

# Analysis of the Implementation of Accrual-Based Government Accounting Standards (SAP) to Improve Financial Reporting Quality at the Regional Financial and Asset Agency of North Sumatra

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## Abstract

This study aims to empirically analyze the implementation of accrual-based Government Accounting Standards (SAP) and its impact on the quality of financial reports at the Regional Financial and Asset Agency (BKAD) of North Sumatra Province. The research is motivated by a "phenomenon gap" where the North Sumatra Provincial Government has successfully maintained an Unqualified Opinion (WTP) for nine consecutive years, yet the Supreme Audit Agency (BPK) consistently finds recurring issues related to fixed asset management, such as inaccurate depreciation calculations and capitalization of capital expenditures. Using a qualitative descriptive approach with a case study design, data were collected through in-depth interviews with key officials, documentation studies of Financial Reports (LKPD) and Audit Reports (LHP), and observation. The analysis technique adopted the interactive model of Miles, Huberman, and Saldana (2014). The results indicate that the implementation of accrual-based SAP at BKAD North Sumatra has been carried out optimally in terms of systems and regulations, largely supported by the integrated Regional Government Information System (SIPD) which minimizes clerical errors. This implementation has proven to significantly improve the relevance and comparability of financial reports. However, challenges regarding reliability persist, specifically concerning the physical verification of fixed assets at the Regional Apparatus Organization (OPD) level, which leads to audit findings despite high compliance at the consolidation level. The study concludes that while accrual accounting enhances reporting quality, its effectiveness in ensuring absolute reliability is moderated by internal control capabilities regarding physical assets and human resource competence at the input level.

**Keywords:** Government Accounting Standards (SAP), Accrual Basis, Financial Reporting Quality, Fixed Assets, Stewardship Theory, BKAD North Sumatra.

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## Introduction

Public financial management reform in Indonesia has entered a new decade marked by a paradigm shift from cash basis to accrual basis. This change is not merely a technical transformation of recording but a fundamental reform in governance aimed at realizing Good Government Governance. In the perspective of public sector accounting, local government financial reports are no longer viewed solely as a form of administrative accountability to the central government, but as instruments of transparency and accountability to the public. The quality of financial reports becomes a crucial element because the information presented therein serves as the basis for economic, social, and political decision-making that directly impacts public welfare.

A quality financial report is one that meets the qualitative characteristics established in the Conceptual Framework of Government Accounting Standards (SAP): relevant, reliable, comparable, and understandable. Failure to meet these quality standards can have fatal implications, ranging from budget allocation errors and expenditure inefficiencies to the loss of public trust in the integrity of the local government. As emphasized by Mardiasmo (2018), low-quality financial information has the potential to cause distortions in strategic decision-making and reduce government credibility in the eyes of stakeholders [1].

As a primary legal foundation, the government issued Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP). This regulation mandates all government entities, both central and regional, to implement accrual-based SAP by 2015 at the latest [2]. The accrual basis requires the recognition and recording of transactions when rights and obligations arise, regardless of when cash is received or paid. The advantage of the accrual basis over the cash basis lies in its ability to present a more complete picture of the financial position, including the presentation of fixed assets, long-term liabilities, and fund equity in a real-time and comprehensive manner.[3].

However, in empirical implementation, there is a striking gap between normative regulatory expectations and reality on the ground. The North Sumatra Provincial Government, as one of the largest reporting entities in Indonesia, recorded a remarkable achievement by maintaining an Unqualified Opinion (WTP) from the Supreme Audit Agency (BPK) RI for nine consecutive times up to the Local Government Financial Report (LKPD) of the 2023 Fiscal Year [4]. Ideally, a WTP opinion indicates that the financial statements have been presented fairly in all material respects.

Nevertheless, behind this WTP achievement, the Summary of Semester Examination Results (IHPS) and Examination Result Reports (LHP) by BPK consistently reveal recurring findings, particularly relating to the management and administration of fixed assets. Data from the BPK Representative of North Sumatra for the 2023 Fiscal Year recorded 100 examination activities, where general findings were still dominated by fixed asset administration issues, inaccurate revenue recognition, and weaknesses in inter-unit reconciliation. This phenomenon creates a paradox: how can a government entity obtain the best audit opinion (WTP) while fundamental issues in the validity of physical asset data persist? This condition indicates a "phenomenon gap" where the implementation of accrual-based SAP may have succeeded procedurally and administratively (on paper) but faces severe challenges substantially and operationally (in the field).

The results of previous research on the effect of the implementation of accrual-based SAP on the quality of financial reports showed inconsistent results, where the implementation of accrual-based SAP was proven to have a positive and significant effect on the quality of financial reports. [5] [6]. The application of accounting standards alone is considered insufficient and does not even have a significant impact on the quality of financial reports without the support of competent human resources (HR) and adequate information technology systems. [7] [8].

This inconsistency in research results demands further in-depth and contextual investigation into specific objects like the BKAD of North Sumatra. This study aims to: (1) Explore the mechanism of accrual-based SAP implementation at BKAD North Sumatra; (2) Analyze the influence of accrual accounting principles on the quality of local financial reports; (3) Identify the root causes of the gap between WTP achievements and persistent asset audit findings; and (4) Provide strategic recommendations.[9].

Based on the above background, this study aims to analyze in-depth the impact of accrual-based SAP implementation on the quality of financial reports at the Regional Revenue and Expenditure Agency (BKAD) of North Sumatra Province, as well as to examine the role of these accounting principles in minimizing fixed asset problems. This research is expected to provide theoretical contributions to the development of public sector accounting and practical contributions to local governments in developing strategies to improve the quality of sustainable financial reporting.

## **Literature Review**

### **Theoretical Framework: Stewardship Theory**

Stewardship Theory serves as the main theoretical foundation in this research to explain the behavior of government apparatus in regional financial management. Unlike Agency Theory, which assumes that managers (agents) tend to act opportunistically for personal gain, Stewardship Theory, developed by Donaldson and Davis (1991), views managers (in this case, government apparatus) as stewards who possess intrinsic motivation to serve the interests of the principal (society/state).

In the context of the public sector, this theory explains that government officials have a moral and professional responsibility to manage public resources honestly, transparently, and accountably for the achievement of organizational goals and community welfare. Several recent studies in the field of public sector accounting in Indonesia reinforce the relevance of stewardship theory. Irfana and Haliah, in their literature review on the implementation of Government Accounting Standards (SAP), mention that the success of implementing accrual-based SAP is not only determined by the sophistication of systems or regulations but heavily depends on the moral commitment and awareness of officials toward the value of public accountability [10]. This view aligns with the basic principles of stewardship theory, which emphasizes that intrinsic responsibility and moral commitment are key factors in the successful implementation of government accounting policies..

The success of implementing government accounting is not only determined by regulations but also by the moral commitment of the apparatus as stewards, so the application of accrual-based SAP can be effective if supported by an organizational culture that upholds integrity.

### **Based Government Accounting Standards (SAP)**

Government Accounting Standards (SAP) are accounting principles applied in the preparation and presentation of government financial reports. In Indonesia, the basis for implementing SAP is regulated through Government Regulation Number 71 of 2010, which replaces Government Regulation Number 24 of 2005. The most significant change in this regulation is the transition from a cash basis towards accrual basis to a full accrual basis.

The application of the accrual basis means that economic transactions and other events are recognized, recorded, and presented in the financial statements at the time the transactions occur, regardless of when cash or cash equivalents are received or paid. This differs from the

cash basis, which only recognizes transactions when cash inflows or outflows happen. Christiaens et al. state that the accrual basis provides more comprehensive information regarding assets, liabilities, and government equity, allowing for a more accurate assessment of service performance, financial position, and government cash flows. [3].

The implementation of accrual-based SAP includes several key financial statement components, namely:

1. Budget Realization Report (LRA): Still uses a cash basis for accountability in budget implementation.
2. Operational Report (LO): Uses an accrual basis to present operational income and expenses.
3. Balance Sheet: Presents the position of assets, liabilities, and fund equity on an accrual basis.
4. Statement of Changes in Equity (LPE): Explains changes in equity during the reporting period.

The main challenge in implementing the accrual basis often lies in the valuation and depreciation of fixed assets, as well as the recognition of long-term liabilities, which require more complex estimates and professional judgment compared to the cash basis.

### **Quality of Financial Reports**

The quality of local government financial reports is a measure of the extent to which these reports meet the needs of users in decision-making and public accountability. Based on the SAP Conceptual Framework, there are four main qualitative characteristics that must be met for financial reports to be considered high quality, namely:

1. Relevant (Relevance): The information presented must have feedback value, predictive value, timeliness, and completeness. Relevant information helps users evaluate past and present events and predict the future.
2. Reliable (Reliability): Information must be free from misleading interpretations and material errors, present every fact honestly (faithful representation), and be verifiable. Reliability is a crucial issue in recording fixed assets, which often becomes an audit finding.
3. Comparable: The information contained in financial statements will be more useful if it can be compared with the financial statements of previous periods or with the financial statements of other entities in the same period. This requires consistency in the application of accounting policies.
4. Understandable: Information is presented in forms and terms adjusted to the users' level of understanding. Adequate disclosure (full disclosure) in the Notes to the Financial Statements is essential to meet this characteristic.

The quality of government financial reports is influenced by the competence of human resources, the internal control system, and the utilization of information technology [11].

### **Previous Research**

This research is built upon the foundation of previous studies to examine the position and contribution of novelty.

1. PPratiwi (2023): Found that the implementation of SAP has a significant positive effect on the quality of financial reports of OPD in Medan City [5].
2. Wulandari & Octaviani (2020): Show that the Accounting Information System and Internal Control have a positive effect on the quality of reports. [12].
3. Mutoharoh & Ifada (2023): Highlights the role of HR competency moderation in strengthening the impact of internal control on reporting quality [13].

4. Yusriwanti & Susanti (2022): Found that the implementation of accrual-based SAP has a significant effect, but internal control and work motivation do not have a significant effect [14].
5. Rahmah & Zulkifli (2018): Provides contradictory results where the implementation of SAP does not have a significant effect on report quality if not supported by other aspects. [7].

This research fills the gap by combining the analysis of SAP implementation at the provincial level (BKAD North Sumatra) with a specific focus on fixed asset issues that become sources of recurring audit findings, while using the analytical lens of Stewardship Theory.

## **Research Methodology**

### **Types of Research**

This study uses qualitative research with a descriptive approach. The qualitative approach was chosen because this research aims to understand complex social phenomena related to the application of accounting standards in a natural setting, where the researcher acts as the key instrument. This approach allows the researcher to explore the meaning behind numerical data, deeply understand the process of applying SAP, and identify latent obstacles that are not detected by quantitative surveys.

Sugiyono states that qualitative descriptive research aims to provide a clear picture of the social situations that occur without applying treatment or manipulation to the variables being studied [15]. In this context, the researcher seeks to explore the relationship between normative compliance with accounting regulations and the empirical reality of managing Regional Owned Assets (BMD). This study describes how accrual-based accounting procedures are implemented in practice.

Descriptive design is used to provide a systematic, factual, and accurate portrayal of the facts and the relationships between the phenomena being investigated. In this case, the researcher describes how the accrual accounting procedures are carried out at BKAD Sumut, how interactions between departments occur, and why the gap between the WTP opinion and audit findings still persists.

### **Location and Time of Research**

The research was conducted at the Regional Finance and Asset Agency (BKAD) of North Sumatra Province, located on Jalan Sisingamangaraja Km. 5.5, Medan. The location was chosen based on BKAD's strategic role as the Regional Financial Management Work Unit (SKPKD) responsible for consolidating financial reports of the entire provincial government, as well as serving as the coordinator for managing Regional Owned Goods (BMD). The research period ranged from August 2025 to February 2026, covering the stages of pre-research, data collection, and final report preparation.

### **Research Focus and Operational Definition**

The research focus is divided into two main dimensions:

1. Implementation of Accrual-Based SAP (Process Dimension): Examining the understanding of officials, procedural compliance, the role of information technology (SIPD), and asset data reconciliation mechanisms.
2. Improvement of Financial Report Quality (Result Dimension): Evaluating the fulfillment of qualitative characteristics (relevance, reliability, comparability, understandability) in the final financial report product (LKPD).

The operational definitions were developed qualitatively. "SAP Implementation" is defined as a series of managerial and technical processes in recognizing, measuring, and reporting transactions in accordance with Government Regulation 71/2010. "Report Quality" is

defined as the degree of usefulness of report information for users, as well as the level of freedom from material misstatements (audit findings).

### **Types and Sources of Data**

1. **Primary Data:** Data obtained directly from original sources through in-depth interviews with key informants. The informants consist of the Head of the Accounting Division, Head of the Asset Division, and technical staff directly involved in preparing financial reports and SIPD data input.
2. **Secondary Data:** Data obtained from official documents, including the Regional Government Financial Reports (LKPD) of North Sumatra Province (Audited) for 2019-2023, the Audit Reports (LHP) of the Audit Board of the Republic of Indonesia (BPK RI), Semester Audit Summary Reports (IHPS), Regional Regulations, and Governor Regulations related to accounting policies.

### **Data Collection Techniques**

This study applies Technique Triangulation to ensure data validity:

1. **In-depth Interview:** Using semi-structured interview guidelines to explore the perceptions, understanding, and experiences of officials related to obstacles in the implementation of SAP.
2. **Documentation Study:** Analyzing policy documents (Governor's Regulation), notes on financial statements (CaLK), and follow-up matrices on findings from the Audit Board to seek empirical evidence of standard implementation.
3. **Observation:** Directly observing the work process in the Accounting Division and the use of the SIPD application to see the alignment between formal procedures and actual practice.

### **Data Analysis Techniques**

Data analysis adopts the interactive model from Miles, Huberman, and Saldana, which consists of three concurrent streams of activities [16].

1. **Data Condensation:** The process of selecting, focusing, simplifying, and transforming raw data from interview transcripts and documents into key themes (coding).
2. **Data Display:** Organizing the condensed information into structured narratives, tables, or flowcharts to facilitate understanding of relational patterns.

**Conclusion Drawing (Conclusion Drawing/Verification):** Drawing meaning from the displayed data, looking for causal patterns, and verifying conclusions with valid supporting evidence.

## **Results**

### **Overview of the Research Object**

The Regional Finance and Assets Agency (BKAD) of North Sumatra Province was established based on the North Sumatra Governor Regulation Number 50 of 2018 concerning the Duties, Functions, Job Descriptions, and Work Procedures of the Regional Finance and Assets Management Agency. BKAD has a strategic vision to realize "Advanced, Safe, and Dignified North Sumatra" through transparent financial governance. Structurally, BKAD is led by the Head of the Agency, who oversees the Secretariat and several technical divisions, including the Budget Planning Division, Treasury Division, Accounting and Reporting Division, and the Regional Assets Management Division. The separation of accounting and asset functions in this structure requires strict coordination, considering that asset data constitutes the largest component of the regional balance sheet [17].

### **Analysis of the Application of Accrual-Based SAP**

Based on the results of interviews and observations, the implementation of accrual-based SAP at BKAD North Sumatra can be mapped into four main dimensions:

### **Apparatus Understanding and Competence**

The research results show that the level of understanding among officials within BKAD, especially in the Accounting Division, is already at a very adequate level. Key informants are able to articulately explain the philosophical and technical differences between cash basis and accrual basis.

Accrual means that the revenue has already been recorded. Accrual is based on revenue first. Whereas this [cash basis] is based on the actual money received.

This competence has been developed through a long process of socialization and intensive training since the issuance of Government Regulation 71/2010. The majority of key staff have obtained certification in government accounting expertise. This indicates that the barrier to implementing SAP at the consolidator level (BKAD) is not due to a lack of knowledge (knowledge gap), but rather other factors.

### **Compliance with SAP Principles and Regulations**

There is a strong commitment to compliance with SAP regulations. Officials view SAP as a "corridor" that must not be violated in report preparation. This compliance is supported by a comprehensive regulatory hierarchy, ranging from laws to Governor Regulations (Pergub). The North Sumatra Provincial Government actively issues technical regulations to respond to the dynamics of accounting issues, one of which is North Sumatra Governor Regulation Number 8 of 2023 concerning Amendments to North Sumatra Governor Regulation Number 10 of 2021 regarding Depreciation of Regional Owned Goods and Capitalization of Fixed Assets. This regulation serves as a vital instrument to standardize asset depreciation calculations, which have previously been findings of the Audit Board (BPK).

### **Role of Information Technology (SIPD)**

One of the most significant findings is the central role of information technology. The transition from manual systems to the nationally integrated Regional Government Information System (SIPD) has transformed the landscape of regional accounting.

“Previously it was manual... Now it's all through an app, so everything is integrated... directly integrated with the KPK application”.

SIPD functions as a hard control that enforces the implementation of SAP:

1. **Journal Automation:** Cash transactions in the LRA automatically trigger accrual journals in the LO and Balance Sheet, reducing the risk of human error in duplicate journaling.
2. **Input Validation:** The system rejects incomplete or unbalanced data inputs ("membal"), forcing users to be disciplined from the start.
3. **Transparency:** Integration with the KPK creates an inherent oversight effect that promotes accountability.

### **Reconciliation Mechanism and Challenges in OPD**

Although the system at BKAD is already advanced, research reveals that the main obstacle to SAP implementation originates upstream, namely from the Regional Apparatus Organizations (OPD). "If the problem is always that we clash with the financial management agencies within the government... not all of them have implemented SAP-based accrual accounting yet." The disparities in human resource competence between BKAD (as the consolidator) and OPD (as the accounting entity) cause raw data that is input to often be problematic. Misclassification of expenditures (for example, capital expenditure recorded as goods expenditure) at the OPD level will carry over to the consolidation process if it is not detected by the system or inspectorate review.

### Financial Data and Reporting Quality

The impact of implementing accrual-based SAP is clearly visible in the presentation of the North Sumatra Provincial Government's Financial Report for Fiscal Year 2023.

**Table 1.** Summary of the LRA of the North Sumatra Provincial Government for FY 2023 (Audited)

Description	2023 Budget (Rp)	Realization (Rp)	%
INCOME	14.375.662.997.407	12.757.833.199.492	88,75%
EXPENDITURE	15.391.837.409.257	13.747.086.993.630	89,31%
Capital Expenditure	2.502.827.424.193	2.054.406.879.317	82,08%
Budget Surplus	0	80.982.789.368	-

2023 Source: Processed from the 2023 Audited LRA of the North Sumatra Provincial Government

Table 1 shows capital expenditure realization of Rp 2 Trillion. On an accrual basis, this capital expenditure must be capitalized into Fixed Assets on the Balance Sheet. This capitalization process is often the critical point where recording errors occur.

**Table 2.** Summary of the North Sumatra Provincial Government Balance Sheet as of December 31, 2023 (In Rupiah)

Dixed Asset Description	2023 Balanced (Audited)	Saldo 2022 (Audited)
Tanah	5.623.599.018.273	5.676.637.340.569
Peralatan dan Mesin	3.817.958.565.687	3.472.654.344.405
Gedung dan Bangunan	6.138.417.667.302	5.317.385.989.607
Jalan, Irigasi, Jaringan	11.490.417.274.295	11.003.841.954.473
Konstruksi Dlm Pengerjaan	1.997.204.034.258	1.005.259.249.513
<b>Akumulasi Penyusutan</b>	<b>(12.944.711.018.643)</b>	<b>(12.145.128.409.395)</b>
<b>Total Aset Tetap (Neto)</b>	<b>17.133.873.326.935</b>	<b>14.612.825.410.412</b>

Source: Processed from the 2023 North Sumatra Provincial Government Balance Sheet

In Table 2, the accumulated depreciation value is shown to be very substantial, reaching Rp 12.9 trillion. The increase in accumulated depreciation reflects the consistent application of the accrual principle (allocation of expenses). However, the validity of this figure heavily depends on the accuracy of determining the useful life and acquisition cost of the assets from the outset.

### **SAP Implementation from the Perspective of Stewardship Theory**

The findings of this study provide strong empirical support for Stewardship Theory in the context of the public sector in Indonesia. The behavior of BKAD officials revealed through interviews and observations reflects the characteristics of a true steward. They show a high intrinsic commitment to regulations and reporting quality, not merely because of external pressure, but due to a sense of responsibility toward the organization (Provincial Government) and the community.

In a stewardship relationship, officials tend to act pro-organization and view transparency as a means to build trust, thus continuing to strive to achieve collective goals despite facing significant technical challenges. [18].

However, this theory also helps explain why problems still occur at the OPD level. The disparities in reporting quality indicate that the culture of stewardship may not yet be evenly internalized across all levels of local government. Officials in technical OPDs may be more focused on completing physical activities (as implementing agents) and have less of a sense of belonging regarding financial reporting accountability, which leads to negligence in asset administration.

### **"Phenomenon Gap" Dynamics: WTP Opinion vs Asset Findings**

In-depth discussion is needed to address the paradox between the WTP opinion and the recurring findings in asset audits. Research analysis found that accrual-based SAP at BKAD North Sumatra has been successfully implemented administratively and technocratically but faces challenges in the aspect of physical substance.

1. The Role of Technology as a Double-Edged Sword: The SIPD system acts as a highly effective quality enabler in ensuring arithmetic accuracy and logical consistency (debit=credit). This minimizes material errors in presenting figures, which is the main basis for the WTP opinion given by BPK. This is why the WTP can be maintained.
2. Administrative vs Physical Gap: BPK's findings regarding "assets not supported by ownership evidence" or "assets not found" are physical management issues beyond the reach of the accounting application system. The system only processes data that is input. If the OPD inputs asset purchases, the system will journal them correctly. However, whether the asset physically exists, is maintained, and certified is the realm of asset management, which requires physical validation (inventory), not just system validation.
3. Weakness in the Second Line of Defense: Informants' acknowledgment that the Inspectorate's review process is sometimes only partial or limited to administrative assistance is a critical point. This causes the data submitted to BKAD (as the third line of defense) to appear clean, even though it still contains residual qualitative issues that are only detected during the BPK's investigative audit.

### **The Influence of Accrual SAP on Financial Reporting Quality**

Based on data analysis, the implementation of accrual-based SAP at BKAD North Sumatra Province has a significant impact on improving the quality of financial reports in the following dimensions:

1. Relevance: The application of accrual accounting successfully provides relevant information regarding depreciation expenses and future obligations, which were previously not visible under the cash basis. This information is crucial for analyzing long-term fiscal capacity.
2. Comparability: The standardization of the Standard Chart of Accounts (BAS) through SIPD ensures that North Sumatra's financial reports can be compared with other regions and across periods, enhancing the usefulness of information for the central government.

3. Understandability: The increasingly detailed presentation of CaLK (Notes to Financial Statements) as a result of accrual accounting helps users understand the complexity of the numbers in the balance sheet.

However, in the Reliability dimension, its influence is still moderated by the quality of input data from the Regional Apparatus Organization (OPD). Although the accounting methods used are reliable (in accordance with SAP), the basic asset data processed still has vulnerabilities in physical validity. Therefore, future improvements will no longer rely on understanding the accrual concept (since it is already mastered), but rather on strengthening the integrity of physical asset data through strict census and inventory.

## Conclusion

Based on the results of the research and discussion conducted, several conclusions can be drawn as follows:

1. Systematic Optimal Implementation of Accrual-Based SAP: The implementation of accrual-based accounting standards at BKAD North Sumatra Province has been carried out in accordance with Government Regulation Number 71 of 2010. This success is strongly supported by adequate understanding among staff and the use of integrated information technology (SIPD), which automatically converts cash transactions into accrual journals, minimizing manual recording errors (human error).
2. Improvement in Information Quality but Constrained by Physical Assets: The accrual basis implementation has proven to significantly improve the quality of financial reports, particularly in terms of relevance and comparability. Financial reports now present a comprehensive picture of regional wealth. However, the reliability dimension still faces challenges in the form of a "gap phenomenon" between administrative data in the system and the physical condition of assets in the field, which is the root cause of recurring audit findings.
3. Validation of Stewardship Theory: The behavior of BKAD officials reflects a strong stewardship orientation, where compliance with regulations is driven by a moral responsibility for public accountability. However, the overall success of regional financial reporting is hindered by disparities in competence and work culture at the asset-using OPD level.

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