

## The Practice and Challenges of Utilization of Accrual Information – Indonesia Experience

Indonesian government started financial management reform almost two decades ago. The reform has reinvented every aspect of the budget cycle, from planning, budgeting, budget executing, reporting and auditing. Indonesian government has introduced massive reform in accounting with the implementation of accrual accounting and the utilization of accrual information in policy/decision making process.

The implementation of accrual accounting has significantly improved the quality of financial statements, and the accrual information prepared within the financial statements. The quality of accrual information for accountability and transparency is sustained by the harmonization of accrual-based Indonesian Government Accounting Standards (IGAS) with IPSAS and other international best practices. The improved quality of accrual information is confirmed by the increasing number of line ministries and regional governments that have been receiving consecutive unqualified audit opinions. Indonesia government has received unqualified audit opinions for six consecutive fiscal years since 2016.

Government has recognized the importance of accrual information in the policy/decision making process since the beginning of the financial reform. Industry revolution 4.0, Covid-19 pandemic, performance and non-financial reporting, climate change and sustainability reporting have accelerated the utilization of accrual information. Although some studies challenge the utilization of accrual information in non-businesslike (part of) government (Christiaens and Rommel, 2008), Indonesian experience has proven otherwise by showing the utilization of accrual information in the macroeconomic statistics, balance sheet approach analysis, risk and sustainability analysis. However, the dual system of cash-based budgeting and accrual-based accounting, the gap between budget cycle and accounting cycle, the quality of regional government accrual information, and synergy between central and regional government have created challenges in the utilization of accrual information to strengthen policy/decision making within the budget cycle. The move to accrual and balance sheet based fiscal policy framework supported by national synergy among government and stakeholders will further enhance the utilization of accrual information.

The implementation of accrual accounting is a long-drawn process comprising of multiple change initiatives affecting regulations, business process, systems and people. It is expected to improve transparency and accountability of government, performance evaluation and quality in policy/decision making. The implementation of IGAS and development robust implementation strategies and business process, will ensure that accounting decisions are made in a unified and reasonable way.

There are no one-size-fits-all solutions for implementation of accrual accounting and utilization of accrual information in policy/decision making. However, key success factors can be identified. Indonesia experiences can become lessons learned for other countries in implementation of accrual accounting and utilization of accrual information in policy/decision making. While there are similarities in both the challenges and the benefits that adoption of accrual accounting and utilization of accrual information bring, every country is different and will therefore follow its own path towards achieving the objective.