

Institutional Innovation in development administration to respond the problems of transparency and accountability

A case study of "Accounting Clinic" in Aceh Tamiang Regency, Indonesia

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Abstract—One of the problems of development administration in developing countries is the transparency and accountability in the management of local development budgets. In Indonesia, the indication can be identified from the weak preparation and presentation of financial statements of local government. There are still many financial statements which do not fulfill the accounting standards of government. As a result, most of the district / city government did not obtain good results of the audit opinion from the Financial Auditor Board. To increase transparency and accountability in the management and financial area, Aceh Tamiang Regency in Aceh Province undertook an institutional innovation in the form of "Accounting Clinic" in 2013. The innovative approach to financial management in this new autonomous region facilitates three functions performed by the accounting clinic: (1) the implementation of accounting services and educational and mini training issues, (2) review of accounting policies and the district government accounting system, (3) the implementation of simulation preparation of financial statements; and (4) the implementation of the supervision and assistance in the preparation of financial statements. This case study explored the process of establishing institutional innovation in the form of accounting clinic and its success in obtaining unqualified audit opinion from the Financial Audit Board in 2015.

Keywords—*development administration, accounting clinic, transparency, accountability*

I. INTRODUCTION

The challenge of developing countries in the democracy era is to realize the development of accountable administration (Baaklini, 2002). Lack of resources both human and budget development is faced with the demands of society that development is more transparent and accountable administrator. In developing countries which have been transforming into a democratic country, the situation is not easy to overcome. Bureaucracy in developing countries is still a source of inefficiency. The utilization of the development budget has not been able to achieve an optimal level and even fail to fulfill regulations.

Accountability and transparency are the common government problem in developing country. This government usually tries to change the centralized model into the decentralized model, but then it is difficult to control the autonomous region (Bardhan dan Mookerjee, 2006). Indonesia is one of the developing countries that experience this problem. Sukmadilaga et al. (2015) stated that disclosure level, as part of transparency indicator, in ASEAN Country including Indonesia and Malaysia is relatively low.

The audit opinion by the Financial Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan/BPK) shows a good trend in the quality of local government financial report. During 2009-2013, the number of the unit with the unqualified opinion (the best audit opinion) increases from 3% to 30 % (BPK, 2015). It means that the accountability and transparency of local government arises.

One of the important phenomena that should be noted is the increasing number of the best quality report. It has emerged a question why there are only 30% of total local government financial reports that have the best quality reports each year? The Indonesian government does not only develop economic sector but also develop a number of the citizen. The local region with sufficient number of citizens can propose to be a new autonomous region separates from the parents region. This new region usually struggles with the new management including making financial reports (BPK, 2009). Aceh Tamiang is one of new local government that has been founded since 2002 while a policy of local autonomous region started in 1999 under the 1999 of Indonesia Law Number 22

To increase transparency and accountability in the management and financial area, in 2013 an institutional innovation in the form of "Accounting Clinic" has been conducted by the Regional Government of Aceh Tamiang. Not many government districts / cities in Indonesia perform innovative breakthrough primarily to address issues of accountability and transparency in the management of local development budget (see <http://www.kemendagri.go.id/news/2015/11/24/ayo-kepala-daerah-bikin-inovasi-laporan-keuangan-akuntabel>). The success story of Aceh Tamiang Regency in creating institutional innovation of financial

management in the form of accounting clinic is an interesting case to be explored. Therefore, this paper aims to describe the formation process of innovation and its impact on the quality of financial management.

II. RESEARCH METHOD

A qualitative approach with a case study is applied to describe the process of Accounting Clinic Formation in Aceh Tamiang Regency involving prior situation, motives, and impacts on the improvement of financial report statement. Informants are purposively selected from regency secretary, head of regency financial and asset management and their accounting clinic staffs. Data is analyzed by the interactive model of Miles et al (2013): data collection, data condensation, data display and conclusion drawing.

III. RESULTS AND DISCUSSION

A. *Financial Management Before Formation of Accounting Clinic*

The practice of using local government funds through the bill receipt mechanisms is commonly found in the bureaucracy of local government in the province of Nanggroe Aceh Darussalam. The practice is actually categorized as a form of deviation. The disbursement process becomes unaccountable because it is not based on the legal documents such as the Payment Order (SPM) or Warrant Disbursements (SP2D). Interestingly, the disbursement of funds only relies on receipts.

Deviation uses of bill receipt are also found in the district of Aceh Tamiang. According to data from the CPC, until the beginning of 2013 the amount of bill receipt is Rp 17,131,873,291 which is not supported by the evidence of unauthorized use. According to the Secretary of Aceh Tamiang, "Many officials use bill receipt but its use is unclear. The trend occurred since 2005-2007. Consequently, the balance sheet becomes unhealthy".

The strong perception that realization is more important than accountability is other factors that lead to irregularities in the financial management area. The Head of Aceh Tamiang Financial and Assets Management Agency (DPPKA) said that "the behavior local agencies (SKPK) are more concerned to overcome the obstacles in the realization / disbursement. However, the behavior SKPK become less responsive when they are reminded to prepare the budget realization reports quarterly, semiannual and annual ". This fact shows that the capacity of SKPK in the preparation of financial accountability report is still very weak.

The weak capacity of the resource according to senior staff of DPPKA caused by the recruitment process of civil servants which are not based on a merit system. The small number of employees who are competent in the field of accounting compared to the abundance of employees in other fields indicates an inequality in the allocation of employee needs. As a result, the behavior of financial management tends to unorganized and not supported by the evidence of expenditures with good documentation.

B. *Concept of Accounting Clinic*

The name of the "Accounting Clinic" is adopted from the results of a comparative study held by DPPKA Team of Aceh Tamiang to the Ministry of Finance in 2015. Previously, accounting clinical practice is already conducted by DPPKA since 2014. However, this practice has no name. At that time,

the audit found out the irregularities in the bill receipt. Then in 2014, there is initiative to organize a joint team of DPPKA and BPKP (development financial audit board) to overcome the problems of the bill receipt for two months.

One crucial issue discovered by a team is the low practice of transparency and accountability in financial management work units. It happened due to the low capacity of master of accounting clerks. Therefore, to improve the quality of accrual-based financial statements and timely, local government agencies adopt Accounting Clinic. The goal does not only to bring employees with good competency in accounting from various units into a single unit, but also to facilitate various efforts to provide assistance for SKPK in every transaction. In addition, the accounting clinic also intended to provide for education and discussion on the application of accrual accounting in the financial statements, identifying the needs of consultation and assistance and train of SKPK related to the implementation of accrual accounting and accrual-based financial statements.

The meaning of "Clinic" itself is a place of treatment or cure of disease. The establishment of the accounting clinic is expected to provide a therapy for various "diseases" dealing with the lack of accountability in financial management. The clinic has eight staffs with competence on overcoming the financial problems. Financial record founded by the staffs will be used as an evaluation instrument for the financial management in each work unit.

C. *Motivation Behind Formation of Accounting Clinic*

The root of the financial management problem in the district of Aceh Tamiang is the lack of human resources that are competent in accounting and the funding to recruit employees with accounting educational background. Currently, there are only seven employees with accounting educational background. Meanwhile, the work units that need to be supported are 58 units. The situation is very difficult for work units of local government to be able to make accountability reports in accordance with applicable regulations.

The constantly changing regulation and the demands of accrual-based financial reporting should be timely to encourage the Regional Secretary and Head of DPPKA to make an innovation in delivering services of financial administration. Implementation of Government Regulation No. 71 of 2010 concerning the Government Accounting Standards (SAP), particularly Article 4 confirms that the Government applies Accrual Based Accounting Standards. Therefore, the principles, the basics, the conventions, the rules and the practices of the cash-based accounting shifts into more complicated accrual and a lot more financial information presented in various types of reports. Even though its implementation is no later than 2015, the Government of Aceh Tamiang attempts to anticipate the worry of declining quality of local government financial reports. This policy pressure then pushes Aceh Tamiang Regency to form the Clinic.

D. *The Impact of Accounting Clinic*

Innovative approach to financial management in the autonomous regions of Aceh Tamiang facilitated three functions performed by the clinic accounting: (1) the implementation of accounting services and education problems and mini training, (2) review of accounting policies

and the accounting system of the district government, (3) the implementation of simulation preparation of financial statements; and (4) the implementation of the supervision and assistance in the preparation of financial statements. Impact of Accounting Clinic formation can be seen in the last three years (2013-2015). Since its creation in 2013, the Accounting Clinic have successfully saved the state losses amounting to 12 percent, and in 2015, the value of the loss can continue to be reduced to 14 percent. Finally, the BPK delivered a best opinion audit to the Aceh Tamiang Regency for their achievement and strong motivation to present financial statement report in 2015.

Other impacts on the accounting clinic are (1) increasing awareness among local government agencies mainly for those who have a huge budget to be managed in more accountable and transparent in spending and reporting their expenses, (2) increasing obedience among local government agencies to complete their financial statement report at the right time, and (3) preserved financial stability in Aceh Tamiang from misusing public funds.

E. Discussion

Modernizing a governmental accounting system with accrual basis to replace cash basis in Aceh Tamiang Regency has been stimulated by the problems of misusing public funds by the government officers. Before application of accrual basis accounting, public funds are utilized by public officers without well documented proofs. Consequently, as BPK audits financial statements annually, they found many public expenses without accountable and transparent ways. To overcome this problem, then the government of Aceh Tamiang Regency establishes an accounting clinic as a innovative way to institutionalize accrual accounting system.

A study of Burca and Martinez (2015:18) also found similar findings with our study. In their study, adoption of modern accounting systems in American and Europe Union Countries, has encouraged and improved transparency and accountability in governmental financial reporting systems. In Aceh Tamiang Regency, adoption of accrual basis supported by the accounting clinic has led them to gain unqualified audit opinion by BPK in 2015. Therefore, to spread out benefits of accrual basis should be endorsed by innovative ways.

In addition to achieve excellent audit valuation, the role of accounting clinic also has given positive changes on bureaucracy behavior in managing public funds. Bolivar and Galera (2016) also found that administrative reform has been promoted by changes in financial reporting systems. Efficiency and transparency values can be enhanced through improvement of governmental financial reported to citizens.

The main key to innovation in public sector is the role of administrative leadership in improving the performance of public sector organization (Orazi et al, 2013). In our study, we found that the head of regency government and the secretary of regency showed a strong commitment of preserving transparency and accountability values in managing public funds. Though unavailability of competent staffs in accounting field, they decided to implement accrual basis in their accounting system two years earlier than other regencies. This evidence shows that innovation to improve performance of public sector should be facilitated by the top administrative leadership.

IV. CONCLUSION

A qualitative analysis of institutional innovation in the form of Accounting Clinic in Aceh Tamiang Regency seems to suggest that the role of a top administrator is critical in driving institutional changes. Lack of competent staffs at a local level can be overcome by their leaders and transformed into a single unit serving administrative services for all government units. Finally, the existence of Accounting Clinic has provided great benefits and significant impacts on improved transparency and accountability among local government agencies in managing their public funds.

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