



## SIMPOSIUM ILMIAH AKUNTANSI 5

### ANALYSIS OF THE UTILIZATION OF FINANCIAL STATEMENT INFORMATION BY USERS IN DECISION MAKING IN LOCAL GOVERNMENT

Orita Renta Dame Uli Sipahutar<sup>1</sup>, Saut Hutagalung<sup>2</sup>, Dora Cristina Natalia Sipahutar<sup>3</sup>, Deliana<sup>4</sup>,  
Ilham Hidayah Napitupulu<sup>5</sup>

Politeknik Negeri Medan Sumatera Utara Indonesia

#### ARTICLE INFO

##### Article history:

Received:

Revised:

Accepted:

##### Keywords:

Financial statements,  
Information on financial  
statements LRA, Balance Sheet,  
Operational Report and CaLK

#### ABSTRACT

The purpose of writing this scientific work is to determine the utilization of financial statement information by users in decision making in the Regional Government. The research method used is qualitative method and library research with primary data sources and secondary data sources and the data collection techniques used are observation and documentation. The results of this study that local government financial reports have contained information that is useful for users or users and the accounting information contained in the Local Government Financial Statements has met the required qualitative characteristics, as stipulated in Government Regulation Number 71 of 2010 concerning Government Accounting Standards, among others: Relevant, Reliable, Comparable, Understandable. The information presented in the Budget Realization Report has been used by users in decision making. Users can obtain information that is useful in predicting the economic resources that will be received to fund Government activities in the future and can be used as an evaluation of past financial performance. The information presented in the Balance Sheet allows users to obtain useful information related to assets, liabilities, and equity, so that users can obtain information related to actions to collect receivables and pay off liabilities. However, the Operational Report has not been optimally utilized by users in decision making, this is because in the preparation of the report there is a mindset that the LO is prepared only to fulfill the provisions of the accrual basis, while the information contained in the Notes to the Financial Statements has been utilized by users to find out the explanation of each financial statement item.

This is an open-access article  
under the [CC BY](#) license.



#### Corresponding Author:

**Deliana**

Politeknik Negeri Medan Sumatera Utara Indonesia, Indonesia

Email : [deliana@polmed.ac.id](mailto:deliana@polmed.ac.id)

#### INTRODUCTION

The general purpose of financial statements is to present information that is useful for decision making and to demonstrate the accountability of the reporting entity for the resources entrusted to it. The information presented in the financial statements can be used by users or interested parties as a basis for decision making, so that the information presented in local government financial reporting should be in accordance with what is needed by stakeholders (Defitri, 2014).

Information that is useful for users is information that has value. Information will be useful if the information can support decision making and can be understood by users, Huang et al in Xu et al. (2003) state that information will be useful if the information can support decision making and can be understood by users, so that in preparing financial reports, it is expected that local governments must pay attention to the information presented in the financial statements for planning, control and decision making purposes.

Accounting information contained in the Local Government Financial Statements must have several required qualitative characteristics. Qualitative characteristics of financial statements

are normative measures embodied in accounting information so as to achieve the objectives of preparing financial statements. The qualitative characteristics of government financial statements as stipulated in Government Regulation Number 71 of 2010 concerning Government Accounting Standards are normative prerequisites including: Relevant, Reliable, Comparable, Understandable.

Regional Financial Management Officer (PPKD) as the BUD function is obliged to prepare government financial reports, in the presentation of financial reporting must contain information that is useful for users is information that has value, namely information that can support decision making and can be understood by users. Utilization of the value of information in financial statements can help stakeholders or users for planning, control, and decision making purposes. Government financial report decision making is influenced by financial condition information, compliance with regulations, performance information, planning and budgeting information, and narrative information (Martiningsih, 2008). The most important part of information value is that when someone receives information, they can make a decision from the information received. If one cannot make a decision, then the information is irrelevant for further action.

The conceptual framework of Government Accounting Standards (SAP) explains that there are several main groups of users of government financial statements, but not a. the public, b. representatives of the people, oversight institutions, and audit institutions, c. parties that give or play a role in the process of donations, investments, and loans; and d. the government. The government. Article 187 paragraph (2) of Government Regulation Number 12 of 2019 concerning Regional Financial Management explains that the Government Financial Statements prepared and presented by are the Budget Realization Report, the Statement of changes in excess budget balance, the Balance Sheet, the Operational Report, the Cash Flow Statement, the Statement of Changes in Equity, and Notes to Financial Statements (CaLK). The seven types of reports prepared provide different information. However, this study examines the Budget Realization Report, Balance Sheet, Operational Report and CaLK because these four reports describe the disclosure of the financial condition and assets of a government and the Balance Sheet and Budget Realization Report (LRA) are often used by users (Musthofa Amin Khusaini, Heru Fahlevi, Indayani (2022).

One of the benefits of using accounting information in the financial statements is as a source of information in preparing budget planning for the coming year, so as to reduce prediction errors on the required budget, because the value of the budget in the past year's activities or the current year that has been realized, can be obtained from the information presented in the financial statements. Utilization of this information at the time of decision making in determining the amount of the budget in the coming year can be more effective and avoid the occurrence of significant budget overages or shortages in the future. Inaccurate decision making for determining the amount of budget in each activity when preparing budget planning will affect government performance, so the role of information contained in financial reports is very important to be used in decision making so that future government performance gets good results.

One of the local governments in North Sumatra Province that has used the accrual basis in preparing financial statements is the Sibolga City Government, that since 2015 the Sibolga City Government's financial statements have been prepared on an accrual basis, so that the role of disclosure is so important because disclosure information in financial statements has substantial economic consequences in decision making. Susanto (2015) said that the purpose of changing the accounting basis to an accrual basis is so that government financial reports can provide broader and more complete information so that it can improve decision making.

Based on the data on the acquisition of opinions on the Regional Government Financial Statements (LKPD) of the Regency and City of North Sumatra region at <https://sumut-ppid.bpk.go.id>, it explains that the quality of financial statements is described through the opinion of the Supreme Audit Agency (BPK), with an indicator that local government financial reports are of high quality, namely the Unqualified Opinion (WTP) given by BPK on the financial statements of the Sibolga City government for the last 5 (five) years. This illustrates that the financial statements prepared have been presented and disclosed fairly in all material respects and the financial information in the financial statements can be used by users of the financial

statements. The acquisition of audit opinion has a significant effect on the level of disclosure of financial statements (Priharjanto, 2017). This is in line with Andriani's research (2012) which found the same results, namely that there is a positive and significant relationship. The direction of the positive relationship indicates that the higher the opinion achieved means that the level of disclosure of the resulting financial statements is better, this indicates the quality of good financial statements, the accounting information contained in the financial statements has been detailed so that the use of information can reduce uncertainty (Leblibici and Salancik, 1981).

However, based on the results of several previous studies, it shows that there is a phenomenon that government financial reports have not been optimally utilized in decision making, including the results of research according to Hapsari (2008) which states that the purpose of the Regional Government (Pemda) in preparing financial reports is only limited to fulfilling the accountability and reporting functions, which should be used as a basis for planning, managerial and supervision, as well as the results of research by Fontanella (2010) that government financial reports are prepared to complete accountability only, while financial reports are a medium for supervision, managerial, and planning. These conditions encourage the author's attention to further analyze "Utilization of financial statement information by users in decision making in local governments".

Based on the explanation above, this study aims to determine the utilization of information contained in financial reports by users in decision making in local governments and this research uses qualitative methods and library research.

## **THEORETICAL OVERVIEW**

### **Agency Theory**

Agency theory emphasizes the relationship between agents and principals. The principal is the party that gives the mandate to the agent, to carry out all activities on behalf of the principals in their capacity as decision makers (Jensen & Meckling, 1976). In financial reporting, the government acting as an agent has an obligation to present information that is useful for users of government financial information acting as principals in assessing accountability and making decisions, both economic, social, and political decisions and either directly or indirectly through their representatives (Nurillah, 2014 in Maydiyanti, 2020).

The principal instructs the agent to perform tasks or activities for the benefit of the principal, and is accompanied by delegation of decision-making authorization by the principal to the agent (Anthony and Govindarajan, 2005). Agency conflicts can occur if conditions arise that describe the agent breaking the contract that has been agreed with the principal, resulting in agency costs and information asymmetry. Information asymmetry is a condition where only managers have access to information. In this study, agency theory can be seen through the relationship between the community delegated to the DPRD as the holder of power (Principal) and the regional head or government as the executor of financial management (Agent). When associated with the decision-making process in local government, this agency theory is one of the measuring tools to assess how a local government manages its performance.

### **Decision Usefulness Theory**

Decision Usefulness Theory emphasizes the quality requirements of accounting information that is useful in decisions taken by users. This theory is reflected in the fulfillment of the rules for financial reporting components to be useful in the context of making economic decisions. The component in question is the fulfillment of the characteristics of financial statements, namely (1) relevant, (2) reliable, (3) comparable, and (4) understandable. Decision usefulness theory emphasizes two things, namely first, users of financial statements and second, decisions of users of financial statements (Scott, 2003: 52). According to Rahmawati et al., (2018) the decision usefulness theory contains components that are the basis of consideration for presenters of financial information so that the financial information produced can meet the needs of decision makers. The presentation of financial statement information will be able to improve the decision-making process so that it is useful and appropriate for needs.

### **Financial Report**

Financial statements are an accountability tool for the financial performance of a government's management to the public entrusted to it (Prasetya, 2005). Financial statements are prepared to provide relevant information about the financial position and all transactions carried out by a reporting entity during one reporting period.

The general objective of financial statements is to present information related to the financial condition, budget realization, cash flow, and financial performance of a reporting entity that is useful for users in making and evaluating decisions about resource allocation. Specifically, the objective of government financial reporting is to present information that is useful to users so that it can be used as a basis for decision making and to demonstrate the reporting entity's accountability for entrusted resources.

The financial statements presented should be of high quality, that is, they have met the qualitative characteristics of financial statements. What is meant by qualitative characteristics are normative measures that need to be realized in accounting information so that it can fulfill its purpose. The four characteristics that are normative prerequisites for quality government financial statements include relevant, reliable, comparable and understandable.

In achieving the objectives of financial statements, financial statements provide information related to revenues, expenditures, transfers, reserve funds, financing, assets, liabilities, fund equity, and cash flows of a reporting entity. In order to achieve the objectives of financial statements, the components of financial statements that must be prepared are the Budget Realization Report, Balance Sheet, Operational Report, Cash Flow Statement, Statement of Changes in Equity, Statement of Changes in Excess Budget Balance, and Notes to Financial Statements.

#### 1. Budget Realization Report

Based on the SAP Conceptual Framework, the Budget Realization Statement presents an overview of the sources, allocations, and uses of financial resources managed by the central/regional government, which illustrates the comparison between the budget and its realization in one reporting period. The elements directly covered by the Budget Realization Report consist of revenue-LRA, expenditure, transfers, and financing.

The Budget Realization Report (LRA) according to Dedi Nordiawan (2022: 122) is a report that presents an overview of the sources, allocations, and uses of economic resources managed by the central or regional government in one reporting period. According to Indra Bastian (2007: 308), the budget realization report (LRA) is a report that describes the difference between the amount budgeted at the beginning of the period and the amount realized at the end of the period.

#### 2. Balance Sheet.

The balance sheet describes the financial position of a reporting entity in terms of assets, liabilities, and equity at a specific date. The elements covered by the balance sheet consist of assets, liabilities, and equity.

According to Kawatu (2019) the local government balance sheet provides information for report users about the financial position in the form of assets, liabilities and equity at the date the balance sheet is issued. According to Soemarso (2004: P. 34), the balance sheet is a financial report that contains the amount of assets, liabilities and capital (equity) at the end of the accounting period. The balance sheet provides information about the resources owned by the company and the source of the costs used to obtain them. According to Bambang Riyanto (2012: 327) The balance sheet reflects the value of assets, debts, and own capital, and the loss and profit statement reflects the results that have been achieved during a certain period.

#### 3. Operational Report

The Statement of Operations presents an overview of economic resources that increase equity and their uses managed by the central/regional government for governance activities in one reporting period. The elements covered directly in the Statement of Operations consist of revenue-LO, expenses, transfers, and extraordinary items.

The Operating Statement (LO) is one component of the Government's financial statements that presents information about all financial operational activities of the reporting entity

which are reflected in the revenue-LO, expenses, and operating surplus/deficit of a reporting entity whose presentation is compared to the previous period.

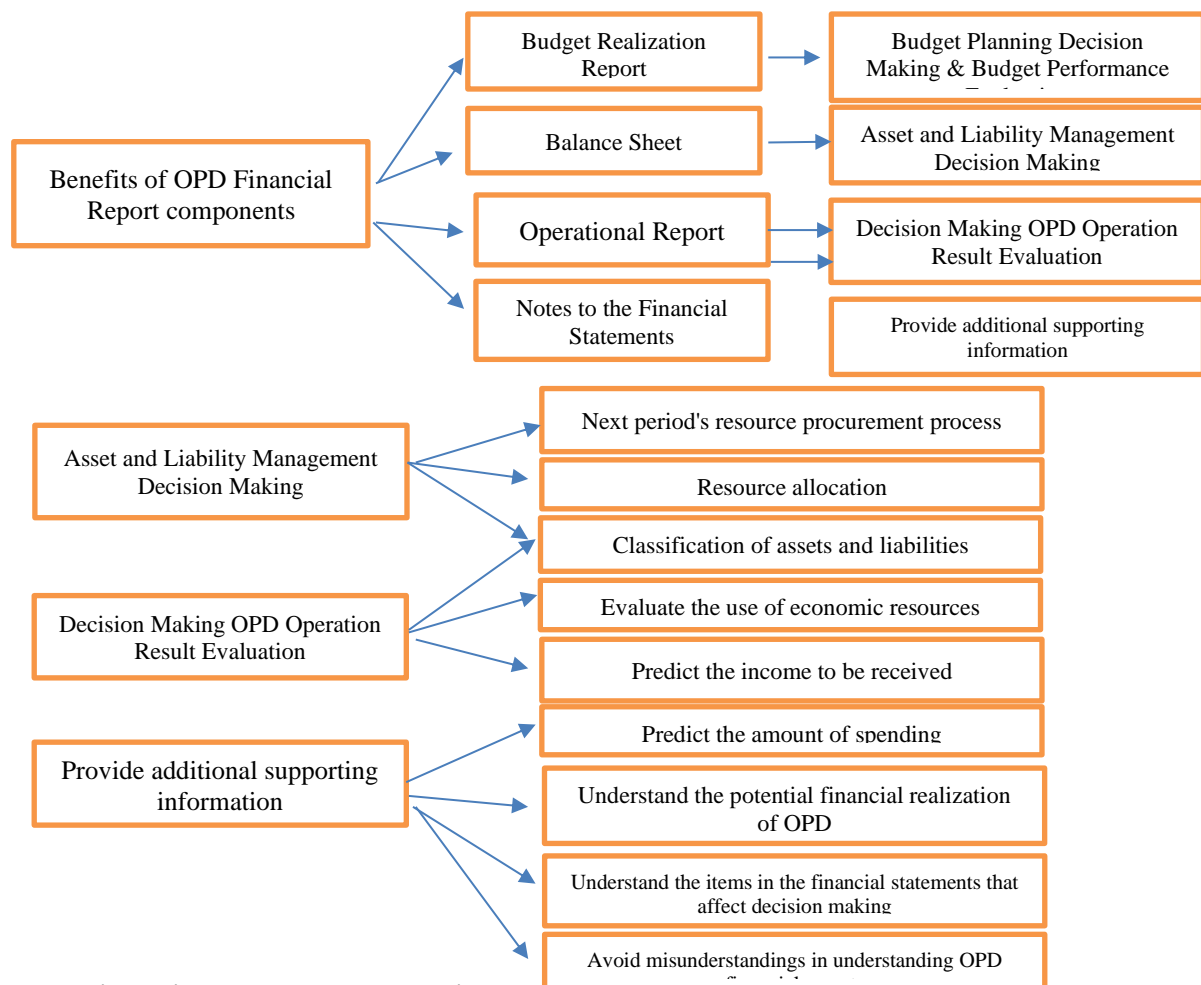
According to Syah Putra & Mulyani (2019), operational reports are useful in evaluating the use of economic resources managed by the government, evaluating the effectiveness and efficiency of government performance, and are also useful in predicting income and expenses from government operational activities. According to Musdalifah Dj. Umar (2018) The presentation of the Operational Report (LO) is prepared to complete the accrual-based reporting and accounting cycle so that the Operational Report has predictive value because the information can be used to predict the Operational Report revenue that will be received to fund government activities in the coming period.

#### 4. Notes to the Financial Statements.

Notes to Financial Statements include narrative explanations or details of the figures stated in the Budget Realization Report, Operational Report, Statement of Changes in Equity, and Balance Sheet. Notes to Financial Statements also include information about accounting policies used by the reporting entity and other information that is required and recommended to be disclosed in Government Accounting Standards as well as expressions necessary to produce a fair presentation of financial statements.

Suhartanto (2013) states that the information presented in the Notes to the Financial Statements has a central role which is intended as a complement to other components of the financial statements so that the information presented makes it easier for users to understand the information in the financial statements, so that the financial statements have value for the basis of government decision making.

Based on the explanation above, the relevance of financial statements in decision making can be summarized as follows:



#### Value of Financial Statement Information

The information value of public financial statements is an obligation from the agent to the principal as the owner of the right and authority to hold the agent accountable for providing accountability, presenting, reporting and disclosing all activities and activities for which he is responsible. Information value is the ability of information to increase knowledge and generate user confidence in decision making. To fulfill the benefits and objectives of submitting government financial reports, the information presented must be useful for interested parties. Information should only be useful to users, and the information must have value. (Suwardjono in Dewi and Rini, 2018).

According to (Sutarman, 2012), the value of information is determined by five things, namely:

1. To gain understanding and benefits.
2. To gain experience.
3. Accumulated learning that can be applied to solve a particular problem or business process.
4. Reflect on past experiences that extract significant meaning and provide organized, high-value knowledge. This value can prevent managers from making the same mistakes that other managers have made before.
5. Information is said to be valuable if its benefits outweigh the cost of obtaining it. Most information is worthless, but its use value can be appreciated.

Based on the explanation above, it can be concluded that the government in financial management has been able to realize accountability and transparency, that the value of the information presented in the financial statements has met the characteristics of financial statements, so that users can access and utilize the information in the financial statements in decision making.

### ***Users of Financial Statements***

There are several main groups of users of government financial statements, but not limited to: the public, representatives of the people, oversight institutions, and audit institutions, parties that give or play a role in the process of donations, investments, and loans, the government (KSAP, 2010).

In the government environment there are 3 (three) elements of users, namely the executive, legislative and judicial. The executive party is intended to be the party that manages local finances and prepares local government financial reports, must be able to utilize the information presented in the local government financial statements for planning and control decisions. The legislature uses it in supervising the executive and can utilize information on local government financial reports to assess performance and provide recommendations, while the judiciary as an examiner must also be able to utilize information on local government financial reports to determine the results of examinations of the performance and financial management of local governments.

### ***Financial decision making***

Government Regulation of the Republic of Indonesia number 71 of 2010 concerning Government Accounting Standards (SAP) appendix I.01 which contains the Government Accounting Conceptual Framework in Paragraph 26, states that government financial reporting must be able to present information that is useful for users in assessing accountability and making decisions, both economic, social and political decisions. ASOBAT in Sugiyono (2013) states that one of the objectives of financial reporting is used to make decisions related to the use of resources (natural, physical, human, and financial), directing and controlling the physical and human resources of an organization effectively.

Based on the explanation above, it can be concluded that the role of accounting information contained in government financial reports strongly supports decision making, so that it can be used and utilized by users in assessing accountability and making decisions, both economic, social and political decisions and as a basis for conducting performance evaluations.

The explanation above is supported by previous research on the Utilization of Financial Statement Information by users in decision making, which is outlined in the table Previous Research on Utilization of Financial Statement Information by users in decision making.

**Tabel 1****Previous Research on Utilization of Financial Statement Information by users in decision making**

| No | Name/Year  | Research Title   | Methods and Variables                            | Research Results  |
|----|--|--|--|---|
| 1. | Directorate of Accounting and Financial Reporting (2022) | Utilization of Financial Statement Information for Decision Making at State Ministries/Institutions              | Qualitative method                               | Information in the LRA can be used to evaluate past financial performance, provide feedback on the use of resources to be used for evaluation of past financial performance and feedback on revenue realization to be used for evaluation of budgeting in the following year. |
|    |  |  |  | Information in the LO is used to analyze the performance of revenues and expenses in the reporting period, assist in evaluating the entity's financial performance, and provide information on routine and non-routine transactions of the entity.                            |
|    |  |  |  | Information in the balance sheet is taken into consideration in making decisions to take actions to collect receivables, optimize fixed assets to increase income or services to the community, and decisions to repay obligations.   |
|    |  |  |  | Information in CaLK is useful for understanding the financial statements to minimize asymmetric information in understanding the contents of the financial statements.  |
| 2. | Abul A'la Alrahim, Puji Wibowo (2022)                    | Analysis of the Benefits of Accrual-Based Financial Statements in Decision Making in Bantaeng Regency Government | Qualitative method with case study research type | The LRA has been utilized in decision-making in the Bantaeng Regency government. The LRA is useful for assessing the level of budget absorption and   |

|  |  |  |  |   |
|--|--|--|--|---|
|  |  |  |  | evaluation materials for the next period such as as a basis for the next year's budget target and for funding expenditures for existing programs, and can be used as material for evaluating the performance of the Bantaeng Regency local government.  |
|  |  |  |  | The balance sheet has been utilized in decision making in the Bantaeng Regency government. The balance sheet is used in procuring resources for the following year, classifying and valuing local government assets and liabilities and helping to understand the potential realization and financial position of the local government;             |
|  |  |  |  | LO have also been utilized in decision-making in the Bantaeng Regency government. LOs are useful in assisting the budget preparation process, understanding local government policies and strategic plans, and are useful in evaluating government performance in terms of effectiveness and economy of acquisition;                                |
|  |  |  |  | CaLK has also been utilized in decision making in the Bantaeng Regency government. CaLK is useful in determining resource allocation decisions in the current period, the information presented in CaLK helps explain the calculation of accounts on the face sheet of the financial statements in order to reduce the risk of misunderstanding for |



|    |  |   |  |   |
|----|--|---|--|---|
|    |  |   |  | readers so as to produce comprehensive value to the financial statements of the Bantaeng Regency local government.  |
| 3. | Dedi Sutrisna Syah Putra, Sri Mulyani (2019) | Benefits of Accrual-Based Financial Statement Information in Decision Making                                  | Qualitative method with case study research type | Each component of local government financial statements has benefits in decision making for users of financial statements in the Depok City Government, LRA has benefits in decision making regarding planning and evaluating local government performance.   |
|    |  |   |  | LO have benefits in decision-making regarding the evaluation of Depok City Government's operating results. However, LOs are created only to comply with accrual basis requirements, so their utilization is not optimal.  |
|    |  |   |  | Notes to Financial Statements have the benefit of providing information that supports decision making, namely minimizing the bias of information contained on the face of the financial statements.   |
| 4. | Suhartanto, Ak.MM (2011)                     | Effectiveness of local government financial reports in supporting decision making local government management | Qualitative method                               | Local Government Financial Statements (LKPD) have not been effective in providing financial information as a basis for decision making for public management in the regions (Regional Head and DPR). The quality of financial information in LKPD has not met the characteristics of relevant, reliable, comparable and understandable. |

|    |   |  |                    |  |
|----|---|--|--------------------|--|
| 5. | Musthofa Amin Khusaini, Heru Fahlevi, Indayani (2022) | Factors influencing the use of government accounting information Government accounting information in internal decision making | Qualitative method | Balance Sheet and Budget Realization Report (LRA) which are often used by users. |
|----|---|--|--------------------|--|

### RESEARCH METHOD

The method of writing this scientific article is with qualitative methods and library research. The qualitative method used aims to investigate and understand an event or problem that has occurred by collecting various kinds of information which are then processed to get a solution so that the problems revealed can be resolved, besides this, the qualitative approach is also able to describe complex settings and interactions, identify types of information, and describe phenomena. Library research is research whose data collection is carried out by collecting data from various literatures. The literature studied is not limited to books but can also be in the form of documentation materials, magazines, journals both off line in the library and online sourced from Mendeley, Scholar Google and other online media and newspapers. The emphasis of literature research is to find various theories, laws, arguments, principles, opinions, ideas and others that can be used to analyze and solve the problem under study.

The data sources used in this scientific work are written materials consisting of primary data sources and secondary data sources. Primary data is data that is directly taken from the object of research as the source of the information being sought. This data is also called first-hand data. Secondary data, is a type of data that is not obtained from the object of research directly but is obtained from sources that are already available. Secondary data can be obtained from documents, literature, and other sources related to the discussion, such as relevant regulations and laws and local government financial reports. The data collection techniques used are observation and documentation. Observation is a systematic observation and recording of the symptoms under study, which can be done either directly or indirectly, while documentation is carried out by collecting documents, selecting documents according to the objectives and needs of the research, explaining and recording and interpreting them and connecting them with other phenomena.

### DISCUSSION

Financial reports are a tool for evaluation and decision making, so the financial reports presented by must actually present information that is useful for users in making and evaluating decisions. Financial reports are an important tool in obtaining information about the financial condition of the organization concerned and the results it has achieved (Maruta, 2018). According to Irham (2012: 2) Financial reports are the final product of accounting which will be further analyzed by interested parties before making decisions.

The general purpose of financial statements is to present information that is useful for decision making and to demonstrate the accountability of the reporting entity for the resources entrusted to it. The purpose of presenting financial statements is so that the accounting information contained in the financial statements can be useful in decision making and to evaluate management performance (Susanto & Djuminah, 2015); (Astuti et al., 2020); (Hasanah & Siregar, 2021).

The utilization of information presented in the financial statements is very supportive in making decisions by users, so information does play a very important role in being able to find out the various activities that have occurred, evaluate the activities

that have been carried out whether they are in accordance with planning, and ensure that the data obtained can be processed and produce accurate information.

This scientific work examines the Budget Realization Report, Balance Sheet, Operational Report and CaLK of the seven financial reports that must be prepared by local governments, this is because the four reports describe the disclosure of the financial condition and assets of a government and the Balance Sheet and Budget Realization Report (LRA) are often used by users (Musthofa Amin Khusaini, Heru Fahlevi, Indayani (2022)).

The results of various studies show that the usefulness of government accounting information in Indonesia in decision making is still low. Government financial reports are prepared to complete accountability only, while financial reports are a medium for supervision, managerial, and planning (Fontanella, 2010); balance sheets and Budget Realization Reports (LRA) are often used by users (Nurkholis & Affandi, 2019). The low degree of disclosure in financial reports results in the low use of financial reports in decision making (Alfian, 2015; and Sukmadilaga et al., 2015).

### ***Use of Budget Realization Statement information in decision making***

The Budget Realization Report provides information in the form of summary data on revenue sources and expenditure allocations and utilization of economic resources, as well as reports that compare budgets with their realization. Accounting information presented in the Budget Realization Report (LRA) can see the performance in the implementation of activities in each work unit. This is in accordance with the results of research from Syah Putra & Mulyani (2019) explaining that the accounts that are the basis for decision making in local governments are revenue, expenditure and financing on the grounds that these types of accounts better describe the financial performance targets of local governments during the reported budget period. These accounts are contained in the Budget Realization Report.

The Directorate of Accounting and Financial Reporting (2022) states that the LRA is useful in providing adequate information related to revenue and expenditure. LRA can provide feedback related to revenue realization, so that it can be used to evaluate past financial performance. In addition, the LRA can provide feedback related to the use of resources to be used as an evaluation of past financial performance and feedback on revenue realization to be used as an evaluation of budgeting in the following year. In line with the results of Abul A'la Alrahim's research, Puji Wibowo (2022) in his research obtained the results that the LRA has been used in decision making in the Bantaeng Regency government, the LRA is useful for assessing the level of budget absorption and evaluation material for the following period such as the basis for the next year's budget target and to fund spending on existing programs and can be used as material for evaluating the performance of the Bantaeng Regency local government, as well as in accordance with the results of research by Dedi Sutrisna Syah Putra, Sri Mulyani (2019) that in the Depok City Government, each component of local government financial reports has benefits in making decisions for users of the Depok City Government's financial statements, LRA has benefits in decision making regarding planning and evaluating local government performance, but the results of research by Musthofa Amin Khusaini, Heru Fahlevi, Indayani (2022) state that the Balance Sheet and Budget Realization Report (LRA) are often used by users, in contrast to the results of research by Suhartanto, Ak. MM (2011) in his research states that Local Government Financial Reports (LKPD) have not been effective in providing financial information as a basis for decision making for public management in the regions (Regional Heads and DPR), this is because the quality of financial information in LKPD has not met the characteristics of relevant, reliable, comparable and understandable.

Based on the explanation of some of the research results above, the information contained in the Budget Realization Report has been used by users in decision making. Users can obtain information that is useful in predicting the economic resources that will be received to fund Government activities in the future and can be used as an evaluation of past financial performance.

**Utilization of Balance Sheet information in decision making**

The balance sheet describes the financial position of a reporting entity in terms of assets, liabilities and equity at a specific date. The elements covered by the balance sheet consist of assets, liabilities, and equity. Suhartanto (2013) revealed that information on the balance sheet can be used to assess the liquidity of local governments, and for decision making related to the management of government assets and liabilities. While Natalia and Marwata (2014) explain the same thing that in the context of decisions it helps manage assets and liabilities. According to Suhartanto (2013, cited in Syah Putra & Mulyani, 2019)) says that the information presented on the balance sheet can be used for decision making related to government asset and liability instruments and also to assess the liquidity of local government financial statements.

Based on the results of previous research, it was found that the Directorate of Accounting and Financial Reporting (2022) stated that information in the balance sheet is taken into consideration in making decisions to take actions to collect accounts receivable, optimize fixed assets to increase income or services to the community, and decisions to pay off obligations. In line with the results of Abul A'la Alrahim's research, Puji Wibowo (2022) in his research found that the Balance Sheet has been utilized in decision making in the Bantaeng Regency government. The balance sheet is used in procuring resources for the following year, classifying and assessing local government assets and liabilities and helping to understand the potential realization and financial position of local governments, but the results of research by Musthofa Amin Khusaini, Heru Fahlevi, Indayani (2022) state that the Balance Sheet and Budget Realization Report (LRA) are often used by users, in contrast to the results of research by Suhartanto, Ak. MM (2011) in his research states that Local Government Financial Reports (LKPD) have not been effective in providing financial information as a basis for decision making for public management in the regions (Regional Heads and DPR), this is because the quality of financial information in LKPD has not met the characteristics of relevant, reliable, comparable and understandable.

Based on the explanation of some of the research results above, the information contained in the Balance Sheet has been utilized by users in decision making. Users can obtain useful information on assets, liabilities, and equity, so that they can take actions to collect receivables and pay off liabilities.

**Utilization of Operating Statement (LO) information in decision making**

PSAP 12 on operating statements that the information presented in the LO is useful in predicting revenues to be received and expenses to be borne. In addition, the LO is also useful in evaluating government performance in terms of efficiency, effectiveness and economy of the acquisition of economic resources.

Users of reports in this case users or stakeholders need the Operational Report in evaluating revenue-LO and expenses for running a unit or the entire government entity, so that the Operational Report provides information:

- a. Costs: Regarding the amount of expenses that must be borne by the government to carry out services;
- b. Performance: Concerning overall financial operations that are useful in evaluating government performance in terms of efficiency and effectiveness of resource use;
- c. Estimates: Useful in predicting Revenue-LO that will be received to fund central and local government activities in future periods by presenting the statements on a comparative basis;
- d. Equity: Regarding the decrease in equity (if operational deficit), and the increase in equity (if operational surplus).

Based on the results of previous research that the Directorate of Accounting and Financial Reporting (2022) states that information in the LO is used to analyze the performance of income and expenses in the reporting period, assist in evaluating the entity's financial performance, and provide information on routine and non-routine

transactions in the entity. In line with the results of Abul A'la Alrahim's research, Puji Wibowo (2022) in his research found that the LO has also been utilized in decision making in the Bantaeng Regency government. LO is useful in assisting the budgeting process, understanding local government policies and strategic plans, and is useful in evaluating government performance related to the effectiveness and economy of acquisition, but the results of Dedi Sutrisna Syah Putra's research, Sri Mulyani (2019) LO has benefits in decision making regarding the evaluation of the operating results of the Depok City Government. However, the LO is made only to meet the provisions of the accrual basis, so that its utilization is not optimal, in contrast to the results of research by Suhartanto, Ak.MM (2011) in his research stating that Local Government Financial Statements (LKPD) have not been effective in providing financial information as a basis for decision making for public management in the regions (Regional Head and DPR), this is because the quality of financial information in LKPD has not met the characteristics of relevant, reliable, comparable and understandable.

Based on the explanation of some of the research results above, the information contained in the Operational Report has not been optimally utilized by users in decision making. This condition occurs because in the preparation of the report there is a mindset that the LO is prepared only to fulfill the provisions of the accrual basis, so that its utilization is not optimal.

#### ***Utilization of Notes to Financial Statements information in decision making***

CaLK is able to disclose detailed information or descriptive analysis of the value of an item presented in the financial statements, qualitative information on the value of each item in the financial statements, information on obstacles to achieving revenue targets and obstacles to absorption of expenditure budgets for the implementation of government programs, information on the achievement of the entity's financial performance, and information related to asset conditions. The information in CaLK is very important for report users to be able to understand the financial statements so as to minimize asymmetric information, and can prevent misunderstandings in understanding the contents of the financial statements.

Information disclosed in the Notes to Government Financial Statements according to Government Regulation No. 71/2010 includes:

1. information about the reporting entity and accounting in general;
2. information about financial and macroeconomic policies, a summary of the acquisition of financial targets during the reporting period along with the problems that include;
3. information on the basis for preparing financial statements and accounting policies used;
4. other information described in each item;
5. information that has not been presented in the local government financial statements but is required by the Statement of Government Accounting Standards and
6. information that can be utilized in the financial statements in order to implement a fair presentation, and is not disclosed on the initial page of the financial statements.

Based on the results of previous research, it is found that the Directorate of Accounting and Financial Reporting (2022) states that the information in CaLK is useful for understanding financial statements to minimize asymmetric information in understanding the contents of financial statements.

In line with the results of Abul A'la Alrahim's research, Puji Wibowo (2022) in his research found that CaLK has also been utilized in decision making in the Bantaeng Regency government. CaLK is useful in determining resource allocation decisions in the current period, the information presented in CaLK helps explain the calculation of accounts on the face sheet of the financial statements in order to reduce the risk of misunderstanding for readers so as to produce a comprehensive value of the financial statements of the Bantaeng Regency local government, Dedi Sutrisna Syah Putra, Sri Mulyani (2019) states that Notes to Financial Statements have benefits in providing information that supports

decision making, namely minimizing the bias of information contained on the face sheet of financial statements, in contrast to the results of research by Suhartanto, Ak. MM (2011) in his research states that Local Government Financial Statements (LKPD) have not been effective in providing financial information as a basis for decision making for public management in the regions (Regional Heads and DPR), this is because the quality of financial information in LKPD has not met the characteristics of relevant, reliable, comparable and understandable.

Based on the explanation of some of the research results above, the information contained in the Notes to the Financial Statements has been utilized by users in decision making. The information presented in the Notes to the Financial Statements helps users to know the explanation of each financial statement item.

Basically, the utilization of financial statement information by users in decision making in local governments has been utilized, but the Operational Report has not been optimally used, Musthofa Amin Khusaini, Heru Fahlevi, and Indayani (2022) state that accounting information provided by the government in Indonesia has a fairly high usability, with a percentage of usability of more than 89% for various purposes.

## CONCLUSIONS

Based on theoretical studies and previous research relevant to the discussion of literature review articles that:

- a. Local government financial reports have contained information that is useful for users or users and the accounting information contained in the Local Government Financial Statements has met the required qualitative characteristics, as stipulated in Government Regulation Number 71 of 2010 concerning Government Accounting Standards, among others: Relevant, Reliable, Comparable, Understandable.
- b. The information contained in the Budget Realization Report is a summary of data on the sources of revenue and allocation of expenditure and the utilization of economic resources, as well as a report comparing the budget with the realization. The information contained in the Budget Realization Report has been used by users in decision making. Users can obtain information that is useful in predicting the economic resources that will be received to fund Government activities in the future and can be used as an evaluation of past financial performance.
- c. Information contained in the Balance Sheet in the form of a reporting entity's financial position regarding assets, liabilities, and equity at a certain date. Users can obtain useful information related to assets, liabilities, and equity, so that users can obtain information related to actions to collect receivables and pay off liabilities.
- d. The information contained in the Statement of Operations predicts revenues to be received and expenses to be borne. In addition, the LO is also useful in evaluating government performance in terms of efficiency, effectiveness and economy of the acquisition of economic resources. However, this LO has not been optimally utilized by users in decision making. This condition occurs because in the preparation of the report there is a mindset that the LO is prepared only to meet the provisions of the accrual basis, so that its utilization is not optimal.
- e. The information contained in the Notes to the Financial Statements has been utilized by users in decision making. The information contained in the Notes to the Financial Statements helps users to know the explanation of each financial statement item.
- f.

## SUGGESTIONS

Based on the above conclusions, the suggestions in this study are that:

- a. Government entities should provide capacity building for financial report preparers, so that report preparers can present more useful information and report users can make more accurate decisions,
- b. Government entities should provide wider access to financial reports so that report users can make maximum use of financial reports.
- c.

## REFERENCE

- A.Fontanella (2010) *Analisis Pengaruh Latar Belakang Pendidikan dan Pengetahuan Akuntansi Pengguna Terhadap Pemanfaatan Laporan Keuangan Pemerintah Daerah*. Jurnal Akuntansi & Manajemen, 5(2), 22-30
- Alfian, M. (2015). *Faktor Pendukung Implemetasi SIMDA dan Pengaruhnya Terhadap Kualitas Laporan Keuangan pada SKPD Kabupaten Kulon Progo*. Jurnal Ekonomi Dan Bisnis, 18(3)
- Anthony dan Govindarajan (2005) *Management Control System, Jilid I dan II. Jilid I dan II*, Terjemahan Kurniawan Tjakrawala dan Krista, Penerbit Salemba Empat, Jakarta
- Bambang Riyanto. 2012. *Dasar-dasar Pembelanjaan*. Edisi 4. Yogyakarta: BPFE
- Defitri, S.Y. (2014). *Eksplorasi Kebutuhan Stakeholder Terhadap Informasi Dalam Pelaporan Keuangan Pemerintah Daerah*. Media Ekonomi, [online] Volume 22 (1), 53-72, 2014
- Hapsari, Andhisa Setya (2008) *Tinjauan . Kebermanfaatan Laporan Keuangan Auditan BPK (Refleksi Eksistensi Dan Peranan BPK)*. Jurnal Ilmiah Syari'ah, Vol 11 No (2)
- Irham, Fahmi. (2012). *Analisis Laporan Keuangan*. Bandung: Alfabeta
- Jensen, M., & Meckling, W. (1976). *Theory of the firm: Managerial behavior, agency costs, and ownership structure*. The Economic Nature of the Firm: A Reader, Third Edition, 283–303.
- Martiningsih, R. S. P. (2008). *Studi Kebutuhan Informasi Pengguna Laporan Keuangan Pemerintah*. Simposium Nasional Akuntansi XII.
- Maruta, H. (2018). *Analisis Laporan Keuangan Model Du Pont Sebagai Analisis yang Integratif*. Jurnal Akuntansi Syariah, 2(2), 203–227
- Maydiyanti, S., Putri, A. M., & Anriva, D. H. (2020). *Faktor-Faktor Yang Mempengaruhi Kualitas Laporan Keuangan Pemerintah Daerah Kota Pekanbaru*. Jurnal Akuntansi Dan Ekonomika, 10(1), 69-78
- Musdalifah Dj. Umar (2019). *Analisis Penyajian Laporan Operasional Berbasis Akrual Pada Satuan Kerja Perangkat Daerah (SKPD) Provinsi Sulawesi Tengah*. 25 Katalogis. 6 (6), 22-32
- Nurkholis, N., & Affandi, A. T. (2019). *The Utilization of Government Financial Statements By Executives : The Case of Local Governments in Indonesia*. The International Journal of Accounting and Business Society, 27(3), 56–78.
- Peraturan Pemerintah Nomor 71 Tahun 2010 tentang Standar Akuntansi Pemerintah
- Peraturan Pemerintah Nomor 12 Tahun 2019 tentang Pengelolaan Keuangan Daerah
- Prasetya, Gede Edy. (2005). *Penyusunan dan Analisis Laporan Keuangan Pemerintah Daerah*. Yogyakarta: Andi.
- Rahmawati, A., Mustika, I. W., & Eka, L. H. (2018). *Pengaruh penerapan standar akuntansi pemerintah, pemanfaatan teknologi informasi, dan sistem pengendalian intern terhadap kualitas laporan keuangan SKPD*. Kota Tangerang Selatan. Jurnal Ekonomi, Bisnis, Dan Akuntansi, 20(2), 8–17
- Suhartanto. (2013). *Efektivitas Laporan Keuangan Pemerintah Daerah dalam Mendukung Pengambilan Keputusan Manajemen Pemerintah Daerah*. Pusdiklat Pengawasan BPKP
- Susanto, D. (2015). *Kebermanfaatan Laporan Keuangan Pemerintah Bagi Proses Perencanaan Pembangunan Daerah*. Surakarta: Universitas Sebelas Maret
- Syah Putra, D. S., & Mulyani, S. (2019). *Manfaat Informasi Laporan Keuangan Berbasis Akrual Dalam Pengambilan Keputusan*. Jurnal SIKAP (Sistem Informasi, Keuangan, Auditing Dan Perpajakan), 4(1), 80
- Xu, Hongjiang, Jeretta H.N., G. Daryl Nord, Binshan Lin. 2003. "Key issue of accounting information quality management : Australian case studies". Industrial Mangement & Data System 103/7, 461- 47