



Indonesian Government
Accounting Standards Committee



Financial Reform for Economic Development
In Asia – Public Sector Forum 2016

Driving Future Outcomes from Past Experience

DAY 1
BREAKOUT 1:
WHAT ARE THE PRACTICAL CHALLENGES
IN IMPLEMENTING IPSAS?
– INDONESIA EXPERIENCE –

Speaker:

Binsar H Simanjuntak,

- 1. CHAIRMAN OF INDONESIA GOVERNMENT ACCOUNTING STANDARDS COMMITTEE***
- 2. DEPUTY FOR MONITORING OF GOVERNMENT INSTITUTIONS, BPKP INDONESIA***

Kuala Lumpur, Malaysia
May 17th, 2016

1. Indonesian Government Accounting Standards (IGAS) development
2. Implication of IGAS implementation
3. IPSASB study on Indonesian Adoption of Government Accounting Standards
4. Comparison of IPSAS and IGAS
5. Key Success Factors in Implementing IGAS/IPSAS
6. Conclusions

INDONESIAN GOVERNMENT ACCOUNTING STANDARDS (IGAS) DEVELOPMENT



Accrual Mandates

- Law 17/2003 on State Finance
- Law 1/2004 on State Treasury
- Law 15/2004 on Audit of State Finance Management and Accountability
- Law 23/2014 on Regional Governments
- Government Regulation 71/2010 on Government Accounting Standards
- Government Regulation 58/2005 on Regional Finance Management

Indonesian Government Accounting Standards Committee (KSAP)

- Organization
 - Independent Committee, mandated by Law, established by Presidential Decree
- Member
 - Representatives from Ministry of Finance, Ministry of Home Affairs, government internal auditors, other line ministries, local governments, accounting profession institutions (IAI) and academicians

Main strategies and references in standard development

- Main Strategies
 - Follow best international accounting practices
 - Consider existing conditions and needs in Indonesia (adaptation)
 - Transition periods/stages
- Main References
 - International Public Sector Accounting Standards
 - Indonesian Financial Accounting Standards
 - Financial Accounting Standards Board

Due Process

- Topic Identification
- Research
- Discussion of preliminary draft
- Decision making by the Committee
- Exposure Draft
- Limited hearings & public hearings
- Discussion of comments from hearings
- Request for Supreme Audit Institution (BPK) comments
- Discussion of Supreme Audit comments
- Finalization of the standards
- Standards promulgation & socialization.

IGAS development from time to time

PRE-REFORM ACCOUNTING TRADITION (until 2003)

- No Government Accounting Standards
- Cash-based reporting (Cameral system): cash basis information on revenue and expenditure, no accrual information

A MID WAY : THE CASH TOWARDS ACCRUAL BASIS (2004 – 2014)

- Implementation of Cash Towards Accrual Indonesian Government Accounting Standards (CTA IGAS)
- CTA accounting: cash basis information on revenue and expenditure, and accrual information on assets, liabilities and equities
- CTA IGAS applies to central and regional governments

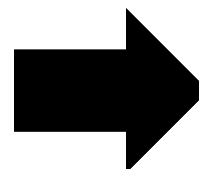
ACCRUAL ACCOUNTING (From 2015)

- Implementation of Accrual Indonesian Government Accounting Standards (Accrual IGAS)
- Accrual accounting: cash basis information on revenue and expenditure, and accrual information on revenue, expense, assets, liabilities and equities
- Accrual IGAS applies to central and regional governments

IMPLICATIONS OF IGAS IMPLEMENTATION

1. CHANGES IN FINANCIAL STATEMENTS

1. Statement of Budget Realizations
2. Balance Sheet
3. Statement of Cash Flows
4. Notes to the Financial Statements



1. Statement of Budget Realizations
2. Statement of Changes in Accumulated Budget Surplus Balance
3. Statement of Operations
4. Balance Sheet
5. Statement of Cash Flows
6. Statement of Changes in Equity
7. Notes to the Financial Statements

2. IMPACT ON SUPREME AUDIT BOARD'S AUDIT OPINION OF CENTRAL AND REGIONAL GOVERNMENTS' FINANCIAL STATEMENTS

Audit Opinion of Reporting Entities	Central Government						Regional Governments					
	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
Unqualified	42	50	61	62	65	62	15	34	67	120	156	252
Qualified	24	25	17	22	19	18	330	343	349	319	311	247
Disclaimer	7	2	2	3	3	7	111	119	100	79	46	35
Adverse	0	0	0	0	0	0	48	26	8	6	11	5
Total	73	77	80	87	87	87	504	522	524	524	524	539

Central Government Financial Statements gain Disclaimer opinion in 2004 – 2008, and Qualified Opinion in 2009 – 2014.

1. Dr. Andreas Bergmann, former Chairman of IPSASB, has conducted comparison study and gap analysis between Cash Toward Accrual Indonesian Government Accounting Standards (CTA IGAS) and IPSAS as benchmark in 2010. Each standard was analyzed considering Indonesia condition and situation at that time.
2. The study concluded that: (i) Indonesian CTA IGAS are going beyond the requirements of the Cash Basis IPSAS in all significant aspects, (ii) **Substantial convergence between CTA IGAS and IPSAS in many areas (small gaps only)**, and (iii) Action steps which have been taken the last few years in Indonesia have shown a huge progress in the accounting system.
3. The recommendations are:
 - a. Further development of IGAS on the basis of accrual IPSAS → updating on a current basis
 - b. Support the intended timetable to implement full accrual by 2015
 - c. The reliance on local knowledge should be maintained
4. Due to substantial convergence between IGAS and IPSAS in many areas, it is likely that practical challenges in implementing IGAS is similar to those of IPSAS.

COMPARISON OF IPSAS & IGAS

IPSAS

The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

IPSAS 1—Presentation of Financial Statements

IPSAS 2—Cash Flow Statements

IPSAS 3—Accounting Policies, Changes in Accounting Estimates and Errors

IPSAS 4—The Effects of Changes in Foreign Exchange Rates

IPSAS 5—Borrowing Costs

IPSAS 6—Consolidated and Separate Financial Statements

IPSAS 7—Investments in Associates

IPSAS 8—Interests in Joint Ventures

IPSAS 9—Revenue from Exchange Transactions

IPSAS 10—Financial Reporting in Hyperinflationary Economies

IPSAS 11—Construction Contracts

IPSAS 12—Inventories

IPSAS 13—Leases

IPSAS 14—Events after the Reporting Date

IPSAS 15—Financial Instruments: Disclosure and Presentation

IPSAS 16—Investment Property

IPSAS 17—Property, Plant, and Equipment

IPSAS 18—Segment Reporting

IPSAS 19—Provisions, Contingent Liabilities and Contingent Assets

IPSAS 20—Related Party Disclosures

IPSAS 21—Impairment of Non-Cash-Generating Assets

IPSAS 22—Disclosure of Financial Information about the General Government Sector

IPSAS 23—Revenue from Non-Exchange Transactions (Taxes and Transfers)

IPSAS 24—Presentation of Budget Information in Financial Statements

IPSAS 25—Employee Benefits

IPSAS 26—Impairment of Cash-Generating Assets

IPSAS 27—Agriculture

IPSAS 28—Financial Instruments: Presentation

IPSAS 29—Financial Instruments: Recognition and Measurement

IPSAS 30—Financial Instruments: Disclosures

IPSAS 31—Intangible Assets

IPSAS 32—Service Concession Arrangements: Grantor

IPSAS 33—First-time adoption of Accrual Basis IPSASs

IPSAS 34—Separate Financial Statements

IPSAS 35—Consolidated Financial Statements

IPSAS 36—Investment in Associates and Joint Ventures

IPSAS 37—Joint Arrangements

IPSAS 38—Disclosure of Interest in Other Entities

Accrual IGAS

The Conceptual Framework of the Government Accounting

Statement 1: Presentation of Financial Statements

Statement 2: Statement of Budget Realizations

Statement 3: Statement of Cash Flows

Statement 4: Notes to the Financial Statements

Statement 5: Accounting for Inventories

Statement 6: Accounting for Investments

Statement 7: Accounting for Fixed Assets

Statement 8: Accounting for Construction in Progress

Statement 9: Accounting for Liabilities

Statement 10: Correction of Errors, Changes in Accounting Policies, and Extraordinary Events

Statement 11: Consolidation of Financial Statements

Statement 12: Statement of Operations

Statement 13: Accounting for Public Service Agencies

Interpretation 1: Transaction in foreign currencies

Interpretation 2: Recognition of revenue received in State/Regional General Cash Accounts

Interpretation 3: Recognition of financing transactions received in/dispensed by State/Regional General Cash Accounts

Interpretation 4: Changes in Accounting Policies and Correction of errors without restatement

Technical Bulletin 13: Accounting for Grants

Technical Bulletin 15: Accounting for Fixed Assets

Technical Bulletin 16: Accounting for Receivables

Technical Bulletin 17: Accounting for Intangible Assets

Technical Bulletin 18: Accounting for Accrual Depreciation

Technical Bulletin 19: Accounting for Social Assistance

Technical Bulletin 20: Accounting for Loss and Indemnification

Technical Bulletin 21: Accounting for Liabilities

Technical Bulletin 22: Accounting for Transfers to Regional Governments

GOVERNMENT STRATEGIES TO IMPLEMENT IGAS

**DEVELOPMENT OF
LEGAL FRAMEWORK,
ACCOUNTING SYSTEM
& POLICIES**

- Formulate regulations, guidelines, business process, system and policies for accrual accounting

**DEVELOPMENT OF
INTEGRATED
FINANCIAL
MANAGEMENT
INFORMATION SYSTEM/
IT SUPPORT SYSTEM**

- Implement change of IT systems (hardware & software) for accrual accounting

**INFORMATION AND
COMMUNICATION**

- Secure high-level commitment from stakeholders

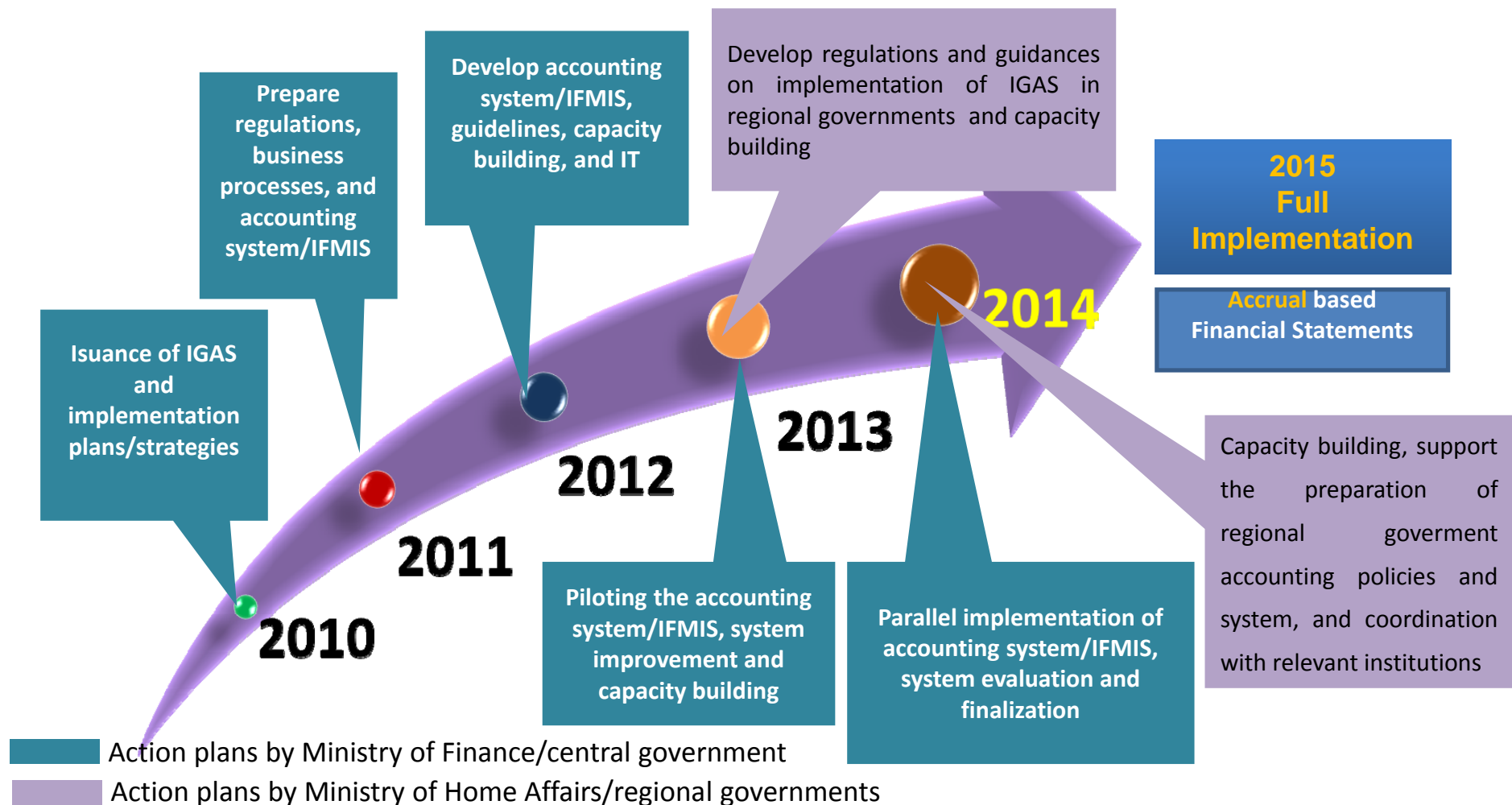
**CAPACITY
BUILDING/TRAINING**

- Training on regulations, IGAS, accounting policies and information system

Indonesian experience:

- Indonesian government has developed IGAS implementation and transition strategies.
- One of the transition strategies is to maintain a parallel system (accounting policies, chart of accounts and information system) in 2015 for the preparation of 2014 financial statement in cash toward accrual basis and the recording of 2015 transactions in accrual basis.

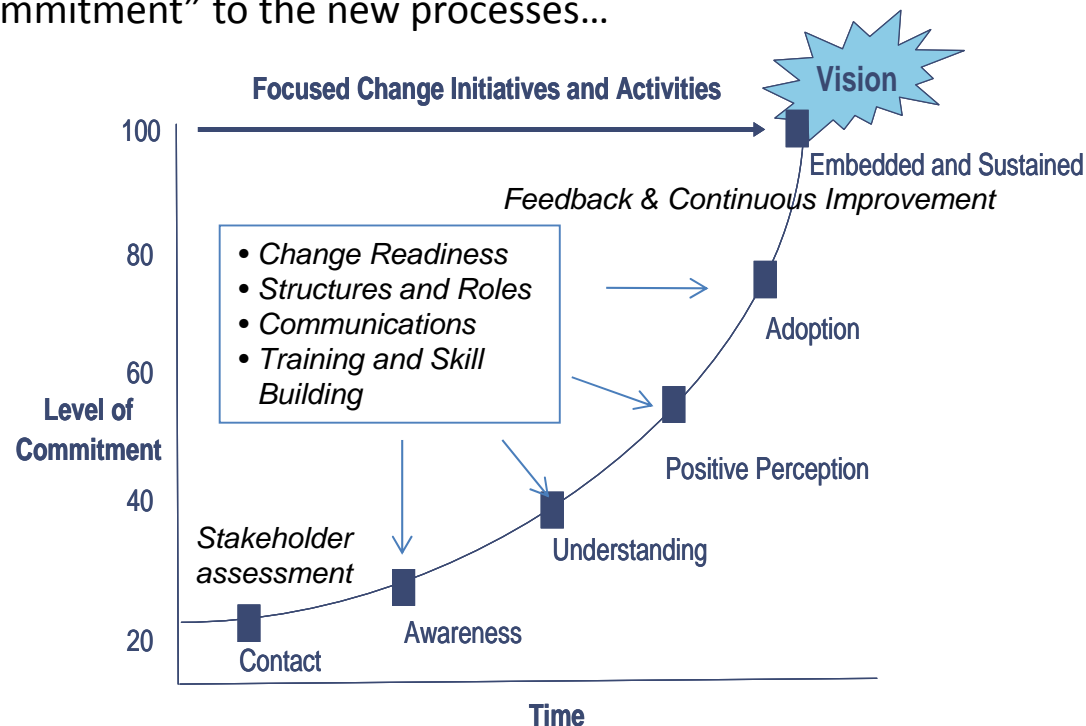
KEY SUCCESS FACTORS: 1. DEVELOPMENT OF ROBUST IMPLEMENTATION & TRANSITION STRATEGIES



Central Government and regional governments have developed implementation and transition strategies so that all stakeholders will understand, actively involved and adapt well to the change in order to support successful migration to accrual IGAS.

KEY SUCCESS FACTORS: 2. CHANGE MANAGEMENT AND STAKEHOLDER COMMITMENT

Change management will bring the stakeholders towards “commitment” to the new processes...



- **Contact** : Individuals have heard about change
- **Awareness** : Individuals are aware of the context, scope, concept and initiatives of change being pursued.
- **Understanding** : Individuals understand the change impact to the organization and their functional areas.
- **Positive Perception** : Individuals understand change impacts and benefits to them
- **Adoption** : Individuals are willing to work and implement the change
- **Embed and Sustain** : The change is the way the work is done

Indonesian experience

1. Obtain commitment and engagement of all relevant stakeholders:
 - a. Assign specific roles for implementation
 - b. Gain understanding and maintain good communication
 - c. Establish accountabilities.
2. Change management

3. ALIGNMENT OF IGAS WITH OTHER REGULATIONS/BUSINESS PROCESSES

LEGAL FRAMEWORK (REGULATIONS)

- State Finance Law mandates the implementation of accrual accounting. Cash based recognition and measurement for revenue and expenditure will be used until the implementation of accrual accounting takes place.
- Government Regulation 71/2010 on Government Accounting Standards (IGAS) mandates implementation of accrual accounting no later than 2015. Further provisions on accrual IGAS implementation at Central Government shall be regulated by the Minister of Finance (MOF) Regulation, while accrual IGAS implementation at regional governments are regulated by the Minister of Home Affairs (MOHA) Regulation
- Indonesian government harmonizes accrual IGAS and accounting policies with regulations in budget, budget execution, treasury management (national and regional financial management).

ACCOUNTING POLICIES AND SYSTEMS

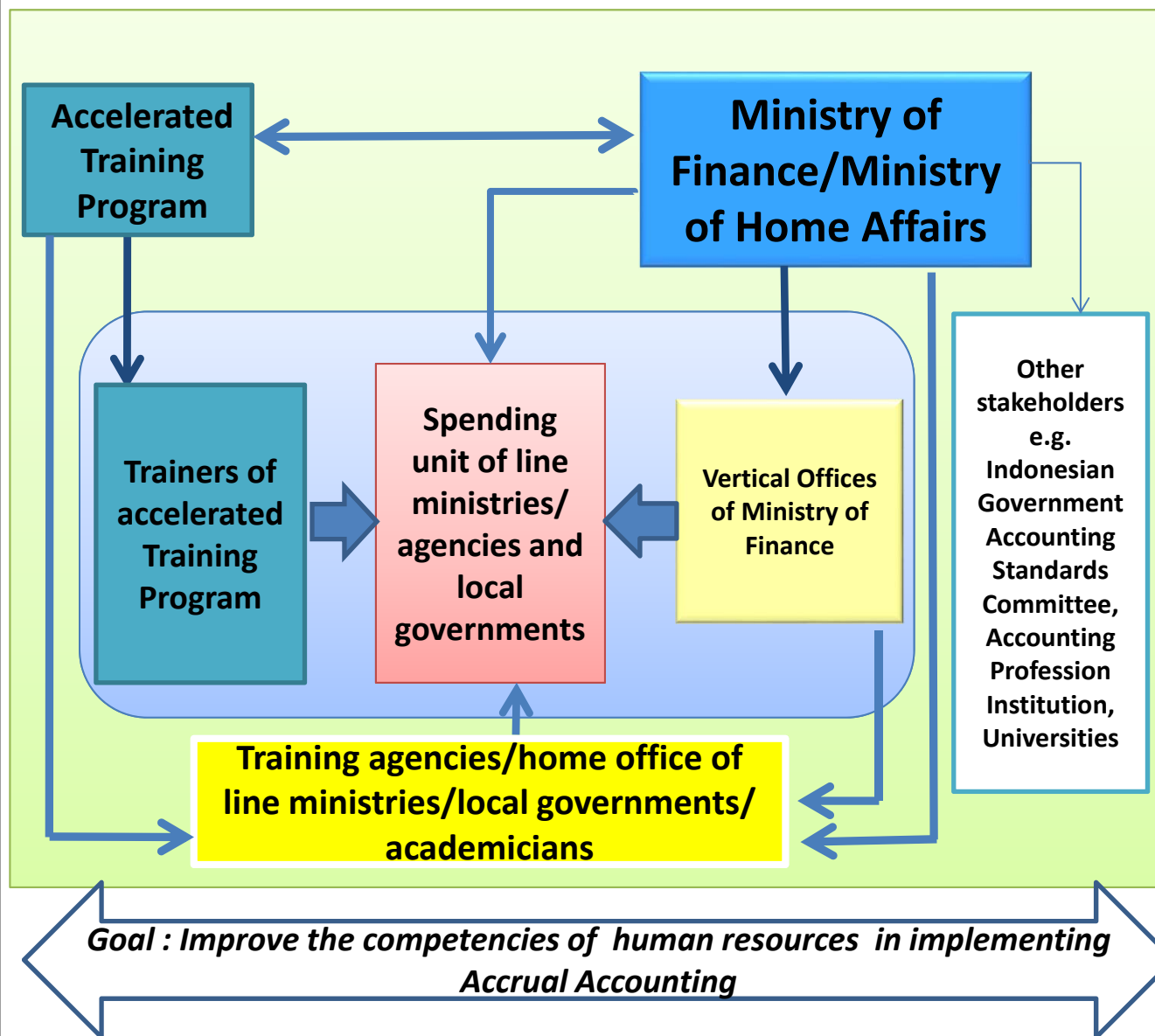
Central Government	Regional Governments
<ul style="list-style-type: none"> • MOF Regulation 213/2013: Central Government Accounting System • MOF Regulation 214/ 2013:Chart of Accounts • MOF Regulation 215/ 2013:Standard Journal • MOF Regulation 219/ 2013: Accrual Accounting Policies 	<ul style="list-style-type: none"> • MOHA Regulation 64/2013 on Implementation of Accrual IGAS at Regional Governments • Head of regional government regulation on accounting policies

KEY SUCCESS FACTORS:

4. RECRUITMENT, PLACEMENT, ROTATION AND CAPACITY BUILDING



INTEGRATED PROGRAM FOR ACCRUAL ACCOUNTING TRAINING

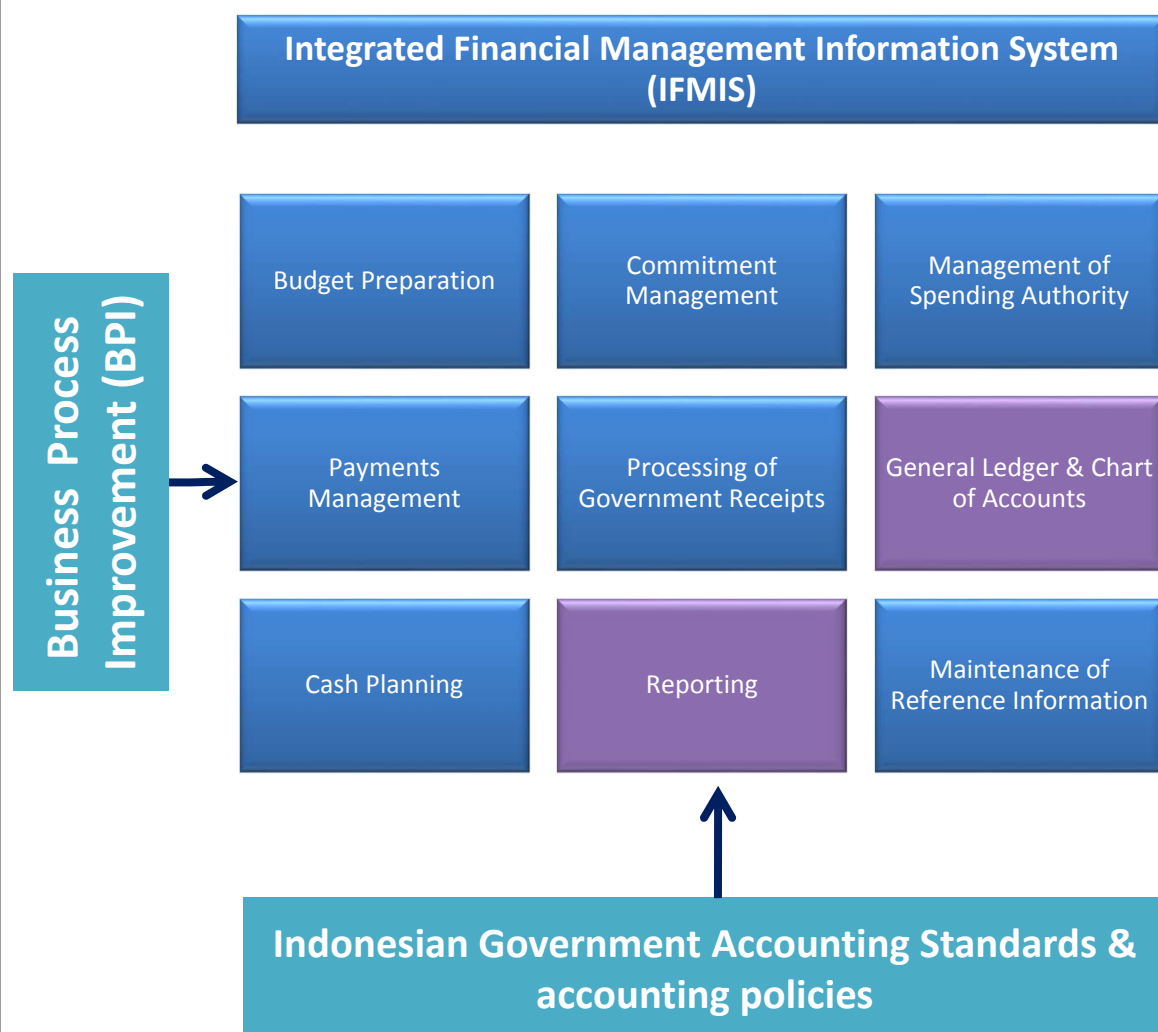


Indonesian experience

- Alignment of human resources policies with government needs or human resource capacity map
- Adequate budget allocation for capacity building
- Development of an integrated training program
- Building up an infrastructure of knowledgeable IGAS/IPSAS practitioners.

KEY SUCCESS FACTORS:

5. DEVELOPMENT OF INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM



Indonesian experience

- Budget allocation to develop information system
- Customization of accounting information system from cash toward accrual basis to accrual basis as a transition to the implementation of integrated financial management information system (IFMIS)
- Development of integrated financial management information system (IFMIS)
- Provision of adequate implementation support and guidance

1. Implementation of IGAS/IPSAS will support the implementation of accrual accounting to ensure that accounting decisions are made in a unified and reasonable way.
2. Indonesia experiences in identifying practical challenges in implementing accrual IGAS and defining critical success factors can become lessons learned for other countries in implementing IPSAS/their national government accounting standards.
3. While there are similarities in both the challenges and the benefits that adopting national government accounting standards/IPSAS brings, every country is different and will therefore follow its own path towards achieving the objective.



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Thank You
Terima Kasih

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