

# EFFECT FROM IMPLEMENTATION OF LOCAL FINANCIAL ACCOUNTING SYSTEM (LFAS) TO THE FINANCIAL ACCOUNTABILITY: CASE STUDY IN MELAWI REGENCY

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**Abstract** - This study aims to examine the implementation of local financial accounting system to the financial accountability. Subject of the research is local government of Melawi regency. Data used in this research are got by survey to officials of local government in some local agency in Melawi Regency. This research utilized the Moderated Regression Analysis. The findings indicated that the interaction only occurred between the Regional Financial Accounting System and financial accountability variables. The magnitude of the effect of the variability of financial accounting systems on financial accountability variables is shown by the adjusted R<sup>2</sup> of 0.606

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**Keywords** - Local Financial Accounting System, Financial Accountability, Moderated Regression Analysis, Melawi Regency.

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## I. INTRODUCTION

In local government, the creation of good governance is a requirement that must be met in providing public services provided to the community. Accountability shows that there is an obligation to report accurately and in a timely manner about information relating to the accountability of government administration. Accountability will be even better if supported by an accounting system that produces information that is timely, accurate and can be accounted for. On the other hand an obsolete and inaccurate accounting information system will destroy the joints of public participation, transparency and accountability [1]

Financial accountability made by local government agencies is not just a report on the performance and accountability of budgeting that is formal in nature, but contains credible information for its users. With credible information, users will be influenced in making the best decisions [2]. The implementation of the Local Financial Accounting System (LFAS) is expected to be able to meet the demands of accountability in financial statements made by Local Government Agencies.

The implementation of the Local Financial Accounting System is expected to meet the demands of the public regarding transparency and accountability from public sector institutions [3]. An important obstacle / challenge to achieving success of a new system implementation is the lack of attention to behavioral factors during implementation. It is also supported by a small amount of research conducted by taking into account behavioral factors during the implementation phase of the new system and the effect of the system on satisfaction and performance [4].

The Melawi Regency Government is one of the regional governments in the West Kalimantan Province which has reorganized the Regional apparatus which is manifested in the Melawi District Regulation Number 10 of 2016 concerning the

formation and arrangement of the Melawi Regency Regional Apparatus. Performance Accountability is the embodiment of the performance of the Regional Government to account for the success or failure of the implementation of the vision and mission of the organization in achieving the goals and objectives from the implementing the main tasks of an organization. Specifically, this research was motivated by the following factors: first, that since the enactment of RI Law No. 33/2004 concerning Financial Balance between the Central Government and Regional Governments and The Minister of Internal Affairs Regulation No. 29/2002 concerning the implementation of a new authority structure model and accounting information system design new for all regency/municipality in Indonesia, the Indonesian government has taken several steps to improve the performance of the public sector. Second, there is still little research on the implementation of new accounting systems in non-profit organizations. Third, there is still little research that focuses on the consequences of accepting the implementation of the new system, in previous studies the implementation of a system is only seen its impact on employee performance, and employee satisfaction [5 – 9].

This study examines the impact of the implementation of the Local Financial Accounting System on financial accountability, because local governments are required to be able to produce quality financial accountability that contains accurate / reliable and valid information that illustrates the performance of government agencies, as well as the realization of management and control accountability resources used for the implementation of activities in the relevant government agencies [10]

## II. LITERATURE REVIEW

Fiscal decentralization concept was initially based on Tiebout (1956) model which criticized solutions of

public goods provision through market mechanism, because public goods should have been provided by the government as tax compensation. Transfer of authority from central to regional government implies that regional government shall develop their region more creatively, because they are finally given full rights to explore all potential sources of regional revenue so that the benefits of economic development can really be spilled-over to each community member. Fiscal decentralization is an embodiment of regional autonomy in the delegation of functions, tasks, authorities, and affairs from the central government to regional government [11]. The Decentralization implementation in Indonesia has an influence on the existence of sub unit managers in the formation of accounting innovations. When decision making is centralized, managers at the lower levels tend to not have enough authority to influence the design or formation of a system [5]. According to Government Regulation No. 56/2005 concerning the Regional Financial Accounting System, the Central and Local Governments are obliged to develop and utilize advances in information technology to improve their ability to manage regional finances, and to channel regional financial information to public services. For this reason, the Government needs to optimize the use of information technology advancements to build a management information system network and work processes that enable the government to work in an integrated manner by simplifying access to all work units. This Government Regulation requires all relevant Local Government officials to be able to implement the Regional Financial Accounting System in each region. The achievement of implementing a system lies with the worker/employee, if a system fails then it can be estimated that 80 percent to 90 percent of the possibility of the problem is come from the worker/employee. Employee behavior factors greatly influence the successful implementation of a system [12]. In addition, the use of information systems is expected to increase financial accountability in the government sector. In the bureaucracy environment, accountability of a government agency is a manifestation from the obligation of government agencies to account for the success or failure of the implementation of the mission of the agency concerned [13]. Various definitions of information technology theory developed by many experts. Ones is stated that Information Technology is all forms of technology applied to process and transmit information in electronic form [14]. There is another definition, Information Technology is technology that combines computing (computers) with high-speed communication lines that carry data, voice and video [15]. Implicitly and explicitly IT is not just a form of computer technology, but also includes communication technology. In other words, what is called Information Technology is a combination of Computer Technology and Telecommunications Technology.

The Local Financial Accounting System (LFAS) also involves information technology in its data processing. The data processing is assisted by information technology software as Local Management Information System (in Indonesia, it is known as SIMDA). The connection between the uses of information technology in the implementation of the Local Financial Accounting System (LFAC) is expected to be able to help employees in their work processes. Program accountability is related to the consideration about objectives achievement and the availability of alternative programs that provide optimal results with minimal costs. Accountability policy is related with the responsibility for the policies taken by government, both in the level central and local government.

### III. MATERIALS AND METHODS

This study uses primary data obtained from surveys. The population of this study was 5 officials from 27 regional officials in the Melawi Regency Government Environment. The sub-population involves local government officials in Melawi Regency. The following is a research table below.

No.	Local Officials	Sample
1.	The Regional secretariat	5
2.	The Council Reginal Secretariat	5
3.	The department of Agriculture and Fisheries	5
4.	The department of food and plantation	5
5.	The officials of public works and spatial planning	5
6.	The department of cooperation, SMEs, and Trade	5
7.	The department of health	5
8.	The department of education and culture	5
9.	The department of youth, sport, and tourism	5
10.	The department of social service	5
11.	The department of Archive and Library Service	5
12.	The bureau of regional planning and development	5
13.	The department community and village empowerment	5
14.	The department Department of Population Control, Family Planning, Women's Empowerment and Child Protection	5
15.	The Inspectorate	5
16.	The department of Population and Civil Registration	5
17.	The department of Public Housing, Settlement and Land Areas	5
18.	The department of transportation	5
19.	Human Resources and Human Resources Development Agency	5
20.	The department of labors	5
21.	The department of Environment	5
22.	Investment and One Stop Integrated Services Office	5
23.	Regional Financial and Asset Management Agency	5
24.	The Local Police	5
25.	The department of regional disaster prevention	5
26.	The department of Local Income	5
27.	The Nanga Pinoh district office	5
	Total	135

**Table 1 The Research Population**

The independent variable used in this study is SAKD implementation. The Local Financial Accounting System (LFAS) is defined as a series of processes starting from recording, classifying and summarizing financial transactions and/or events as well as financial reporting in the context of implementing the Local Planning of Revenue and expenditure on the local officials which can be carried out manually or computerized (The Minister of Internal Affairs Regulation No.13 of 2006 as amended by The Minister of Internal Affairs Regulation No.59 of 2007). Measurement of the financial accountability variable uses 3 (three) question items with a Likert scale of 1 (one) to 5 (five) containing a range of 1 (one) to strongly disagree to 5 (five) strongly agree. The moderating variable in this study is LFAS design. The SAKD design is the involvement of the regional government apparatus in reconstructing the system in accordance with the needs of each region. Measurement of LFAS design variables uses 3 (three) question items with a Likert scale of 1 (one) to 5 (five) containing a range of 1 (one) for Strongly Disagree to 5 (five) strongly Agree.

The statistical analysis used in this study is multiple regression analysis as a model used to predict the causal relationship between the dependent variable and several independent variables. Simple linear regression to estimate the relationship between the LFAS with financial accountability and the relationship between moderating variable LFAS design on financial accountability. Moderated regression analysis (MRA) is used to determine the interaction relationship between variables [16]. The statistical equation used is as follows:

$$AK = a + b_1 LFAS + e \quad (1)$$

$$AK = a + b_1 LFAS + b_2 DES + b_3 LFAS * DES + e \quad (2)$$

Where

FA = financial accountability  
LFAS = Local financial accounting system  
DES = LFAS design

If the DES variable is a moderator variable, so the coefficient b3 must be significant at 0.05 or 0.10.

#### IV. ESTIMATION RESULT AND DISCUSSION

Before estimating the research model above, the validity and reliability tests are first performed. The results of these tests are listed below.

No.	Variable	Cronbach Alpha Value	Remarks
1.	LFAS Implementation	0.876	Reliable
2.	Financial Accountability	0.771	Reliable
3.	LFAS Design	0.854	Reliable

Source: primary data, processed

**Table2: The result of Validity Test**

No.	Variable	Sig. level	Corr Range	Remarks
1.	LFAS Implementation	0.754**-0.848**	0.01	Valid
2.	Financial Accountability	0.655**-0.757**	0.01	Valid
3.	LFAS Design	0.814**-0.868**	0.01	Valid

**Table3: The result of Reliability Test**  
Source: primary data, processed

The data in this study have passed the classical assumption test.

Based on the estimation results, it was found that the interaction only occurred between the Regional Financial Accounting System and financial accountability variables.

The magnitude of the effect of the variability of financial accounting systems on financial accountability variables is shown by the adjusted R2 of 0.606. This means that 60.6% of the variation in financial accountability can be explained by variations in the Regional Financial Accounting System variable.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	15.699	2.323		6.758	.000
Implementation of LFAS	.072	.124	.081	4.583	.003

**Table 4: The relationship between the Regional Financial Accounting System with financial accountability**

Acceptance of system implementation is a very important part of the spectrum of overall control mechanisms that are used to motivate, measure and give a sanction to the actions of managers and employees of the organization. Acceptance of system implementation can improve the planning and control of organizational activities better so as to improve performance [9]. In the local government environment, acceptance of LFAS implementation will increase the effectiveness and efficiency of resources. The consequences of implementing LFAS can help officials work more efficiently align with the suitability of the task, so it is concluded that the application of LFAS will improve performance in the form of financial accountability [5].

In the government sector, the Regional Financial Accounting System (LFAS) has proven to be able to increase the financial accountability of regional governments. This can be seen and proven by the results of audits of good local government financial reports and timely presentation of financial statements.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	16.483	2.506		6.578	.000
Implementasi_LFAS	.069	.208	.078	.335	.739
interaction	.007	.008	.197	3.849	.001

**Table 5: The interaction of Moderated Regression Analysis**

The design of the Local Financial Accounting System is proven to strengthen the effect of LFAS implementation on financial accountability. Some previous research supported the findings of this research [5, 9]. In the government environment, regional employees are given the authority to reconstruct or design the Local Financial Accounting System in accordance with the needs of their respective regions. Employees are also given the authority to be directly involved in the preparation of system design. The involvement in designing LFAS has proven to have a positive effect, which is proven that employees involved in developing a system design have proven capable of helping LFAS implementation be accepted. These results are consistent with the Theory of Reasoned Action regarding the attitudes and behavior of individuals in carrying out reasonable activities in the context of the use of information technology. If this is related to local government officials, it can be seen that the attitude of local government officials who are willing to accept LFAS implementation is a result of the influence of LFAS design.

## V. CONCLUSION AND SUGGESTIONS

The findings of this study are that the implementation of the Regional Financial Accounting System is proven to have a positive effect on financial accountability. The consequences of implementing LFAS can help work be more efficient and effective in line with the suitability of the task, so as to improve performance in generating financial accountability. The LFAS design has been proven to strengthen the influence between LFAS implementation and financial accountability. In addition, the involvement of the Employees in designing LFAS was proven to have a positive effect, which proved that the employees involved in designing a system helped accept the implementation of SAKD. Thus the success of LFAS implementation will also have an impact on improving organizational performance in generating financial statement accountability.

It is recommended to the Local Government of Melawi Regency to be able to put more emphasis on the use of a better and easier, more thorough and transparent recording system, which is a recording system by double entry and using the accrual basis principle. This is further strengthened by the implementation of decentralization which requires

employees to be able to adjust to changes in the work environment that occur, besides that decentralization also results in the employees of regional government officials having the freedom to reconstruct their financial information systems. With the implementation of the Regional Financial Accounting System aimed at managing funds in a transparent, efficient, effective and accountable manner, it is expected to be able to improve financial accountability, especially at the Regional Government.

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