AKUNTANSI SEKTOR PUBLIK KARAKTERISTIK

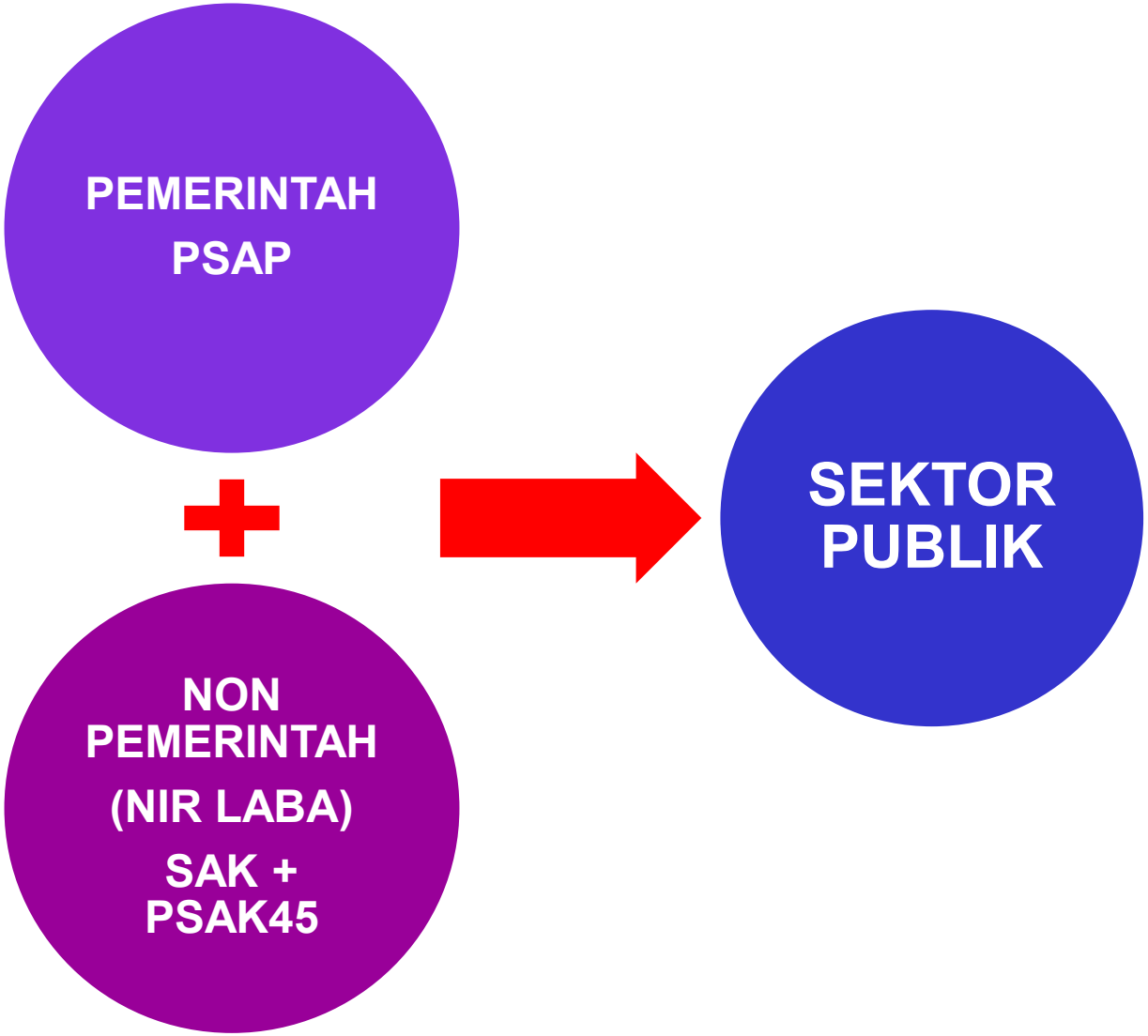
MENGAPA BELAJAR AKUNTANSI PEMERINTAHAN DAN SEKTOR PULIK

- Entitas Sektor Publik dan Pemerintah
  - Menyusun pertanggungjawaban keuangan
  - Tuntutan akuntabilitas dan transparansi
- Kewajiban sebagai warga negara
  - Memahami APBN dan Realisasi APBN
  - Memahami belanja negara digunakan untuk apa
  - Memahami penerimaan negara dari mana
  - Yayasan dan Ormas memperoleh dana dari mana
- Bekerja Kantor Akuntan Publik
  - Memahami mekanisme dan sistem keuangan negara
  - Memberikan jasa konsultasi pada instansi pemerintah – penyusunan sistem, penyusunan pedoman akuntansi, kebijakan akuntansi, konsultasi manajemen
  - Melakukan audit : audit laporan keuangan atau audit operasional
  - Klien sektor public: Yayasan, organisasi kemasyarakatan

APBN 2018

Uraian (triliun Rupiah)	2016 LKPP	2017 LKPP	2018 Outlook	2019 APBN
A. PENDAPATAN NEGARA	**1.555,9**	**1.666,4**	**1.903,0**	**2.165,1**
I. PENDAPATAN DALAM NEGERI	**1.546,9**	**1.654,7**	**1.897,6**	**2.164,7**
1. PENERIMAAN PERPAJAKAN	1.285,0	1.343,5	1.548,5	1.786,4
Tax Ratio (%)	*0,01*	*0,01*	*11,57*	*12,22*
a.l. PPh Migas	666,2	646,8	761,2	894,4
2. PENERIMAAN NEGARA BUKAN PAJAK	262,0	311,2	349,2	378,3
II. PENERIMAAN HIBAH	**9,0**	**11,6**	**5,4**	**0,4**
B. BELANJA NEGARA	**1.864,3**	**2.007,4**	**2.217,3**	**2.461,1**
I. BELANJA PEMERINTAH PUSAT	**1.154,0**	**1.265,4**	**1.453,6**	**1.634,3**
1. Belanja K/L	684,2	765,1	813,5	855,4
2. Belanja Non K/L	469,8	500,2	640,2	778,9
II. TRANSFER KE DAERAH DAN DANA DESA	**710,3**	**742,0**	**763,6**	**826,8**
1. Transfer ke Daerah	663,6	682,2	703,6	756,8
2. Dana Desa	46,7	59,8	60,0	70,0
C. KESEIMBANGAN PRIMER	**(125,6)**	**(124,4)**	**(64,8)**	**(20,1)**
D. SURPLUS/ (DEFISIT) ANGGARAN (A - B)	**(308,3)**	**(341,0)**	**(314,2)**	**(296,0)**
% Surplus/ (Defisit) Anggaran terhadap PDB	*(2,49)*	*(2,51)*	*(2,12)**	*(1,84)*
E. PEMBIAYAAN ANGGARAN	**334,5**	**366,6**	**314,2**	**296,0**
I. PEMBIAYAAN UTANG	**403,0**	**429,1**	**387,4**	**359,3**
II. PEMBIAYAAN INVESTASI	**(89,1)**	**(59,8)**	**(65,7)**	**(75,9)**
III. PEMBERIAN PINJAMAN	**1,7**	**(2,1)**	**(6,5)**	**(2,4)**
IV. KEWAJIBAN PENJAMINAN	**(0,7)**	**(1,0)**	**(1,1)**	**0,0**
V. PEMBIAYAAN LAINNYA	**19,6**	**0,4**	**0,2**	**15,0**

SEKTOR PUBLIK



ENTITAS SEKTOR PUBLIK

- Entitas sektor publik dapat dikategorikan menjadi dua:
  - Pemerintahan
  - Non pemerintahan – organisasi nirlaba
- Organisasi nirlaba berupa organisasi kemasyarakatan, yayasan atau organisasi non pemerintah lainnya termasuk organisasi internasional.
- Keunikan dari entitas sektor publik terletak pada tujuan dan kepemilikan.
- Untuk aktivitas organisasinya, mungkin ada beberapa yang sama antara organisasi publik dan privat misalnya rumah sakit.
- IPSAS = **International Publik Sector Accounting Standard** merupakan standar internasional yang mengatur standar akuntansi untuk sektor publik termasuk pemerintahan.

Pengertian dan Ciri Sektor Publik

Pengertian

- Pengertian Sektor Publik sangat luas, masing-masing disiplin ilmu mempunyai definisi sendiri.
- Dari sudut pandang ilmu ekonomi, sektor publik sering didefinisikan sebagai “suatu entitas yang aktivitasnya berhubungan dengan penyediaan barang dan jasa untuk memenuhi kebutuhan dan hak publik

Ciri

- Tidak mencari keuntungan financial
- Dimiliki oleh publik
- Kepemilikan sumber daya tidak digambarkan dalam bentuk saham
- Keputusan berdasarkan consensus bersama

Perbedaan Organisasi Sektor Publik dengan Bisnis

PERBEDAAN	Sektor Publik	BISNIS
• Kepemilikan	• Eksternal	• Internal dan/ Eksternal
• Sudut Pandang	• Dari Kepentingan Masyarakat	• Dari kepentingan Privat
• Sumber Legitimasi	• Warga Negara/ Masyarakat pada Umumnya	• Pemilik Modal/ Pemegang Saham
• Orientasi	• Pelayanan Masyarakat	• Keuntungan
• Pengaruh Lingkungan	• Nilai-nilai dan Sistem Politik	• Terutama dari Konsumen
• Teori-teori	• Bersifat Lokal	• Bersifat Universal
• Pelayanan yang Diberikan	• Diatur Oleh Pemerintah	• Diatur oleh Mekanisme Pasar

PERBEDAAN ORG SEKTOR PUBLIK DAN PRIVAT:

	Sektor Publik	**Sektor Swasta**
Tujuan Organisasi	Nonprofit Motive	Profit Motive
Sumber Pendanaan	Pajak, Retribusi, utang, obligasi, Laba Badan Usaha, dlsb	Modal sendiri, utang bank, obligasi, saham, dlsb
Pertanggungjawaban	Ke Masyarakat dan Parlemen	Ke Pemegang Saham dan kreditur
Struktur Organisasi	Birokratis, kaku, hierarkhis	Fleksibel: datar, piramid, fungsional
Anggaran	Terbuka untuk publik	Tertutup untuk publik

CHARACTERISTICS - Government

- Absence of profit motive; most tax exempt
- Constituency (citizen / taxpayer) ownership versus stockholder ownership
- No direct relationship between resources received and services provided
- Consensus policy-setting by elected or appointed oversight body

Granof, 2007, The Government and Not fo Profit Environment, John Wiley & Sons, Inc

Akuntabilitas dan Transparansi - Public Sector

- Stakeholder dan masyarakat memerlukan informasi mengenai suatu entitas / organisasi publik untuk mengetahui bagaimana pengelola melaksanakan tugasnya menuju tujuan organisasi dan bagaimana sumber daya dikelola.
- Organisasi sektor publik memiliki tujuan berbeda dibandingkan dengan organsisasi privat sehingga diperlukan informasi yang berbeda.
- Untuk menyusun informasi apa yang disampaikan perlu adanya standar sehingga terjadi kontrak kesepakatan antara penyusun, pemakai, pemeriksa dalam menyusun dan memahami informasi tersebut.
- Tujuan dari organisasi sektor publik, besarnya akuntabilitas, ukuran, sumber daya yang dikelola akan banyak mempengaruhi informasi apa yang disajikan dan standar apa yang akan digunakan untuk menyusun informasi tersebut.

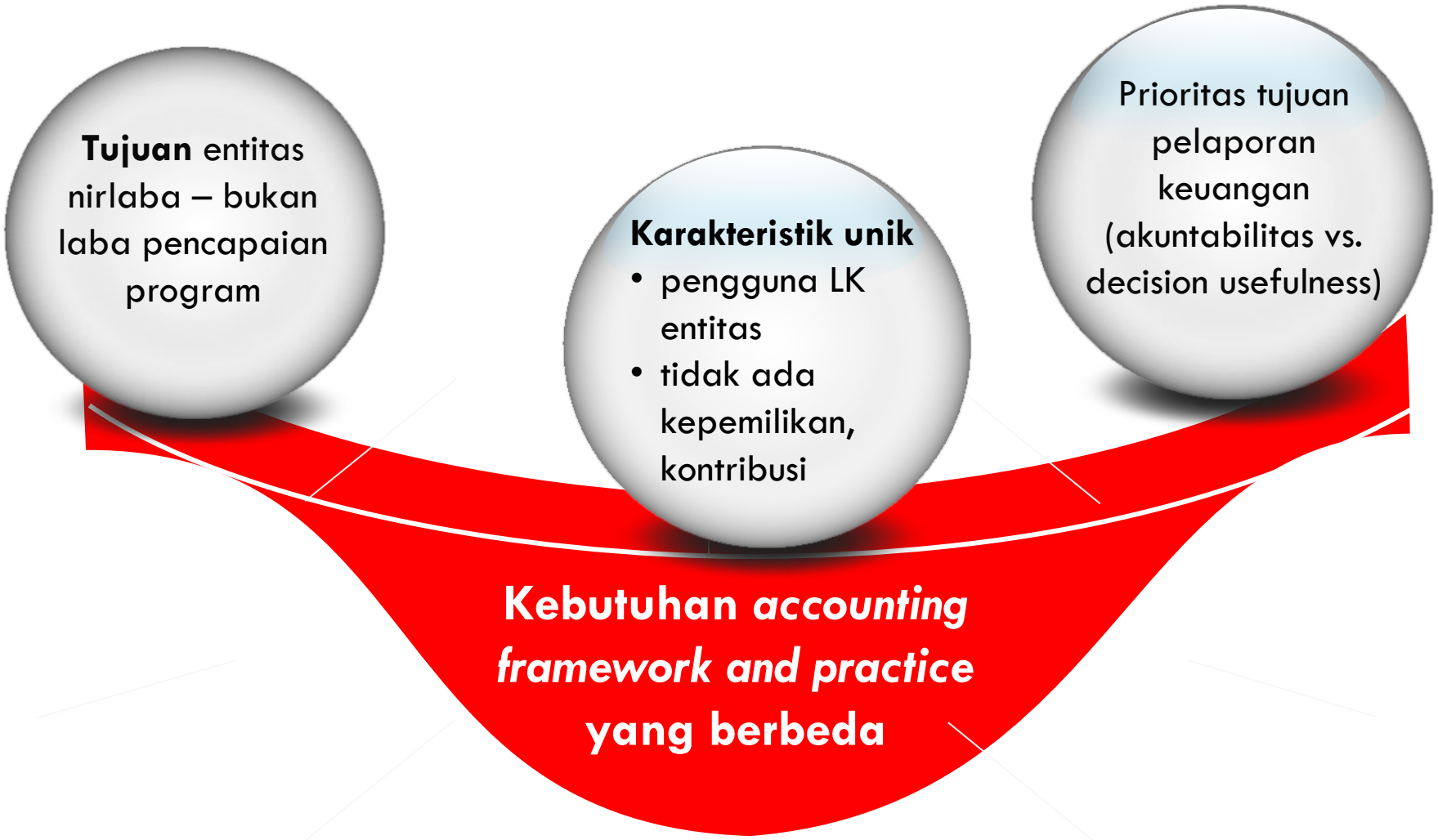
PERSAMAAN ORG SEKTOR PUBLIK dengan PERUSAHAAN:

- Bagian tidak terpisahkan dari suatu sistem perekonomian nasional
- Menghadapi sumberdaya yang terbatas untuk mencapai tujuannya
- Pola manajemen keuangan sama
- Beberapa mempunyai output produk yang sama

Ciri-ciri Organisasi Sektor Publik

- Tidak untuk mencari keuntungan financial
- Dimiliki secara kolektif oleh publik
- Kepemilikan atas sumber daya tidak digambarkan dalam bentuk saham yang dapat diperjualbelikan
- Keputusan-keputusan yang terkait dengan kebijakan maupun operasi didasarkan pada konsensus, kalau organisasi pemerintah melalui suatu badan legislatif.
- Tujuan → untuk mensejahterakan rakyat secara bertahap baik dalam kebutuhan dasar dan kebutuhan lainnya baik jasmani maupun ruhani.
- Aktivitas → pelayanan publik seperti dalam bidang pendidikan, kesehatan, penegakan hukum, transportasi publik dan penyediaan pangan.
- Sumber pembiayaan → berasal dari dana masyarakat berbentuk pajak dan retribusi, laba perusahaan negara, pinjaman pemerintah serta pendapatan lain-lain yang sah dan tidak bertentangan dengan perundangan yang berlaku

Karakteristik Nirlaba



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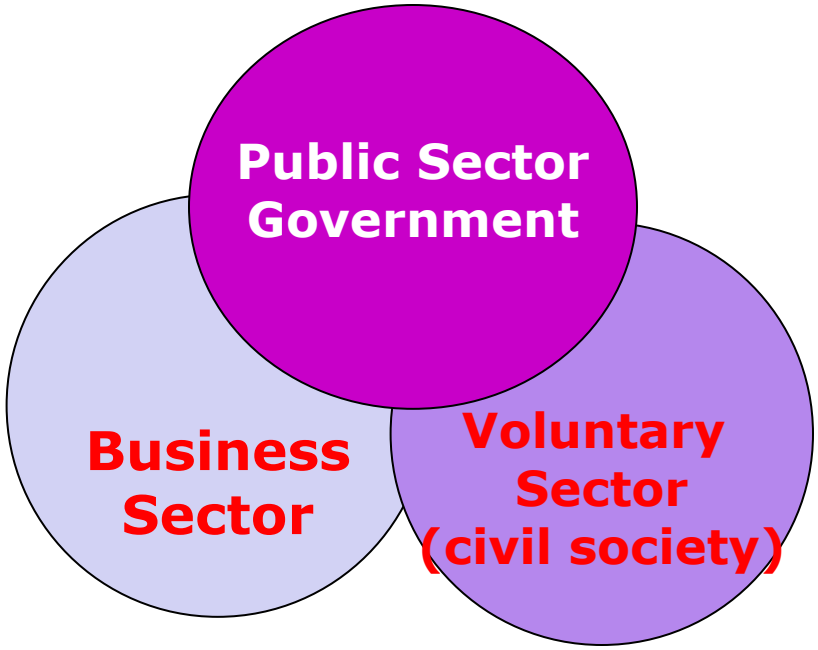
Governance

- Adalah proses pengelolaan berbagai bidang kehidupan (sosial, ekonomi, politik, dll) dalam suatu negara dengan melibatkan berbagai pihak yang berkepentingan, serta penggunaan sumber daya (alam, keuangan, dan manusia) dengan cara yang sesuai dengan prinsip-prinsip keadilan, efisiensi, transparansi dan akuntabilitas.



Agency Problem

- Agency problem dalam pemerintahan:
  - Politisi vs rakyat
  - Politisi vs Pemerintah
  - Pemerintah vs Rakyat
- Ketidak sinkronan antara kepentingan rakyat dan kepentingan pemerintah dan politisi, padahal sebagai pemegang kepentingan tertinggi.
- Rakyat terpolarisasi dalam kelompok kepentingan sehingga terkadang sulit untuk mencari tahu sebenarnya “rakyat”
- Pemerintah sebagai instrumen dan menjadi subordinasi dari politisi. (Weber 1980)
- Tugas pemerintah untuk memberikan advise dan melakukan eksekusi keputusan politisi.
- Pejabat pemerintah dapat mendominasi politisi karena pengetahuannya yang lebih besar tinggi.
- Terjadi assimetri informasi antara politisi dengen pejabat pemerintah → dikurangi dengan pelaporan pemerintah dan peran auditor pemerintah.

Praktik Akuntabilitas Organisasi Nirlaba di Indonesia

Ormas yang menerima dana hibah wajib menyusun laporan keuangan sesuai SAK

Tidak ada keharusan menyusun LK, kecuali menerima hibah 500jt dan tot aset bukan hibah 20milyar

Tidak membayar pajak atas surplus yang diperoleh untuk yayasan pendidikan; pendapatan bukan obyek pajak

Menyajikan laporan keuangan dengan dorongan stakeholder kepentingan donatur

Entitas Nonlaba Non Negara

Entitas Nonlaba Negara

- BLU – PP menyatakan SAK yang berlaku umum dalam praktik (PMK) menggunakan SAK dan SAP pertanggung-jawaban anggaran
- OJK – khusus -
- BPJS – SAK Umum khusus
- LPS – khusus
- BPIH & Parpol – tidak menyebutkan standar mana yang digunakan namun harus menyusun laporan keuangan

CONTOH ORGANISASI SEKTOR PUBLIK:

- LEMBAGA PEMERINTAH
- ORGANISASI AGAMA
- ORGANISASI SOSIAL
- YAYASAN
- INSTITUSI PENDIDIKAN
- ORGANISASI KESEHATAN

Pemerintahan

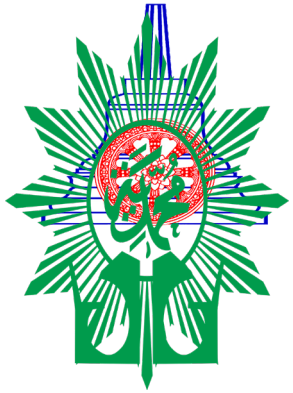
- Regulasi Keuangan Negara:
  - UU 17/2003: Keuangan Negara
  - UU 1/2004: Perbendaharaan Negara
  - UU 15/2004: Pemeriksaan Pengelolaan dan Tanggung Jawab Keuangan Negara
- UU 23/2014 tentang Pemerintahan Daerah menggantikan UU 32/2004 yang tidak sesuai lagi dengan perkembangan keadaan, ketatanegaraan, dan tuntutan penyelenggaraan pemerintahan Daerah
- UU 6/2014 tentang Desa

Contoh Organisasi Keagamaan

- UU No 23 Tahun 2011 tentang Pengelolaan Zakat
- Perlakuan akuntansinya dan pelaporan keuangan mengacu pada PSAK 45 tentang Standar Akuntansi untuk Entitas Nirlaba.
- Kebanyakan masih menggunakan *single entry* dan *cash basis* untuk mempemudah pengelola.

Parisada Hindu Dharma Indonesia (PHDI)

Persekutuan Gereja-Gereja Indonesia (PGI)



Muhammadiyah

Majelis Agama Buddha Theravada Indonesia (Magabudhi)

Universitas

- UU No 12/2012 tentang Universitas
- Pasal (2) "**Pendidikan Tinggi adalah jenjang pendidikan setelah pendidikan menengah yang mencakup program diploma, program sarjana, program magister, program doktor, dan program profesi, serta program spesialis, yang diselenggarakan oleh perguruan tinggi berdasarkan kebudayaan bangsa Indonesia**."
- Yang dimaksud dengan "prinsip akuntabilitas" adalah kemampuan dan komitmen untuk mempertanggungjawabkan semua kegiatan yang dijalankan Perguruan Tinggi kepada semua pemangku kepentingan sesuai dengan ketentuan peraturan perundang-undangan.
- Akuntabilitas Perguruan Tinggi merupakan bentuk pertanggungjawaban Perguruan Tinggi kepada Masyarakat yang terdiri atas:
  - akuntabilitas akademik; dan
  - akuntabilitas nonakademik.

YAYASAN

- UU No 28/2004 menggantikan UU No. 16 th 2001 tentang Yayasan
- Yayasan adalah badan hukum yang terdiri atas kekayaan yang dipisahkan dan diperuntukkan untuk mencapai tujuan tertentu di bidang sosial, keagamaan, dan kemanusiaan, yang tidak mempunyai anggota
- Yayasan yang:
  - memperoleh bantuan Negara, bantuan luar negeri, dan/atau pihak lain sebesar Rp500.000.000,00 (lima ratus juta rupiah) atau lebih, dalam 1 (satu) tahun buku; atau
  - mempunyai kekayaan di luar harta wakaf sebesar Rp20.000.000.000,00 (dua puluh miliar rupiah) atau lebih.
  - Laporan keuangan Yayasan wajib diaudit oleh Akuntan Publik dan wajib diumumkan dalam surat kabar harian berbahasa Indonesia

Organisasi Kemasyarakatan

- Peppu No 2/2017 sebagai perubahan atas UU No 17 Tahun 2013 tentang Ormas
- Lembaga Swadaya Masyarakat (LSM) adalah organisasi/ lembaga yang dibentuk oleh anggota masyarakat Warga Negara Republik Indonesia secara sukarela atas kehendak sendiri serta **bergerak di bidang kegiatan tertentu** yang ditetapkan oleh organisasi/ lembaga sebagai wujud partisipasi masyarakat dalam upaya **meningkatkan taraf hidup dan kesejahteraan masyarakat**, yang menitik beratkan kepada pengabdian secara swadaya.
- Contoh LSM: LSM yang bersumber dari sumbangan masyarakat, APBN/APBD; lembaga donor lokal (Tanoto Foundation) ; lembaga donor international (Ford Foundation, UN, World Bank)

Partai Politik

- UU No. 2/2011 menggantikan UU 2/2009 tentang Partai politik
- Partai Politik adalah organisasi yang bersifat nasional dan dibentuk oleh sekelompok warga negara Indonesia secara sukarela atas dasar kesamaan kehendak dan cita-cita untuk memperjuangkan dan membela kepentingan politik anggota, masyarakat, bangsa dan negara, serta memelihara keutuhan Negara Kesatuan Republik Indonesia berdasarkan Pancasila dan UUD 1945.
- Partai Politik berfungsi sebagai sarana :
  - Pendidikan Politik bagi anggota dan masyarakat luas agar menjadi warga Negara Indonesia yang sadar akan hak dan kewajibannya dalam kehidupan bermasyarakat, berbangsa dan bernegara;
  - Penciptaan iklim yang kondusif bagi persatuan dan kesatuan bangsa Indonesia untuk kesejahteraan masyarakat;
  - Penyerap, penghimpun, dan penyalur aspirasi politik masyarakat dalam merumuskan dan menetapkan kebijakan Negara;
  - Partisipasi politik warga Negara Indonesia ; dan
  - Rekrutmen politik dalam proses pengisian jabatan politik melalui mekanisme demokrasi dengan memperhatikan kesetaraan dan keadilan gender.

Partai Politik

- Keuangan Partai Politik bersumber dari:
  - iuran anggota;
  - sumbangan yang sah menurut hukum; dan
  - bantuan keuangan dari Anggaran Pendapatan dan Belanja Negara/ Anggaran Pendapatan dan Belanja Daerah.
- Sumbangan berupa uang, barang, dan/atau jasa.
- Bantuan keuangan dari Anggaran Pendapatan dan Belanja Negara/Anggaran Pendapatan dan Belanja Daerah diberikan secara proporsional kepada Partai Politik yang mendapatkan kursi di Dewan Perwakilan Rakyat, Dewan Perwakilan Rakyat Daerah provinsi, dan Dewan Perwakilan Rakyat Daerah kabupaten/kota yang penghitungannya berdasarkan jumlah perolehan suara.

Rumah Sakit

- Institusi pelayanan kesehatan yang menyelenggarakan pelayanan kesehatan perorangan secara paripurna yang menyediakan pelayanan rawat inap, rawat jalan, dan gawat darurat (UU no 44 tahun 2009 pasal 1)
- Fungsi rumah sakit(pasal 5 UU no 44 tahun 2009)
  - Penyelenggaraan pelayanan pengobatan dan pemulihan kesehatan
  - Pemeliharaan dan peningkatan kesehatan perorangan
  - Penyelenggaraan pendidikan dan pelatihan SDM dalam rangka peningkatan kemampuan pemberian layanan kesehataan
  - Penyelenggaraan penelitian dan pengembangan serta penapisan teknologi bidang kesehatan

Standar Akuntansi Indonesia

- **Pernyataan Standar Akuntansi Keuangan - PSAK**
- **Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik signifikan - SAK-ETAP**
- **Standar Akuntansi Entitas Mikro Kecil Menengah - SAK EMKM**

Standar Akuntansi Syariah
- Mengatur transaksi Syariah
- Pelaporan organisasi Syariah
- Diterapkan bersamaan dengan PSAK / SAK ETAP / EMKM tergantung entitasnya.

ISAK 35 Penyajian laporan keuangan entitas berorientasi non laba menggantikan PSAK 45 Standar Akuntansi Organisasi Nirlaba
- Mengatur pelaporan
- Ekuitas = Net aset
- Diterapkan bersamaan PSAK / SAK ETAP

Standar Akuntansi Pemerintahan (SAP), PP 71 tahun 2010, digunakan untuk entitas Pemerintah Pusat dan Daerah dalam menyusun laporan keuangan. Standar berbasis Akrual, dengan referensi utama IPSAS / International Public Sector Accounting Standards.

SAP

- Instansi Pemerintah menggunakan Standar Akuntansi Pemerintahan, PP 24 tahun 2005 → PP 71 tahun 2010
- Standar disusun oleh Komite Akuntansi Pemerintahan kemudian ditetapkan dengan PP
- Diterapkan untuk entitas pemerintah dalam menyusun LKPP dan LKPD:
  - instansi pemerintah pusat
  - Instansi pemerintah daerah
  - BLU dikonsolidasikan dengan LKP – menggunakan PSAP dan PSAK,
  - BUMN (sbg investasi pemerintah) → menggunakan PSAK
- Entitas sektor publik selain pemerintah menggunakan PSAK 45 untuk pelaporan dan yang lain mengikuti PSAK / SAK ETAP.

Standar yang Ada

IAI	Komite Standar Akuntansi Pemerintahan (KSAP)
Pemerintah	Pernyataan Standar Akuntansi Pemerintah(PSAP)
	PSAK
IFAC	International Public Sector Accounting Standards (IPSAS)
USA	GASB dan FASAB

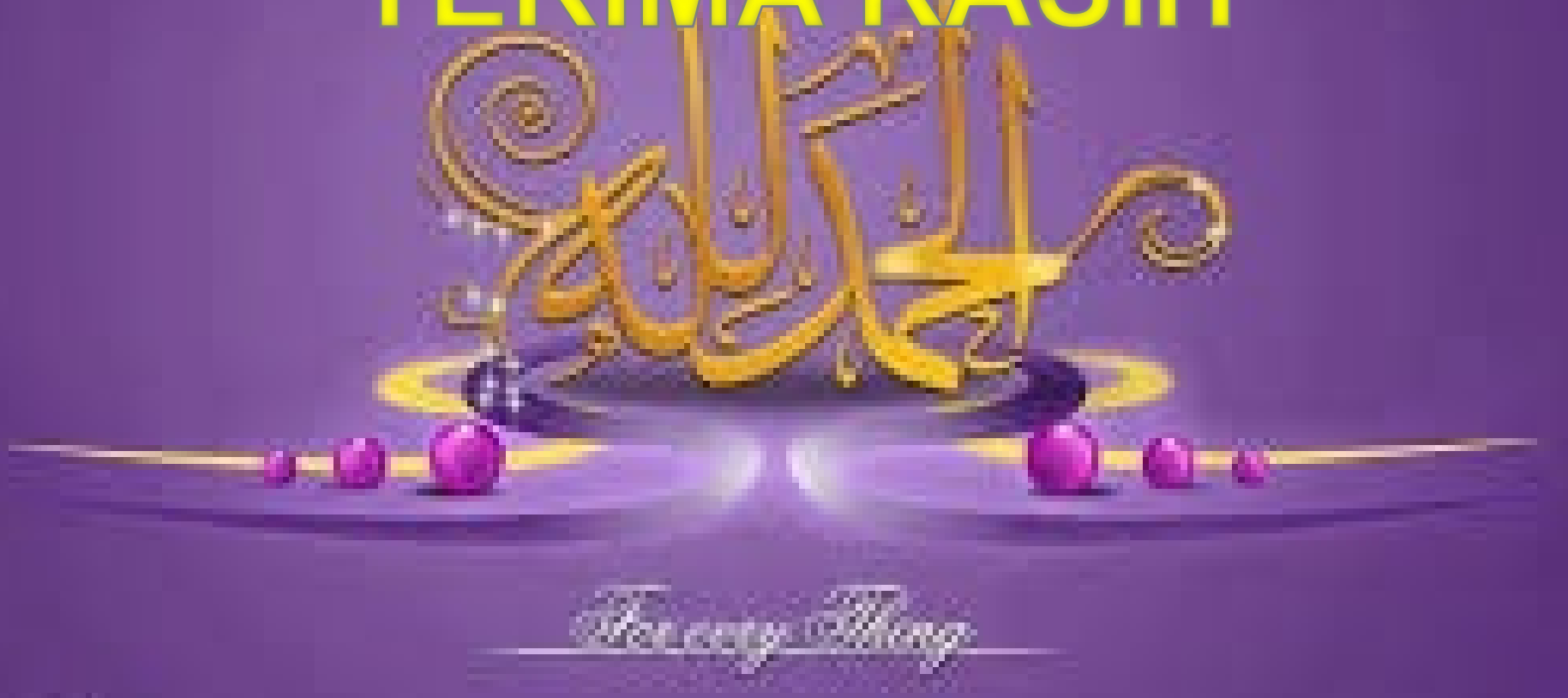
Tugas Minggu Depan (Tugas Kelompok)

- Membentuk kelompok maksimum 5 orang
- Tiap kelompok memilih laporan keuangan yang sudah diaudit satu dari OSP berikut (minimal tahun 2015):
  - BLU
  - Universitas
  - Ormas
  - Yayasan
  - Rumah Sakit
  - Partai Politik
- Menganalisis laporan keuangan organisasi nirlaba menggunakan PSAK 45, serta kesehatan keuangan dari Organisasi Nirlaba (merefer ke Ch 11 WR)
- Dibuat dalam format PPT dipresentasikan di pertemuan 2

Tugas Kelompok

- Membuat mind map peraturan tentang Organisasi Nirlaba menggunakan referensi UU yang disebutkan di silabus termasuk tentang BLU
- Boleh diketik atau ditulis tangan; setiap OSP 1 mind-map (definisi, tugas/fungsi, akuntabilitas)

TERIMA KASIH



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MAJOR ORGANIZATION TYPES

- General government – federal, state, county, city, town, village, special district (pemerintah pusat, propinsi, kota, kabupaten, kecamatan, desa)
- Education - public school districts, community colleges, colleges and universities
- Health and welfare - hospitals, nursing homes, service agencies
- Also - religious and charitable agencies, foundations

GROWTH AND IMPORTANCE OF G&NP SECTOR

- Major political, social and economic factor; 1/3 of expenditures in U.S. economy
- Sound financial management is important
- Finances often more complex than comparable size private business
- Employment opportunities increasing
- Represents substantial portion of CPA exam accounting and financial reporting section

SIMILARITIES OF G&NP TO BUSINESS

- Integral part of U.S. economic system
- Acquisition of resources to provide goods or services
- Financial management processes
- Financial information systems
- Cost analyses, control and evaluation techniques
- Some similar services

SOME SIMILAR BUSINESS ACTIVITIES

- Examples:
  - Transportation systems (transit, airports, roads)
  - Sanitation services
  - Utilities
  - Stadiums, arenas
- Reason for similar accounting for business type activities (discussed later)

DIFFERENCES BETWEEN G&NP & BUSINESS

- Organizational objectives
- Sources of financial resources
- Regulation and control
- Financial reporting model
- Other distinguishing characteristics

DIFFERENCES IN ORGANIZATIONAL OBJECTIVES

- **G&NP:**
  - Provide services as resources permit
  - Operate on a year-to-year basis
  - Expend resources to serve constituency
  - Focus guides accounting & reporting:
    - Budget and budget status
    - Sources and uses of financial resources
    - Working capital
    - Cash flow

- **Business:**
  - Profit motive
  - Seeks to increase wealth of owners
  - Focuses on net income / earnings per share
  - Automatic allocation and regulation device

G&NP DIFFERENCES IN FINANCIAL RESOURCES

- No distinction in invested capital & revenue transactions
- Owner investments and sales typically insignificant or nonexistent
- Taxation (unique to government)
- Grants and shared revenues

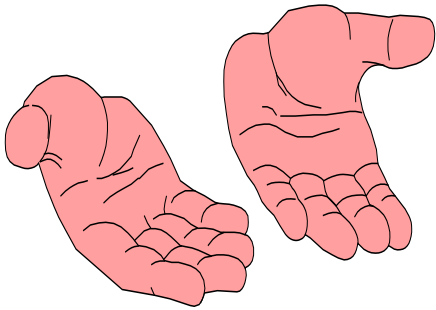
How Do Governmental and Not-For-Profit Organizations Differ From Business Organizations?

- No direct and proportional relationship between resources provided and the benefits received
- Absence or Lack of a profit motive
- Absence of transferable ownership rights
- Collective ownership by constituents
- Policy-setting process

How Do Governmental and Not-For-Profit Organizations Differ From Business Organizations?

- For businesses, annual report is the most significant financial document. For governments and non-profits, budget is very important.
  - Budget is the culmination of the political process.
- Need to ensure inter-period equity for most governments and non-profits.
- Revenues may not be linked to constituent demand or satisfaction.
- No direct link between revenues and expenses.
- Many of the assets of government and non-profits are restricted to particular activities and purposes.
- No distinguished ownership interests.
- Less distinction between internal and external accounting and reporting.

How Do Governmental and Not-For-Profit Organizations Differ From Business Organizations?



- Power ultimately rests in the hands of the people
- People vote and delegate that power to public officials
- Created by and accountable to a higher level government – ex. State Governments are accountable to Federal Governments while City Governments are accountable to State Governments, etc.
- Power to tax citizens for revenue

MAJOR FINANCIAL RESOURCE COMPARISON

AN EXAMPLE

GOVERNMENT

- For Operations
  - Taxes
- For Capital
  - Grants
  - Debt

BUSINESS

- For Operations
  - Sales
- For Capital
  - Stock
  - Debt

SUBTLE DIFFERENCES IN G&NP FINANCIAL RESOURCES

- Monopolistic services; no open market
  - Police and fire services
- User charges based on cost without profit
  - Health and social services
- Charges often only cover part of cost
  - Transit, colleges or universities

REGULATION AND CONTROL

- Business:
  - Able to modify or withdraw unprofitable goods and services from the marketplace
  - Responds to value of resources provided to type and quality of goods and services provided
  - Profit motive and measurement result in an allocation and regulation of resources vs. goods and services provided

REGULATION AND CONTROL

- G&NP:
  - Not able to modify or withdraw some unprofitable goods and services from the marketplace
  - Value of resources provided often not related to type and quality of goods and services provided
  - Goods and services provided often unique and without charge or at a “token” charge

G&NP's DIFFICULTY IN EVALUATING RESULTS

- No market supply and demand test for value of services
- Indirect relationship between resource providers and service recipients
- Absence of profit test
- Forced resource contributions (taxation)

G&NP OPERATIONS AFFECTED BY:

- External elements
  - Federal / state statutes and laws
  - Grant regulations
  - Judicial decisions

- Internal elements
  - Charter, by-laws, ordinances
  - Contractual obligations
  - Trust / donor agreements

G&NP OPERATIONS REGULATED & CONTROLLED BY:

- Organization structure
  - Governance elected, line of authority
- Personnel policies and procedures
  - Who hires / fires, compensation
- Source of financial resources
  - Taxes, debt and rate limits
- Use of financial resources
  - Restricted, budgeting, purchasing
- Accounting and financial reporting
  - Structure, reporting types, recipients
- Auditing
  - Who, frequency, scope, grants

ACCOUNTING & FINANCIAL REPORTING OBJECTIVES

- Making resource allocation decisions
- Setting goals and objectives
- Directing and controlling resources
- Reporting on resource custodianship
- Contributing to efficiency and effectiveness

American Accounting Association

ACCOUNTING & FINANCIAL REPORTING OBJECTIVES

- Objectives address needs of external users of financial information
- Managers and other internal users have specialized needs for financial information

For general purpose external financial reporting:

- Making resource allocation decisions
- Assessing services and ability to continue
- Assessing management stewardship responsibilities and performance

FASB - Statement of Financial Accounting Concepts No. 4

FINANCIAL REPORTING INFORMATION NEEDS

- Economic resources, obligations, net resources
- Effects of transactions / events on resources
- Performance measurement of resource changes
- Service efforts and accomplishments
- Sources of cash flows and liquidity

FASB - Statement of Financial Accounting Concepts No.

ACCOUNTING & FINANCIAL REPORTING CHARACTERISTICS

Remember –

- Accounting
  - is a service function and
  - must meet user information needs in a given environment
- Accounting control provisions in G&NP environment
- Accounting control provisions in G&NP environment

  - Use of “funds”
  - Budgetary controls

ACCOUNTING & FINANCIAL REPORTING CHARACTERISTICS

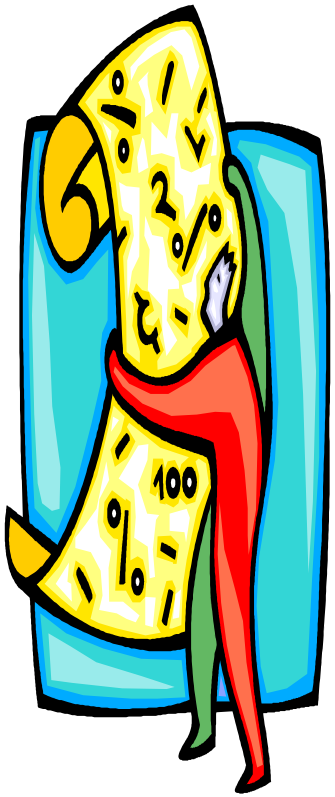
Therefore, the two most important legal and administrative controls affecting governmental and nonprofit accounting and financial reporting

1. Funds and fund accounting
2. Budgets and appropriations

What are key differences of government and nonprofit from business accounting & financial reporting?

- Use of fund accounting
- Use of special accounting for restricted activities
- Presentation of budgetary comparisons in connection with regular financial reporting

Objectives of Financial Reporting—State and Local Governments (SLG)



Financial reports are used primarily to:

- Compare actual financial results with legally adopted budget
- Assess financial condition and results of operations
- Assist in determining compliance with finance-related laws, rules, and regulations of the government
- Assist in evaluating efficiency and effectiveness of management, its resources and programs

DISCUSSION: A large majority of citizens never have the time to evaluate the financial reports of SLGs, but candidates seeking an elected position (those running for election) in government, use these reports to attack the incumbent.

Objectives of Financial Reporting

- "**ACCOUNTABILITY** is the cornerstone of all financial reporting in government," (GASB *Concepts Statement No. 1*, par. 56).

- Please see the summary of concepts Statement 1.

  - What do we mean by accountability?
  - How does "interperiod equity" relate to accountability?

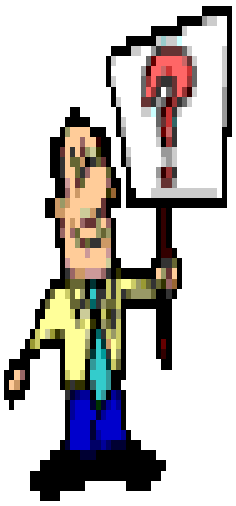
  These questions are very important!

Objectives of Financial Reporting

Q: **What do we mean by accountability?**

A: Accountability arises from the citizens' "right to know." It imposes a duty on public officials to be accountable to citizens for raising public monies and how they are spent.

Q: How does "interperiod equity" relate to accountability?



A: Interperiod equity is a government's obligation to disclose whether current-year revenues were sufficient to pay for current-year benefits—or did current citizens defer payments to future taxpayers?

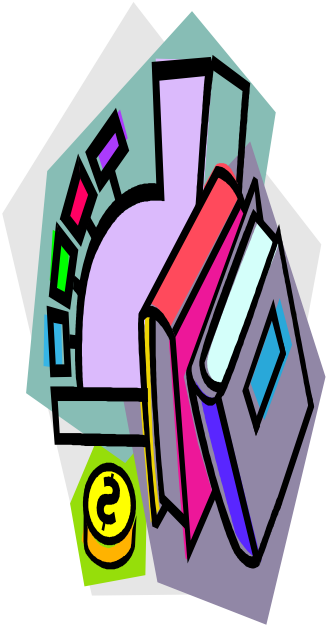
(In other words, the expenses have been incurred now and will be paid later from taxes collected in future years.)

It is important to understand this concept of "interperiod equity"!

Objectives of Financial Reporting—Federal Government

- Accountability is also the foundation of *federal* government financial reporting

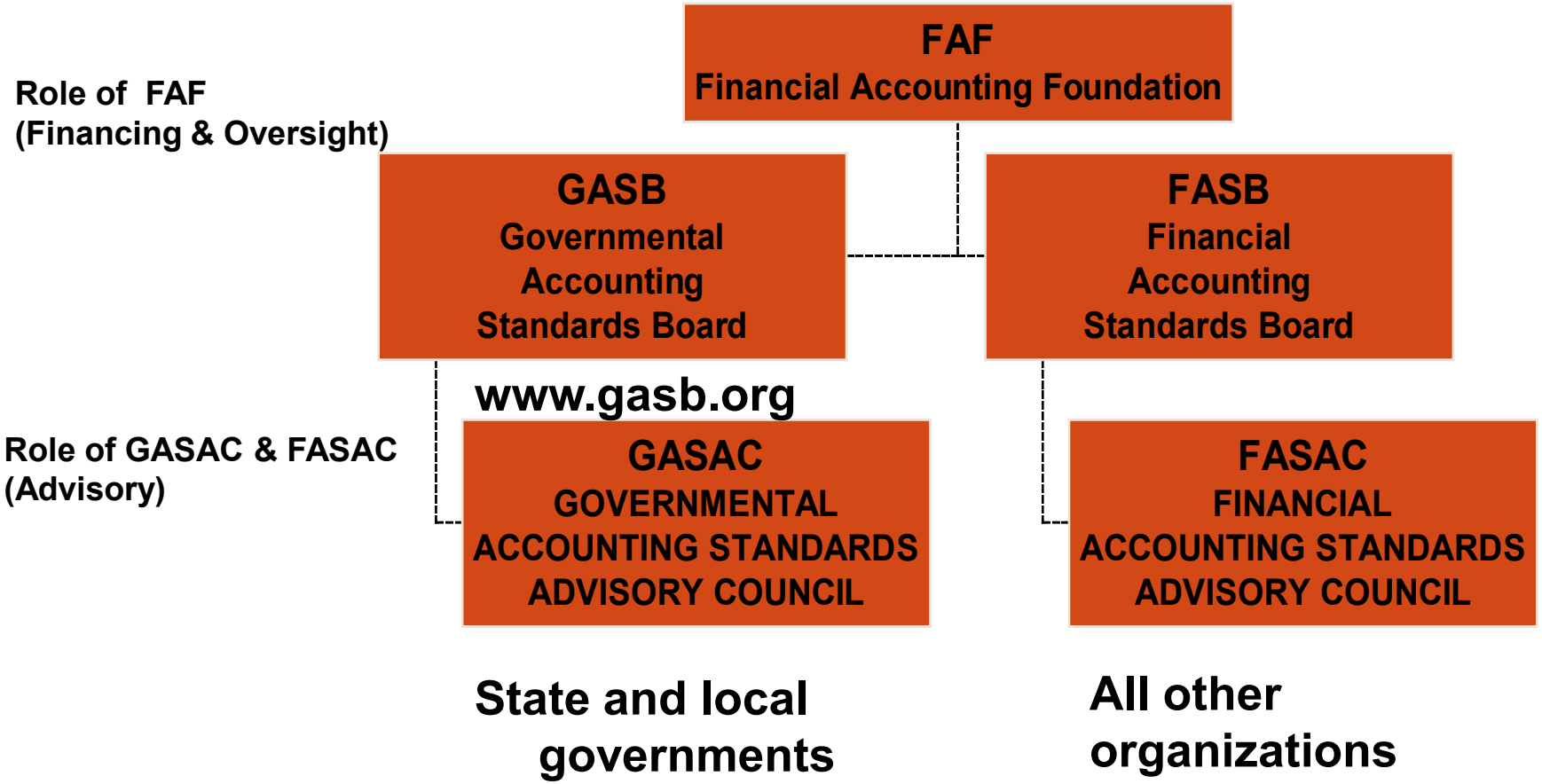
- Federal Accounting Standards Advisory Board (FASAB)'s standards are targeted at both:
  - internal users (management), and
  - external users



Sources of GAAP And Financial Reporting Standards

- **FASB – Financial Accounting Standards Board**
  - Business organizations: ex. Wal-Mart
  - Nongovernmental not-for-profits: ex. Rice University, American Cancer Society
- **GASB – Governmental Accounting Standards Board**
  - Governmental organizations
  - Governmental not-for-profits: ex. University of Houston
- **FASAB – Federal Accounting Standards Advisory Board**
  - Federal Government and its agencies
  - Ex. Department of Agriculture, Department of Transportation, Department of Energy, Department of Education, Department of Defense and others.

FINANCIAL REPORTING STANDARDS-SETTING STRUCTURE

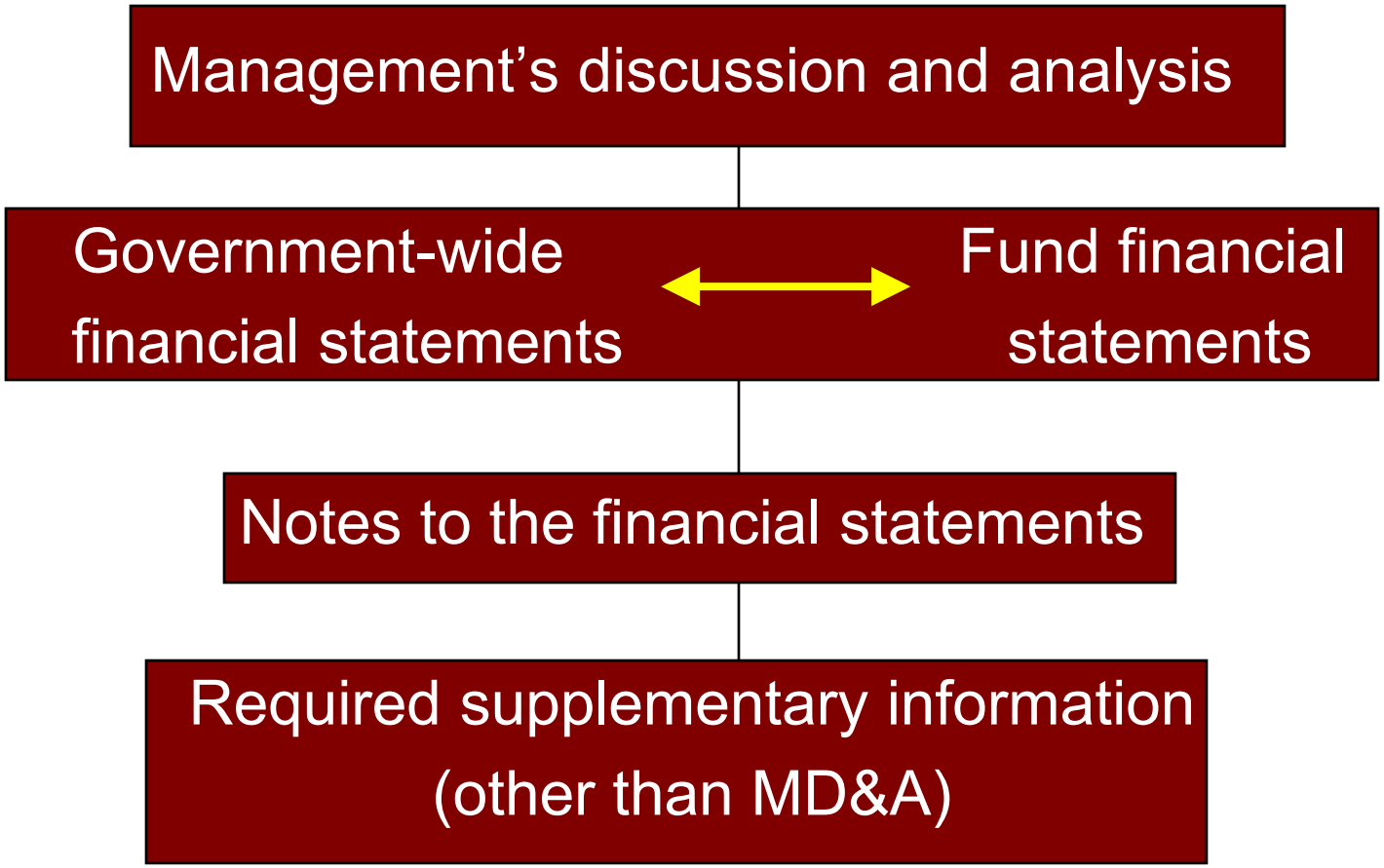


GASB and FASB

The objectives of both GASB and FASB:

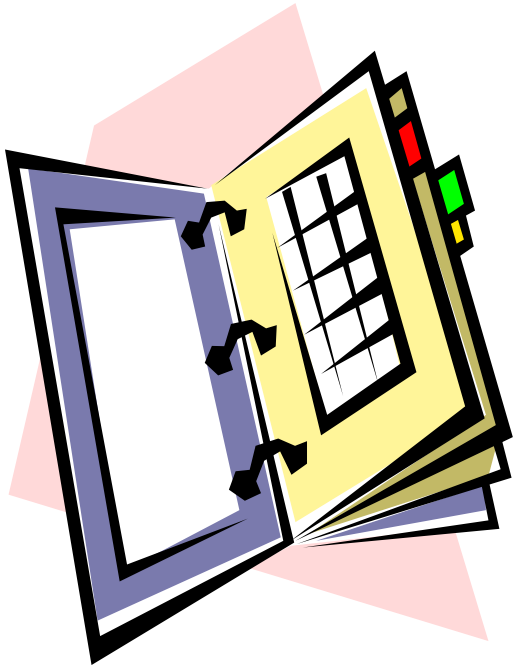
- Endorse the notion that financial reporting encompasses information on service efforts and accomplishments.
- Emphasize that the ability to measure accomplishments is still undeveloped.
- View this aspect of performance reporting as a long-term goal rather than an immediate imperative.

General Purpose External Financial Reports



Comprehensive Annual Financial Report (CAFR) -- recommended, but not mandatory --

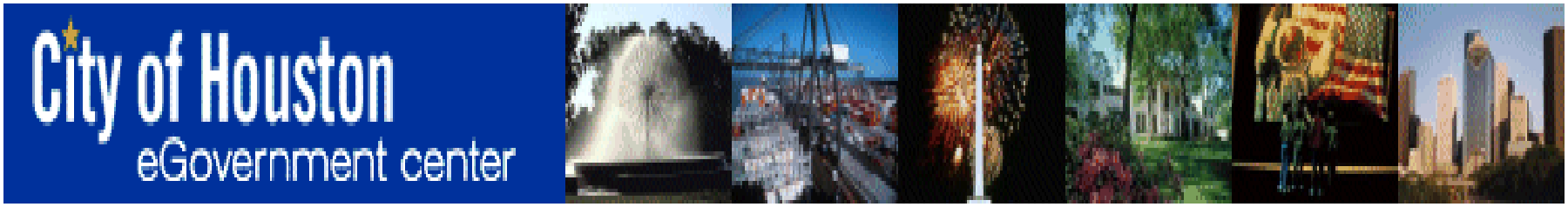
- Introductory section
- Financial section
- Statistical section
- NOTE: A hard copy of the City of Houston's CAFR is available in Dr. Khumawala's office for you to review if you are interested.



CAFR - Introductory Section

- Title page
- Contents page
- Letter of transmittal
- Other (as desired by management)

  You can view online at the City of Houston's Annual Reports for the years 2004, 2003, and 2002 at the following link: http://www.ci.houston.tx.uh/mayoroffice/annualreport.html.



CAFR—Financial Section (GASB Statement No. 34)

- Auditor's report
- MD&A
- Basic Financial Statements
- Required Supplementary Information RSI (Other than MD&A)
- Combining the individual fund statements and schedules

Remember GASB Statement No. 34 is the **NEW** reporting model that SLGs have to follow.

This is the NEW GAAP!!!

Management's Discussion and Analysis (MD&A)

- Brief objective narrative providing management's analysis of the government's financial performance
- This is basically "Tell It Like It is."

Basic Financial Statements

- Government-wide Financial Statements
  - Statement of Net Assets
  - Statement of Activities
  - Fund Financial Statements (see next slide)
- Notes to the Financial Statements
- **The Government-wide Financial Statements are required under GASB 34.**

Fund Financial Statements

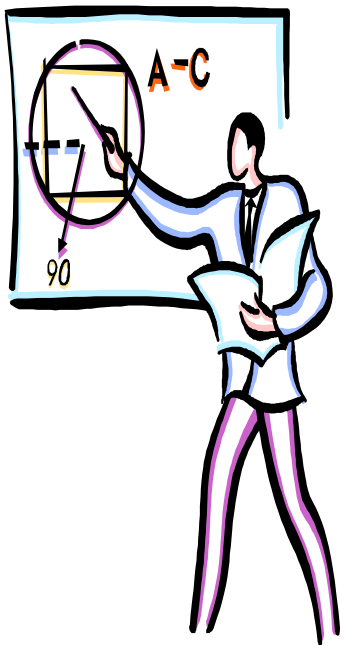
- Balance Sheet - Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds with reconciliati
- Statement of Net Assets - Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
- Statement of Cash Flows - Proprietary Funds
- Statement of Fiduciary Net Assets
- Statement of Changes in Fiduciary Net Assets

CAFR - Statistical Section

- Tables and charts showing multiple-year trends in financial and socioeconomic information

Fund Accounting

- Fund accounting reports financial information for separate self-balancing sets of accounts, segregated for separate purposes or to account for resources restricted as to use by donors or grantors
- Funds are separate accounting and fiscal entities



FUNDS & FUND ACCOUNTING

Purpose –

- To control and segregate resources that are
  - *externally restricted* and
  - *internally (managerially) designated*
- To ensure and demonstrate compliance with *legal* and *administrative* requirements

FUNDS & FUND ACCOUNTING

Externally restricted resources have accountability obligations. Examples include those for:

- Capital purposes -
  - Church building addition
  - Hospital facility
  - City sewage treatment plant
- Operating purposes –
  - University research
  - County road maintenance

FUNDS & FUND ACCOUNTING

Internally designated resources of management only have internal accountability obligations. Examples:

- Capital purposes -
  - Building additions
  - A new facility
  - New roads
- Operating purposes -
  - Research
  - Road maintenance

FUNDS & FUND ACCOUNTING

Funds are established to:

- Control restricted and designated resources
- Ensure and demonstrate compliance with –
  - Legal requirements
  - Administrative controls

The Characteristic of Public Sector Entities

Public accountability

- Governments are **elected through a democratic process** to be granted constitutional or devolved rights, powers and responsibilities.
- Governments and their institutions **use public resources** and may have been **given delegated powers and responsibilities** that also demand broad **accountability to the public**.
- **Public accountability** is an overriding feature of public sector entities and ensuring the **availability of information to demonstrate such accountability** is the primary objective of public sector reporting.

The Characteristic of Public Sector Entities

Public accountability typically encompasses:

- A conferred responsibility
- An obligation to report back on the discharge of that responsibility
- Monitoring to warrant accountability and
- Potential sanctions for non-performance.

Multiple objectives - not include generating a profit. Instead they are to:

- Provide service
- Facilitate resource reallocation and/or
- Undertake policy development.

The Characteristic of Public Sector Entities

Rights and responsibilities

- The rights and responsibilities of governments provide them the ability, directly and indirectly to affect the economy and society they operate in.
- Governments can, for example:
  - tax and set fiscal policy
  - penalize and fine
  - set monetary policy
  - make and enforce laws and regulations.
- In exchange, governments have the responsibility to, for example;
  - meet their constitutional or devolved duties
  - set policies to manage the socio-economic issues of the jurisdiction in an efficient, effective, sustainable and transparent manner through the stewardship and application of the public resources entrusted to them
  - deliver services and reallocate resources
  - be accountable for the efficient, effective, sustainable and transparent stewardship and use of the public.

The Characteristic of Public Sector Entities

- Public sector entities do not act to enhance the economic position of the entity for the benefit of owners.

Operating and financial frameworks set by legislation

- Public sector entities must operate within and illustrate their compliance with legal requirements.
- Transparent and public accountability against the policy objectives and policies set out in legislation underlies public sector reporting

The Characteristic of Public Sector Entities

Importance and use of budgets

- Most governments prepare and make publicly available, their financial budgets.
- The budget mirrors the financial elements of the government's plans for the forthcoming period.
- It is the key tool for financial management and control, and is the central component of the process that provides for government and legislative oversight of the financial dimensions of operations.

Governance structures

- Governance is provided by the legislature and comprises elected officials.

The Characteristic of Public Sector Entities

Nature of resources

- Resources of public sector entities are generally held for service provision rather than for their ability to generate future cash flows.

Non-exchange transactions

- Some of the rights and responsibilities of public sector entities give rise to non-exchange transactions.

Relationship to statistical reporting

- Relationship to statistical reporting, and the commonalities and differences between general purpose financial statements (GPFS) and government finance statistics (GFS).

The longevity of the public sector

- The longevity of the public sector and the nature of public sector programmes, makes an increased need for information about the long term sustainability of a public sector entity's finances.