



Assessing the Quality of Metro City Government Financial Report Disclosure

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ABSTRACT

This study is aimed at assessing the quality of disclosure of Metro City LKPD for the period 2014-2018 based on PP No. 71/2010. This research was conducted by comparing the disclosure items made by the Metro City Government with the disclosure items based on PP no. 71/2010. The results of the study found that the LKPD disclosure index by the Metro City Government during the period of receiving WTP opinions was low and the disclosure items that were obeyed were about inventory accounting and items about construction accounting in progress were disclosure items that were often violated. This finding has implications for improving the performance of BPK-RI so that the WTP opinion is given truly describes the real quality of financial management.

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1. Introduction

Government agencies are required to be able to make external financial reports by Government Accounting Standards including balance reports, budget realization reports, profit and loss reports, cash flow reports, as well as performance expressed in financial and non-financial measures as a form of public accountability (Mardiasmo, 2009). Accounting standards are needed so that accounting practices and also the presentation of the organization's financial statements are by the established rules so that they can get the best opinion, namely the Unqualified Opinion (WTP). For this reason, disclosure is something that must be fulfilled by local governments to maintain the quality of financial reports (Peraturan BPK RI No.4/K/1-XIII.2/7/2014). This is confirmed by the results of research (Latjandu et al., 2016; Mulyani, 2014) states that disclosure has a positive and significant effect on the quality of financial statements. Disclosure of financial statements is very important to reduce information asymmetry (Khomsiyah & Susanti, 2003) as well as assisting investors in determining their return and investment (Ghozali & Chariri, 2007).

During the 2014-2018 period, the Metro City Government financial reports received WTP opinions. This shows that Metro City's financial reports are of very high quality, but during that period there were still 89 cases of audit findings by BPK-RI. This condition certainly leaves a big question, considering that the WTP opinion is an indicator that the financial management of an organization is by Government Accounting Standards (SAP).

Research on the disclosure of local government financial statements in Indonesia has been carried out by several researchers with the results that the level of mandatory disclosure of financial statements is still low, namely below 60% (Herawaty & Susanto, 2009; Liestiani & Martani, 2010; Setyaningrum & Syafitri, 2012). This illustrates that local governments in Indonesia have not fully implemented SAP and also have not considered the importance of disclosure of financial statements and this condition has not been in line with the increase in the local government's WTP opinion which increases every year. In addition, the research results (Rini & Sarah, 2015) stated that the level of disclosure does not have a significant relationship with the opinion of BPK-RI.

This research is important to do to assess the quality of disclosure of financial statements of the Metro City Government which incidentally during the period 2014-2018 received WTP opinions and also as an effort to synchronize the WTP opinions with the quality of disclosure.

2. Literature Review

Government financial reports are a form of accountability for the head of government for the use of public funds entrusted to the government in the form of balance sheets, budget realization reports, income statements, cash flow statements, equity reports, and disclosures in the form of notes to financial statements are an integral part of financial statements (UU No.17/2003). Disclosure of government financial statements is to provide complete information needed by users (PP No.71 Tahun 2010) such as local government management, regional legislatures, creditors, and the community (Bastian, 2006) to minimize miscommunication and assist the decision-making process. Meanwhile, (Healy & Palepu, 2001) explained that disclosure is a medium of communication of financial and non-financial economic information about the financial position and performance of the organization. Disclosure of financial statements consists of mandatory disclosures and voluntary disclosures. Mandatory disclosures are disclosures that are required by government regulations to avoid users of financial statements from biased information, while voluntary disclosures are disclosures that are not required by regulations but are very important to improve the entity's reputation and help investors to invest (Na'im & Rakhman, 2000). Disclosure is closely related to the opinion given by BPK RI, considering that BPK-RI in providing an opinion on financial management also assesses the adequacy of disclosure made by the entity (Rini & Sarah, 2015).

PP No. 71/2010 to appendix II explains that Government Accounting Standards stipulate 34 mandatory disclosure items on local government financial statements including 3 disclosure items regarding inventory, 6 disclosure items regarding investment, 12 disclosure items regarding fixed assets, 5 disclosure items regarding construction in progress, and 8 disclosure items about obligations. This disclosure is intended to provide complete information on financial statements so that it can assist users in making decisions (Haryadi et al., 2015).

3. Research Methodology

This research is qualitative research, where the disclosure data is obtained from the financial statements of the Metro City Government for 2014-2018 which are sourced from the BPK-RI Lampung region. Disclosure is presenting complete information for user needs as measured by the disclosure index (Arifin et al., 2013; Liestiani & Martani, 2010; Setyaningrum & Syafitri, 2012) where each disclosure item will be given a value of 1 if disclosed and a value of 0 if not disclosed. The analysis technique is carried out by comparing the disclosures in the financial statements compared to the mandatory disclosures according to SAP (Rahayuningtyas & Setyaningrum, 2018; Rusherlistyani & Heriningsih, 2013) and the value of the disclosure index is obtained by calculating the total value for each item compared to the total number of disclosure items required by SAP.

4. Result and Discussion

One very important part of assessing the quality of an entity's financial statements is to assess the adequacy of disclosure. This disclosure is intended to provide complete information on financial statements so that it can assist users in making decisions (Haryadi et al., 2015). The results of the disclosures made by the Metro City Government for the 2014-2018 financial statements that received a WTP opinion showed a low disclosure index, where the disclosure index value for each period was still below 50%. Metro City Government in 2014 only disclosed 12 items (equivalent to 35.29%) consisting of 2 items regarding inventory, 1 item regarding investment, 4 items regarding fixed assets, 1 item regarding construction in progress, and 4 items regarding liabilities. In 2015-2017 the Metro City Government only disclosed 13 items (equivalent to 38.24%) every 3 items regarding inventory, 2 items regarding investment, 4 items regarding fixed assets, 1 item regarding construction in progress, and 3 items regarding liabilities. Whereas in 2018 the Metro City Government also only disclosed 12 items (equivalent to 35.29%) with a composition of 3 items regarding inventory, 2 items regarding investment, 4 items regarding fixed assets, 1 item regarding construction in progress, and 3 items regarding liabilities.

Disclosure items that have the highest value during the observation period are items about accounting for inventory by 66.6% to 100%, while the disclosure items with the lowest value are items about accounting for construction in progress of 16.6%. Overall the disclosure index that has been carried out by the Metro City Government during the WTP opinion period, namely 2014-2018 is shown in the following table:

Table 1. Metro City Financial Report Disclosure Index for the 2014-2018 Period

Year	2014	2015	2016	2017	2018
Total Disclosure Score	12	13	13	13	12
%	35,29 %	38,24 %	38,24 %	38,24 %	35,29 %

Source: Data Processed, 2020

These findings are in line with research (Herawaty & Susanto, 2009; Liestiani & Martani, 2010; Setyaningrum & Syafitri, 2012) which states that the level of disclosure of financial statements by local governments in Indonesia is still relatively low with a disclosure index value below 60%. The low disclosure index occurs due to the lack of maximum legal sanctions given by related parties for the low disclosure of financial statements by local governments. This of course will have a bad impact on users of financial statements, namely users will experience problems and even wrong/wrong decisions caused by very limited disclosure so that in the end it will have a bad impact on the sustainability of the organization due to errors in decision making.

5. Conclusion

This research succeeded in finding that the disclosure index of financial statements by the Metro City Government during the period of receiving the WTP opinion was low and the disclosure items that were complied with were inventory accounting and construction in progress accounting items were disclosure items that were frequently violated. This finding indicates that the WTP opinion from BPK-RI does not necessarily guarantee that the level of disclosure of financial statements at the local government is by existing regulations so that BPK-RI as the institution conducting the audit to improve its performance so that the WTP opinion given is true correctly describes the real quality of financial management.

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Appendix 1 Item Pengungkapan LK Kota Metro Periode 2014-2018 Berdasarkan PP No. 71/2010

No	Pengungkapan Wajib Berdasarkan SAP	Tahun				
		2014	2015	2016	2017	2018
Akuntansi Persediaan						
1	Kebijakan akuntansi dalam pengukuran persediaan	1	1	1	1	1
2	Penjelasan lebih lanjut tentang persediaan	1	1	1	1	1
3	Kondisi persediaan	0	1	1	1	1
Total		2	3	3	3	3
Indeks Pengungkapan Persediaan		66,6 %	100%	100%	100%	100%
Akuntansi Investasi						
4	Kebijakan akuntansi dalam penentuan nilai investasi	0	1	1	1	1
5	Jenis-jenis investasi (permanen dan non permanen);	1	1	1	1	0
6	Perubahan harga pasar investasi	0	0	0	0	0
7	Penurunan nilai investasi dan penyebabnya	0	0	0	0	0
8	Investasi yang dinilai dengan nilai wajar	0	0	0	0	0
9	Perubahan pos investasi	0	0	0	0	0
Total		1	2	2	2	2
Indeks Pengungkapan Akuntansi Investasi		16,6 %	33,3 %	33,3 %	33,3 %	33,3 %
Akuntansi Aset Tetap						
10	Dasar penilaian untuk penentuan nilai tercatat	1	0	0	0	0
11	Rekonsiliasi jumlah awal dan akhir periode	1	1	1	1	1
12	Informasi penyusutan	0	1	1	1	1
13	Eksistensi dan batasan hak milik terhadap aset tetap	0	0	0	0	0
14	Kebijakan akuntansi tentang kapitalisasi yang berhubungan dengan aset tetap	1	1	1	1	1
15	Jumlah pengeluaran pada pos-pos aset tetap dalam konstruksi	1	1	1	1	1
16	Jumlah komitmen akuisisi aset tetap	0	0	0	0	0
17	Dasar peraturan untuk penilaian kembali aset tetap	0	0	0	0	0

18	Tanggal efektif penilaian kembali	0	0	0	0	0
19	Jika ada, nama penilai independen	0	0	0	0	0
20	Panduan yang digunakan dalam menentukan biaya pengganti	0	0	0	0	0
Total		4	4	4	4	4
Indeks Pengungkapan Akuntansi Aset Tetap		36,3 %	36,3 %	36,3 %	36,3 %	36,3 %
Akuntansi Konstruksi Dalam Pengerjaan						
21	Nilai tertulis setiap jenis aset tetap	1	1	1	1	1
22	Rincian kontrak konstruksi dalam pengerjaan	0	0	0	0	0
23	Nilai kontrak dan sumber pendanaan konstruksi	0	0	0	0	0
24	Total biaya yang sudah dikeluarkan dan yang masih harus dibayar	0	0	0	0	0
25	Uang muka kerja yang diberikan	0	0	0	0	0
26	Retensi	0	0	0	0	0
Total		1	1	1	1	1
Indeks Pengungkapan Akuntansi Konstruksi Dalam Pengerjaan		16,6 %	16,6 %	16,6 %	16,6 %	16,6 %
Akuntansi Kewajiban						
27	Daftar utang	1	1	1	1	1
28	Jumlah nilai kewajiban jangka pendek serta jangka panjang dan jenisnya	1	1	1	1	1
29	Jumlah nilai kewajiban berupa hutang pemerintah berdasarkan jenis	1	1	1	1	1
30	Bunga pinjaman utang pada periode berjalan	0	0	0	0	0
31	Konsekuensi dilakukannya penyelesaian kewajiban sebelum tanggal jatuh tempo;	0	0	0	0	0
32	<i>Adendum</i> restrukturisasi utang	0	0	0	0	0
33	Jumlah tunggakan pinjaman	0	0	0	0	0
34	Biaya pinjaman	1	0	0	0	0
Total		4	3	3	3	3
Indeks Pengungkapan Akuntansi Kewajiban		50 %	37,5 %	37,5 %	37,5 %	37,5 %
Total Skor Pengungkapan		12	13	13	13	12
Indeks Pengungkapan		35,29	38,24	38,24	38,24	35,29