stage the activity carried out is coding. According to Poerwandari (2013) coding is divided into 3 steps, namely open coding (identifying categories), axial coding (organizing data in a new way, namely developing relationships between categories or category relationships with sub-categories under them) and selective coding (selecting the most important category). basis for then relating them to categories that systematically validate and validate those relationships).

Fourth, testing of tentative assumptions/conclusions can be done by sharpening emerging themes and patterns, and looking for data that can provide a different picture of the emerging patterns.

Fifth, the interpretation stage is to understand the data more extensively and deeply.

Sixth, drawing conclusions and verification. The final conclusion will be obtained not only until the end of data collection, but a verification is needed. Verification can be done by looking back at the field notes (raw data) so that the conclusions drawn are stronger and can be justified.

## IV. Results and Discussion

The Pidie District Government applies accrual-based SAP, the opinion obtained on the LKPD for the 2015 fiscal year is the WDP opinion. WDP's opinion is due to problems in the management of fixed assets in the Pidie District Government. In the following year, the Pidie Regency Government made improvements to the management of fixed assets so that the Pidie Regency Regional Government obtained a WTP opinion for the 2016 fiscal year. The Pidie District Government has succeeded in maintaining the quality of financial reports by obtaining WTP opinions in the 2017 fiscal year. The strategy in maintaining WTP opinions can be done in several ways, including commitment, management of regional property and improving the quality of human resources. These three things do not cover all the efforts that have been carried out by several related parties so that some informants add strategies in maintaining the opinion of the WTP.

#### **4.1 Improving the Management of Regional Property and Receivables**

The government is trying to improve the management of regional assets, inventories and receivables. All three have a fairly high value on the balance sheet. If it is not managed properly, it will cause problems during the audit of financial statements.

The following are some strategies that have been carried out by the Pidie Regency government in maintaining the status of obtaining WTP opinions from the BPK, among others:

- a. Targeting the acquisition of WTP opinions in 2015 in the 2015-2020 RPJMD document;
- b. Establish several policies regarding the application of SAP accruals which are also policies made in order to obtain WTP Opinions from the BPK;
- c. Implement BPK recommendations by structuring assets with an inventory of assets whose previous records were not yet detailed, improving regional asset management and improving local government internal control;
- d. Improving the quantity and quality of Human Resources (HR) financial managers and financial report preparers by recruiting activity personnel, structuring Civil Servants (PNS) with accounting education and training backgrounds;
- e. Increase and maintain commitment with related parties such as regional leaders, SKPD heads and all financial managers to implement good regional financial and goods governance in order to obtain WTP opinions.

By establishing several policies regarding the application of SAP accruals, it is a policy made in order to obtain the status of WTP opinion from the BPK. However, the Pidie Regency government still has to establish a special policy or technical policy regarding the strategy for obtaining "WTP" opinions in the form of an action plan in the form of a regional regulation. This is because the criteria for giving WTP opinions are not only about conformity with SAP, but there are still 3 (three) other criteria, namely compliance with laws and regulations, effectiveness of the Internal Control System and adequacy of disclosure.

#### **4.2 Improving Regional Property and Receivables Management**

The government is attempting to enhance regional asset management, inventory management, and receivables management. Each of these three items has a rather high value on the balance sheet. If it is not handled effectively, it will create difficulties during the financial statement audit.

Several tactics have been used by the Pidie Regency administration in order to retain the status of getting WTP opinions from the BPK, including the following: (1) Targeting the acquisition of WTP opinions in 2015 in the 2015-2020 RPJMD document; (2) Establishing several policies regarding the application of SAP accruals, which are also policies made in order to obtain WTP Opinions from the BPK; (3) Implementing BPK recommendations by structuring assets with an inventory of assets whose previous records were not detailed, improving regional asset management, and improving local government internal control; and (4) Improving the quantity of WTP opinions.

By developing many rules governing the application of SAP accruals, it is possible to attain the BPK's status of WTP opinion. However, the Pidie Regency administration must still adopt a specific policy or technical policy outlining a strategy for acquiring "WTP" views in the form of a regional regulation. This is because the grounds for issuing WTP views are not limited to SAP compliance; they also include three (three) additional factors, including compliance with applicable laws and regulations, the efficacy of the internal control system, and the appropriateness of disclosure.

## V. Conclusion

It was discovered by researchers that the financial statements used to maintain the WTP opinion were prepared through a number of implementations, including commitment between leaders and their subordinates, improved management of regional property and receivables, improved human resource quality, the formation of teams, improvements in information technology, and the expansion of inspectorate's role as auditors. SIAP applications that are not optimised, as well as job transfers, are obstacles that must be overcome in order to keep the WTP's viewpoint.

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