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Good Governance Implementation In Public Sector: Exploratory Analysis of Government Financial Statements Disclosures Across ASEAN Countries

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Abstract

The purpose of this research is to investigate the disclosure level in the Association of South East Asian Nations (ASEAN) governmental financial statement for year ended 2012-2013.

The research method employed is exploratory quantitative. Data collected using disclosure checklist provided by International Public Sector Accounting Standard (IPSAS). Two countries in ASEAN, Indonesia and Malaysia was selected as a sample. Data analysed using descriptive statistics.

The research indicated that although Indonesia's government financial statements provide more disclosure rather than Malaysia's, but generally, disclosure level in both countries is low, indicate that both countries still has to increase their disclosure level in the future.

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1. Introduction

South East Asian countries in 1967 establish Association of South East Asian Nations (ASEAN). ASEAN which has 10 states member currently implementing the ASEAN Economic Community (AEC), which is an ASEAN

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response to globalization and free trade. AEC establishment is to strengthen the ASEAN economy which had slumped since the economic crisis in 1997-1998, as well as to compete with India and China, as the largest economy in Asia's developing countries.

Although currently, development in ASEAN countries is advancing, steadily than the European Union or United States of America, ASEAN countries have a diversity in culture, government, politics, and social conditions. One of the examples is corporate governance implementation. Survey conducted by Asian Development Bank (ADB) in 2014 incorporated into ASEAN Corporate Governance Scorecard in six ASEAN countries showed that although there were governance improvements in six ASEAN countries surveyed, but the average index of governance in six ASEAN countries was 64.55 (from maximum score of 142.00), which means that governance in ASEAN countries still far from sufficient.

Government has a role in promoting good governance. Generally, a government that perceived to have good governance, will gain trust from stakeholders and will generate good business and corporate culture. One of vital area in government governance is how government manage their financial resource. The information provided in financial statements

Financial statements can present quality in government financial management. By looking into financial statement disclosure, the user can know several vital information regarding how the government manages the country, especially how good the accountability and governance of government. Financial statement usually has accounting standard. Generally, all ASEAN countries published governmental financial statements, and it has unique accounting standard. However, International Federation of Accountants (IFAC), through its International Public Sector Accounting Standards Board (IPSASB) has drawn up the International Public Sector Accounting Standards (IPSAS) as an international reference in governmental accounting standard. This research is trying to compare governmental financial statement's disclosure level, using IPSAS as a guidance.

2. Research Questions

The purpose of this research is to answer questions, namely how is the disclosure level in an ASEAN governmental financial statement, using an IPSAS disclosure checklist during year 2012 – 2013?

3. Literature Review and Research Framework

Government is always depicted as long bureaucrat and have severe levels of corrupt practice. New Public Management Theory developed in 1980's began to shift the focus of government management, by taking best practices of business, one of which is implementation of good corporate governance (GCG), which was adopted as good government governance (GGG). UNDP currently has 9 criteria of GGG, namely: Participation; Rule of Law; Transparency; Responsiveness; Consensus Orientation; Equity; Efficiency and Effectiveness; Accountability; and Strategic Vision. GGG implementation, has proven to improve governmental performance. One of government performance can be looked at its financial management.

Financial management processes in government ranging from planning to financial control. Financial management usually consists of these activities: Planning, Budgeting, Treasury, Accounting and Reporting, and auditing. The issues raised in the government financial management reform is public accountability, value for money, and its system of accounting and auditing. (Mardiasmo. 2002). The central theme of financial reform is to establish welfare state and society, creation of good governance, and establish equitable development. (Mardiasmo. 2002).

The financial statement is a product of financial management. Financial statement has several purposes, namely as a decision making tools for user of financial statements, and also to show accountability and stewardship of entity to users. Financial statement informs several financial matters, not just numbers, but also qualitative information. There are several information required to disclose by accounting standard. Disclosure serves a purpose as further explanation of numbers provided in financial statement, and as another explanation of government financial management, which can't be explained in numbers, or in face of financial statements.

List of information that need to be disclosed usually appear in accounting standard. Accounting standard used in countries can be different, so it will be very difficult to make disclosure level comparison. Public sector/government

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