



Towards Unqualified Opinion on Local Government Financial Reports (A Challenge)

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Abstract

This study aims to evaluate the factors that cause it provides a disclaimer audit opinion on the financial statements Tegal City Government and the Central Government to find empirical evidence on the financial statements of the local government that the audit opinion the financial statements have met 4 (four) inspection criteria are conformity to standards of governmental accounting, adequate disclosures, compliance with legislation and the effectiveness of the internal control system and explain action plans or improvement upon opinions appearing in the local government in a comprehensive report.

The financial statements are examined Tegal Government of Financial Statements and the Central Government of Financial Statement period of 2007 consisting of Balance Sheet, Statement of Actual Budget, Statement of Cash Flows and Notes to the Financial Statements for Fiscal Year 2007. The data used are secondary data in the form of BPK RI Examination Result Report Fiscal Year 2007.

This report states the cause of the factors that cause it provides a disclaimer audit opinion is compliance with Governmental Accounting Standards, Government Effectiveness of Internal Control Systems, compliance with laws and regulations and the limitations of the scope of the inspection. The analysis in this study is based on the results of the average value of each aspect of the research and analysis focused on the question items of every aspect of the research that needs emphasis / further discussion. Results of the analysis demonstrate that compliance with Government Accounting Standards, the effectiveness of internal control systems of government, compliance with laws and regulations and limited scope examination is an important reason for BPK RI to give no opinion (disclaimer) to the Local Government Financial Report for Fiscal Year 2007.

Keywords : *Government Accounting Standards, Adequate Disclosures, The Effectiveness of Internal Control Systems of Government, Laws and The Regulations*



BACKGROUND

The Indonesian government has to reform their country's financial management, both at the central and the local government with the enactment of the legislation package of financial sector, namely UU 17/2003 on State Finance, UU 1/2004 on State Treasury. Financial statements are prepared and presented in accordance with Governmental Accounting Standards (PP 71/2010). Besides the Act and the regulations, the Minister of the Home Affairs issued Permendagri No. 13/2006 on Regional Financial Management Guidelines, as amended by Permendagri No. 59/2007 regarding Amendment to the Regulation of the Minister of Home Affairs No. 13/2006 on Guidelines for the Management Regional Finance. All these regulations wants transparency and accountability in the government financial management. However, after four years of enactment of the legislation package, eight years since the broad autonomy to the regions, and ten years after the reformation, there is no significant progress in improving transparency and financial accountability in the central and local government.

Examination of the local governments (PEMDA) financial statements by an external examiner or BPK, then BPK will generate an opinion . There are four types of opinions given by BPK to LKPD, namely unqualified, a qualified, not fair, and disclaimer. Local Government Finance Report (LKPD) in the **last three years is generally still poor** (Press Release, BPK RI, and June 23/2008). This condition is getting worse, as expressed in BPK RI's press release on October 15, 2008 seen from the LKPD's percentage who received an Unqualified **Opinion** and the **Qualified Opinion** during the period 2004-2007 has declined each year. LKPD percentage who get WTP decreases from 7 % in 2004 to 5 % in the next year and only 1 % in 2006 and 2007. Instead, the LKPD's **Disclaimer** opinion has increased from 2 % in 2004 to 17 % in 2007 and the same period **Adversed** opinion rose from 3 % to 19 %.

The disclaimer opinion by BPK, can be seen as a LKPD preparation that not through accounting procedures and accounting policy in preparing the financial statements. Unqualified opinion is given on Banjar's LPKP, solely because the reported LKPD judged to meet all inspection criteria regarding suitability, adequacy of disclosure, the effectiveness of internal control systems and compliance with laws and regulations.

RESEARCH OBJECTIVES

1. To find empirical evidence on the financial statements of the local government audit opinion that the financial statements meet the four (4) criteria for the inspection of compliance with governmental accounting



standards, adequate disclosures, compliance with legislation and the effectiveness of internal control systems.

2. To explain the action plans or improvement upon opinions appearing in the local government statement comprehensively.

THEORETICAL FRAMEWORK

The Role Of Financial Statements

The financial statements are prepared to provide relevant information regarding the financial position and all transactions are carried out by a reporting entity during the reporting period. Financial statements are primarily used to compare actual revenues, expenditures, transfers, and financing with a set budget, assess the financial condition, evaluating the effectiveness and efficiency of a reporting entity, and help determine compliance with laws and regulations.

Each reporting entity has an obligation to report on the efforts that have been made and the results achieved in the implementation of activities in a systematic and structured ways in a reporting period for:

- (a) **Accountability:** Accounting for resource management as well as policy implementation is entrusted to the reporting entity in achieving its stated goals periodically.
- (b) **Management:** Helps users to evaluate the implementation of a reporting entity in the reporting period to facilitate the functions of planning, management and control of all the assets, liabilities, and equity of public funds for the public interest.
- (c) **Transparency:** Provide financial information that is open and honest with the public on the basis that the public has a right to know in an open and thorough the government accountability in the management of the resources entrusted to it and obedience to the laws and regulations.
- (d) **The Intergenerational equity:** Helps the user to determine the adequacy of government revenue in the reporting period to cover all the expenses allocated and whether future generations will be assumed to bear the burden of these expenses.

PUBLIC SECTOR AUDITING

Mardiasmo (2009) describes the granting of regional autonomy means giving authority and flexibility (discretion) to the region to manage and utilize resources optimally area. To avoid fraud and misuse, granting authority and discretion must be followed by a strong monitoring and control, and effective checks. Supervision is done by an executive outside party (in this case the DPRD and the the public); restraint, in



the form of internal control and management control, is under the control of the executive (government) and carried out to ensure the strategy is well executed that goal is reached, while the examination (audit) conducted by the agency that has the competence and independence of the executive to measure whether the performance is in accordance with the criteria established (Mardiasmo, 2009).

Audit Reporting and Audit Opinion

Financial audit report includes the audit of the financial statements and matters relating to the audit report on the financial statements of finance, in the Tri Widyastuti (2011), SAP reporting standards include four public accounting profession defined by IAI plus four additional reporting standard. Whole of the standards applied in the audit of public sector, namely:

3. First Reporting Standards. Decision Generally Accepted to Accounting Principles.
4. Both Reporting Standards. Consistency of application of Generally Accepted Accounting Principles.
5. Third Reporting Standards. Adequate disclosure in the Financial Statements
6. Fourth Reporting Standards. The association with Financial Statements Auditor Name
7. First Additional Reporting Standards. Reporting Compliance with Government Accounting Standards.
8. Second Additional Reporting Standards. Reporting on Compliance with Laws and Regulations and Internal Control
9. Third Additional Reporting Standards. Privileges and Confidential Information.
10. Fourth Additional Reporting Standards. Distribution of Audit Reports.

Four Types of Government Financial Reports Opinion

Under Undang-Undang No. 15 in the year 2004, there are 4 (four) types of Opinion given by the BPK RI examination of the Government Financial Statements:

1. Unqualified Opinion

Declare that the financial statements of the audited entity, present fairly in all material respects, the financial position, results of operations, and cash flows of certain entities in accordance with accounting principles generally accepted in Indonesia.

2. Qualified Opinion



Declare that the financial statements of the audited entity present fairly in all material respects, the financial position, and results of operations and cash flows of the entity in accordance with accounting principles generally accepted in Indonesia, except for the effects of matters related to the excluded.

3. Adversed Opinion

Declare that the financial statements are not audited entity present fairly the financial position, results of operations, and cash flows specific entity in accordance with accounting principles generally accepted in Indonesia.

4. Disclaimer of Opinion

States that the auditor does not express an opinion on the financial statements, if no audit evidence to draw a conclusion.

Examination of The Scope of Auditing Firm (BPK)

1. Audit, is an examination of the financial statements of the central government and local governments.
2. Performance audit, is an examination of the economic aspects and efficiency, as well as examination of the aspects of effectiveness are commonly done for the benefit of internal control management by government officials.
3. Examination with a particular purpose, is an examination conducted by a special purpose, beyond the financial audit and performance audit.

PREVIOUS RESEARCH REVIEW

1. Usmansyah (2009) stated that the lack of good local government financial statements (LKPD) seen from the results of the examination, could be an indication of lack credible financial management. For 2007 alone, from 24 Financial Reports of Local Government which is examined by BPK, seven of whom received a disclaimer opinion. The rest, 16 districts and Another city got a qualified opinion. The same opinion, with reasonable exceptions also given for Financial Report in the West Java Province's. The only district that gets unqualified LKPD opinion is Banjar's Financial Report. This phenomenon is quite interesting, because when viewed from the maturity or experience to make financial reports, 23 districts/Town in West Java are relatively more experienced than the Banjar municipal government for the new town of the division. On the other hand there may be other factors that support it, such as a leaner government area (only 5 districts) as well as all commitments on education in Banjar, which supports the achievement of good clean government, and so on.



1. Banjar government uses a computerized accounting system in the device software SIMDA, which although not connected online to a whole government organizations, but to overcome it is always done on a regular basis consolidation. It certainly is not the only positive facts that support the auditing firm (BPK) gave an unqualified opinion on the Financial Report of Banjar City Government.
2. Abdul Hafiz Tanjung (2009) argues that local government financial reports generated by the accounting process is a form of transparency and accountability in public financial management. To be able to generate better financial statements (the challenge) is required skilled accounting personnel in local government, this can be done through technical assistance activities accounting for local government employees who are assigned as the financial manager or through the recruitment of new employees who have the ability to area financial accounting . Besides skilled accounting personnel, is also necessary to have systems and procedures adequate bookkeeping and accounting policies to guide local officials in managing finances.
3. Mardiasmo studies (2009) states that management accounting should be able to provide relevant and reliable information through strategic planning, strategic cost management, and strategic management accounting to be able to apply the NPM, carry out value for money for the costing goal and pricing of public services, as well as management performance measurement best value in terms of performance and public sector scorecard. Audit of the financial management accountability should not be limited to compliance audits, financial audits but also (in order to give an opinion on the fairness of financial statements), and expanded again with the performance audit.

ANALYSIS AND DISCUSSION

Board of Audit Opinion on The Tegal City Government's Financial Statements

Results of investigation of BPK-RI against Local Government Financial Report for Fiscal Year 2007 Tegal, reveals that:

1. Associated with changes in boundaries between Tegal and Brebes established by Government Rules No. 22/ 2007 on March 23, 2007, the City of Tegal not implementing an inventory of the number and value of fixed assets. In addition to the 1,174 plots of land owned / controlled



by government in Tegal, as much as 643 plots of land have not been certified, and as many as 116 field certified on behalf of another party.

2. In 2007, the City of Tegal entered a gas station construction partnership with PT Dedy Jaya Lambang Perkasa with 593.3/005 Number Agreement Date August 7, 2007 on Cooperation Build To Hand Over Ex Sari Hotel land in the West Village Tegalsari, Tegal District. As per the agreement, the Government equity Tegal + a land area of 1,395 m² former Sari Hotel. Fixed assets cooperated land is still registered in the list of Local Goods and served in the Balance Sheet as of December 31, 2007. Correction/reclassification of assets to third party partnerships can not be done because it is not known with certainty the value of these assets, due to differences in recording the Regional Goods List, an area of 519 m² recorded, while an area of 1.395m² are cooperated.

Problems in Tegal Government

Balance Land Assets represents the balance of the land is owned by the City of Tegal As of December 31, 2007 with details of mutation:

**Table 1: Tegal's Balance Sheet
December 31, 2007**

| Fixed Asset | Balance at the beginning Per 01-01-2007 (Rp) | Mutations Added (Rp) | Mutations Less (Rp) | Ending Balance Per 31-12-2007 (Rp) |
|-------------|--|-------------------------|------------------------|--|
| Land | 581.982.355.015 | 2.111.214.000 | 0 | 584.093.569.015 |

Movements in fixed assets plus land amounting to Rp 2,111,214,000.00 consists:

1. Direct expenditure for land acquisition in the Government section of Rp 1,636,214,000 for Kimpling Market relocation;
2. Direct expenditure on procurement of building the Department of Industry, Trade, Cooperatives and UKM, which includes fixed land assets amounting to Rp 475,000,000. Value of the land at the Disperindagkop & UKM includes the cost of certification Rp 3,000,000.

Associated with the presentation of the balance of fixed assets of land can be expressed as the following matters:

- a. There is a Government owned land assets, an area of 1,588 m² in the New Terminal cooperated with Griya Sakti Inti Prima Corporation has delivered / sold to any other party without contributing to the



Government of Tegal. On this matter, the BPK has issued a recommendation as set forth in BPK-RI Examination Report No. 265/R/XVIII. YOG/12/2007 on December 13, 2007 Beginning Balance on top Government Tegal Examination Report in January 1, 2007 and followed up with a letter Mayor Tegal No. 700/021 to the head of the Equipment Section to coordinate with the Head of Legal Department to make the necessary effort to assert Tegal City Government on the sale of fixed assets of Rp 217.800.000, which has not been deposited into the Local Cash by Griya Sakti Inti corporation. At the time of BPK-RI April 14 - May 19, 2008 liabilities that have been deposited into the Local Cash for Rp 16.240.000, so there is still a remnant that has not been resolved by Griya Sakti Inti Prima Corporation Rp 201.560.000, (Rp 217.800.000 –Rp 16.240.000). On these issues cooperated Fixed Assets Balance with third parties (partnership) in Tegal's Balance Sheet at December 31, 2007 is not fair.

- b. From the fixed assets of land, which is owned the Government of of Tegal, as many as 1,174 comprised an area of 4,809,699.42 m² of land that has been certified and others have not certified. That has been certified as 531 with an area of 2,596,239 m² field consists of 526 Land Use Rights, Rights of Land Management while 5 were 116 certificates / plots of land owned by other parties who have not been certified As many as 643 fields with extensive 2,213,460.42, which in while the examination is still in the certification by the BPN cooperation with the letter agreement on November 28, 2007 Rp 110.048.600.
- c. In order to meet the housing needs of civil servants in Tegal, followed by the delivery of news through the house handover until December 31, 2007 have been delivered to 65 civil servants. The submission includes former crooked land assets, which is currently still listed in List Local Goods and presented in Tegal per Balance Sheet December 31, 2007, the Fixed Assets group. But there is unknown value that cannot be corrected lack than the list of land assets in the Regional Balance Sheet December 31, 2007.

CENTRAL GOVERNMENT FINANCIAL STATEMENTS

Board of Audit Opinion

In connection with the Central Government Financial Report at 2007 (Audited), we need to point out the following things:



1. LKPP Year 2007 (Audited) is based on the financial statements of all entities reporting (ministries / agencies / Treasury Office / other entities) that have been inspected by the Audit Board (BPK).
2. Budget Realization Report for Fiscal Year (FY) 2007 provides information on revenues, expenditures, and financing. Based on this report, the realization of Revenues amounted to Rp 707, 81 trillion, or 101.98 percent of the specified in the Revised FY 2007. Meanwhile, the spending of the State amounted to Rp 757, 65 trillion, or 100.70 percent of the state budget allocated in FY 2007, resulting in a budget deficit amounting to Rp49, 84 trillion. However, the FY 2007 budget realization report is still showing on the suspension side of minus Expenditure Rp 0, 24 trillion. Suspend is likely to happen because there is still a partial realization of return on expenditures that have not been reported by several work units ministries / agencies.
3. Government Financial Statements in the Year 2007 is organized by the Central Government Accounting System (SAPP) which has been set out in the Minister of Finance Regulation No. 59, 2005 on Accounting and Financial Reporting System Central Government, with reference to the Government Regulation No 24 of 2005 on Government Accounting Standards (SAP). The Government is aware that the LKPP in the year 2007 (Audited) are still needs to be refined and corrected if necessary in accordance with UU No. 15, 2004 concerning Control and Financial Responsibility State and PP No. 8, 2006 on Financial Reporting and Government Performance.

CENTRAL GOVERNMENT FINANCIAL STATEMENTS ISSUES 2007

Fixed asset balance reported by ministries / agencies in December 31, 2007 at cost. Recognition of the acquisition of fixed assets from January 1, 2002 based on the unit value of the minimum capitalization, which is:

- a) Expenses for per unit of machinery and equipment and sports equipment whose value is equal to or more than Rp 300,000 (three hundred thousand rupiahs), and
- b) Expenses for buildings whose value is equal to or more than Rp 10,000,000 (ten million rupiah).

CENTRAL GOVERNMENT FINANCIAL STATEMENTS BALANCE SHEET AT PERIOD 2007 ***Fixed assets***

Number of Fixed Assets December 31, 2007 and December 31, 2006 amounted to Rp 443.485.970.952.729 and Rp 343.924.953.816.351. This is the balance sheet



value of fixed assets based on Ministry. Fixed assets valued using the cost method (acquisition cost) and does not include depreciation.

Details of Fixed Assets by type is as follows (in Rp):

| Types of Fixed Assets | December 31 2007 | December 31 2006 |
|--------------------------------|-------------------------------|-------------------------------|
| Land | Rp 126.356.123.950.050 | Rp 81.443.273.004.883 |
| Equipment and Machinery | 128.364.176.462.694 | 111.945.481.046.323 |
| Building and Construction | 74.830.730.558.020 | 53.225.867.742.893 |
| Roads, Irrigation, and Systems | 94.082.094.925.843 | 82.173.661.040.323 |
| Other Fixed Assets | 6.056.479.440.047 | 4.101.873.511.741 |
| Construction in Progress | 13.796.365.616.075 | 11.034.797.470.188 |
| Total | Rp 443.485.970.952.729 | Rp 343.924.953.816.351 |

Value of fixed assets of Rp 443.485.970.952.729 does not include the value of fixed assets proposed to be the State Capital Investment (PMN) to PT. PLN (Persero) in the Ministry of Energy and Mineral Resources of Rp 20.845.639.434.168. Fixed assets such as power plants, substations, power lines and other equipment. Currently the asset is already operated by PT PLN (Persero). Until December 31, 2007, the PMN-setting process has not been realized, so that the fixed assets that have been operated by PT. PLN (Persero) is recorded as Government Assistance That status Not Yet Specified (BPYBDS). Of this amount, while the value of the agreed BPYBDS amounted Rp16.875.068.010.323. While the rest of Rp3.970.571.423.845 will be processed as additional proposals PMN in the next period.

INSPECTION CRITERIA

Audit Opinion conformity with Governmental Accounting Standards:

1. Balance of Fixed Assets in cooperation with third parties (partnership) in Tegal per Balance Sheet December 31, 2007 balances are fictitious unnatural and there is no evidence that supports the fixed asset balances at December 31, 2007.
2. Fixed asset balance reported by ministries / agencies at December 31, 2007 at cost. Recognition of the acquisition of fixed assets from January 1, 2002 based on the unit value of the minimum capitalization.

According to the PSAP No. 07, Accounting for Fixed Assets, fixed assets are presented at cost less accumulated depreciation of fixed assets (depreciation). However, in the Audited Year 2007, the fixed assets are managed by ministries / institutions as users of the goods **has not depreciated**. This is due, among others, have not done an inventory and reassessment (revaluation) of the asset.

Improvement plan are to create a workflow or procedures with third parties in terms of asset management, internal audits are routinely performed in the



management of fixed assets with the goal of making all documents accompanying the cooperation, as well. Gradually, all assets must be assessed by an appraisal. However it is suggested, the local government shall:

- a. Establish a position on the value of assets. This is the opening balance sheet date. Advised on December 31, 20xx
- b. Putting an assessment of the assets that have evidence of ownership. For proof of ownership of assets that are still in the process, temporally it is enough to exposed and explained it in the document accountability. When it became clear ownership of assets, then gradually assessment.
- c. Working with Land and Building Tax Office to assess fixed assets such as land and buildings. Including roads, bridges, and parks.
- d. Conducting a gradual assessment or assess the estimated market price of its own (fairly disclosed and explained)
- e. If, at a future time, it is known to have an asset that has not been presented (because haven't been inventoried). It is enough to recorded at the time of knowing.

Auditor opinion conformity with disclosure adequacy :

Minutes meeting of the house submission until December 31, 2007 have been delivered to 65 civil servants. The submission includes former crooked land assets, which is currently still listed in the List of Goods and presented in Tegal Regional Balance Sheet at December 31, 2007, in Fixed Assets group. The land assets that have been given to 65 civil servants are still have an unknown value so it cannot be corrected less from the list of land assets in Tegal Regional Balance Sheet in December 31, 2007.

The Improvement plan is on local cases of potential losses, BPK has recommended to the head of the region in order to impose sanctions in accordance with the applicable to the officials responsible. In addition, BPK has also recommended to the parties who are responsible to strive to billing and account for the potential loss of the case and if the area cannot account in order to deposit cash into the area or take necessary steps to prevent the loss such as: 1). Give order to all regional Organization (OPD) to collect and record all assets associated with the land, 2). Classify the obvious physical land / completed and which have not, 3). Instruct relevant agencies (law) to legalize all assets in unclear status and 4). Operationalize the legal basis related to the fixed assets of land.



COMPLIANCE WITH LEGISLATION

Fixed assets of government-owned land covering an area of 1,588 m² in the Terminal Baru, which cooperated with third parties, has been sold by the third party is not in accordance with the regulations. Besides the government does not receive a share for the sale of land assets that have controlled by the other party without the knowledge of local government and the government shares of Rp 217 million was not remitted to the Treasury Regional Tegal.

According to the PSAP No. 07, Accounting for Fixed Assets, fixed assets are presented at cost less accumulated depreciation of fixed assets (depreciation). However, in the Audited Year 2007, the fixed assets are managed by ministries / institutions as users of the goods has not depreciated / depreciated. This is due, among others, have not done an inventory and reassessment (revaluation) of the asset.

The Improvement plant is due to the lack of revenue receipts are entitled by countries/ regions but does not or has not been entered into the state/ area treasury because there is an component of non-compliance with the regulation. In general cases of state/ area revenue shortfall, reception is a country / region or penalty for delay of work is not / not defined / collected / received / paid in cash to the country / region, the direct use of local revenues, fund balance has been set yet entered into local treasury, revenue by country / region is received by the agency not entitled to, and the imposition of tax rates / lower tax revenues from the provision.

Steps that has to be taken:

- 1) Understand the laws and regulations in the field of assets, especially fixed assets and their rules so they can be identified the differences between the rules.
- 2) Furthermore, based on the study of the law, for the sake of certainty and decisiveness provisions, it is recommended that local governments enact provisions in local regulations on points of local asset management, and will be outlined in the local regulations.
- 3) If needed to do a comparative study to other areas that are considered good, close to request a learning management system weaknesses such local assets, to some things that are considered adaptable to local conditions, the result will customize existing designs.
- 4) Map the empirical condition of the asset management area by the local governments. Pair this empirical condition with the provisions of the existing legislation.



COMPLIANCE WITH THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS (GOVERNMENT RULES NO.60, 2008) :

Internal Control System of fixed assets has not been adequate to result in the presentation of the balance sheet at December 31, 2007 and the existence of physical assets cannot be believed as the truth. Management of Tegal Government-owned land assets not reflect an adequate internal control system, resulting in ownership / control of 1,169 land area worth Rp 642, 16 billion would be unclear.

Cultivation of land recognized as fixed assets have not been certified as apparently some 643 field which expand to 2,213,460.42, which at the time was still in the certification examination by the BPN with the cooperation letter agreement in November 28, 2007 of Rp 110.048.600.

Value of fixed assets in December 31, 2007 at the Central Government increased by Rp 99.561.017.136.378 from the value per December 31, 2006. This increase in the value of fixed assets, other than capital spending on the FY 2007 of Rp 64.288.669.050.730, also caused by several things, among others:

1. Correction of the presentation of the value of fixed assets is carried out by the several ministry,
2. Implementation of the State Property Accounting System (SABMN) on some Ministry is better, so it fixed assets are recorded and reported to be increasing;
3. Consolidated value of BLU fixed assets in the financial statements of several ministry.

The Improvements plan made for administrative cases, like BPK (Audit Board of Indonesia) who recommends the regional heads to impose sanctions according to the regulations. In addition, audit board has also recommended to national officers to hold responsible for administrative and complete the ownership documents and secure the asset of land which has not certified. Generally, cause of administration irregularities occurs due to neglect of the officers because they do not do their job optimally and they are not responsible. Moreover, administration cases occurred because the officers did not comply the regulations, did not understand the provision, and less monitoring and control.

CONCLUSION AND SUGGESTIONS

1. Limited access of BPK to receive the information, tax revenues and receivables court fees levied by the Supreme Court



2. Weaknesses of accounting systems and national financial reporting, including limited human resources and financial management in the central city or the other areas.
3. Disorderly placement funds of state and there is no government single treasury account.
4. There is no asset inventory, debts and state claims.
5. Information technology systems are less reliable and are not integrated.
6. Weaknesses of internal control system that the government has not been able to review the truth of financial statements before BPK check it.
7. Noncompliance with the provisions of laws and regulations related to the persistence of the receipts and expenditure outside APBN mechanism.
8. The more materiality, more frequent violations of SAP, the weaker the SPI, and the more failure to comply with laws and regulations in presenting the financial statements, will be received a disclaimer opinion
9. The need to implement SPIP, motivated by the presence of several key issues in the management of public finance, among others: a disclaimer opinion (no opinion) by the Supreme Audit Agency (BPK) to the financial statements. BPK's disclaimer opinion can lead to the declining in the public trust in the government's ability to manage the finances of the country / region. Besides the relatively low absorption or later is also an issue that are not less interesting.

SUGGESTION TO ANTICIPATE DISCLAIMER OPINION :

1. Local financial information management system (SIMDA) must immediately be applied in order to facilitate the monitoring and reporting in accordance with government accounting standards. SIMDA application also has the value of public transparency in budget spending to support the activities of the work program.
2. Presenting Financial Statements are free from the material misstatement, according to SAP, Designing and implementing SPI to achieve control objectives and Obedience to Laws and Regulations. In accordance with PP No. 60/2008. There were 5 SPIP elements that need to be implemented by the all leaders and staff at all levels of



government agencies, namely: control environment, risk assessment, information and communication, and monitoring.

3. Instruct BPBD (management department of local goods), region secretary, DPKD (department of financial management) and SKPD (notes of local tax assessment) to improve coordination in the inventory of land owned by the government; especially those that occur in tegal city.

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