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EVALUATING THE FINANCIAL SUSTAINABILITY OF GOVERNMENT UNITS UNDER INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

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ABSTRACT. Government units in Iraq rely on the traditional method of preparing financial statements, and great emphasis is placed on achieving financial control to ensure that government units do not exceed their financial allocations and that they are spent in the areas allocated to them without verifying the extent of the efficiency and effectiveness of the government units' performance. They are managing money and achieving desired goals. This paper aims to evaluate the financial sustainability of public sector units in light of the application of international accounting standards for the public sector, as well as to demonstrate the impact of applying these standards on the level of financial sustainability of public sector units through the application of a case study in the Najaf Municipality Directorate. The results also show that applying international accounting standards for public sector units in the Municipalities Directorate In Najaf Governorate will significantly affect financial sustainability indicators compared to those extracted using the currently approved traditional accounting system. In addition, the possibility of enhancing the financial sustainability of public sector units and enhancing their financial performance requires the application of international accounting standards for public sector units because of the information they provide that reflects the true financial situation of those units. Therefore, the study recommends applying international accounting standards to public sector units in all centrally funded government units in Iraq to advance their financial management function, rationalize spending, and the possibility they provide for managing risk and achieving financial stability during crises.

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Introduction

Local governance, embodied by Municipality Institutions, stands as a cornerstone in the framework of public administration, serving as the bedrock for community development and welfare. At the heart of effective municipal management lies financial transparency and accountability, an area often marred by diverse reporting practices and inconsistent standards. This paper embarks on a comprehensive exploration of Financial Reporting Efficiency in Municipality Institutions, aiming to elevate the discourse on transparent financial governance. With a distinctive focus on leveraging the International Public Sector Accounting Standards (IPSAS), our research endeavours to align municipal financial reporting with global best practices, thus fostering financially sustainable Performance.

As pivotal agents of local governance, municipal institutions administer a spectrum of services crucial for community well-being, ranging from infrastructure development to public services provision. The significance of these institutions extends beyond localized concerns, influencing regional development and citizen satisfaction. However, the effectiveness of Municipality Institutions is contingent upon transparent financial reporting, a facet often challenged by the absence of standardized practices. This research is positioned at the nexus of financial governance, public administration, and international accounting standards, seeking to reconcile disparities in reporting methodologies prevalent across Municipality Institutions. The imperative for transparent financial reporting within Municipality Institutions cannot be overstated. It not only facilitates accountability to citizens but also attracts investment, aids in effective resource allocation, and fosters sustainable development. The contemporary global landscape, characterized by an increasing emphasis on good governance, demands that Municipality Institutions adhere to international standards to ensure financial reporting consistency and comparability. In response to this call, our research propounds the adoption of IPSAS, a comprehensive and globally recognized framework designed to enhance transparency, accountability, and financial reporting efficiency in the public sector.

The literature on municipal financial reporting reveals a heterogeneous landscape marked by diverse practices and standards. Variability in reporting methodologies across Municipality Institutions creates challenges in assessing and comparing financial performance, hindering effective decision-making processes. This paper conducts an exhaustive review of existing literature, shedding light on the prevailing practices and their implications for financial reporting efficiency. By identifying gaps and limitations in the current approaches, our research lays the groundwork for the proposed work, paving the way for a systematic and standardized financial reporting framework.

The proposed work revolves around the development and implementation of an innovative model that integrates IPSAS into the financial reporting systems of Municipality Institutions. This model addresses the intricacies of aligning accounting policies, reporting formats, and disclosure requirements with IPSAS guidelines. Recognizing the diverse contexts and capacities of different Municipality Institutions, our model is designed to be flexible, accommodating phased implementation to mitigate disruptions and ensure a smooth transition. The ultimate goal is to establish a unified and standardized approach to financial reporting that not only meets the requirements of IPSAS but also enhances overall reporting efficiency. As we delve into the specifics of our proposed work, it becomes evident that the successful implementation of IPSAS in Municipality Institutions requires a meticulous methodology. To capture the multifaceted impact of IPSAS adoption, our research employs a mixed-methods approach, combining quantitative analysis of financial statements with qualitative insights gained from interviews with key stakeholders. Additionally, case studies of Municipality Institutions that have already embraced IPSAS provide real-world examples of the framework's impact on financial reporting efficiency. This comprehensive methodology ensures a nuanced

understanding of the challenges and benefits associated with the adoption of IPSAS in diverse municipal contexts.

In the subsequent sections, we present a detailed analysis of the proposed work, including the methodology, implementation model, and expected results. The study concludes with a reflection on the implications of our research findings for the broader landscape of municipal financial governance, offering insights into the potential transformative effects of IPSAS adoption on Financial Sustainable Performance.

1. Literature review

International Public Sector Accounting Standards (IPSASs) are designed as a common platform for public sector entities to prepare general-purpose financial statements (Perković Paloš, 2017). Given the differences between for-profit and non-profit organizations, standards have been developed focusing on fiscal transparency and accountability of governments and on improving financial management. First International Public Sector Accounting Standard (IPSAS) on the financial statements set: objectives of financial statements, contents of financial statements, financial statements to comply with IPSASs, and components of financial statements. Although local governments and other public sector entities have the same IPSASs as national/federal governments, revenues, expenses, and liabilities of local governments have a different nature compared to central governments. The landscape of municipal financial reporting is a complex tapestry woven with diverse practices, standards, and challenges. A critical examination of the existing literature reveals a rich array of studies that have explored various facets of financial reporting within Municipality Institutions, shedding light on the prevailing practices and their implications for governance and accountability. Numerous scholars have emphasized the significance of financial transparency and reporting in local governance. Heinrich and Lynn (2018) contend that transparent financial reporting is essential for maintaining public trust in Municipality Institutions. They argue that citizens' perception of transparency is closely linked to the accessibility and comprehensibility of financial information, urging standardized reporting practices to enhance accountability.

The global context of municipal financial reporting is further elucidated by studies exploring municipalities' challenges in adopting international accounting standards. Walker and Gray (2019) conducted a cross-country analysis and found that while some municipalities have successfully integrated international standards, others encounter obstacles related to resource constraints and institutional resistance. This underscores the need for a nuanced approach that considers the diverse capacities and contexts of Municipality Institutions.

The role of technology in transforming financial reporting practices within the public sector is another area of scholarly interest. Davis and Fischer (2020) examine the impact of digitalization on municipal financial reporting, highlighting the potential for increased efficiency and accuracy. Their study emphasizes the need for Municipality Institutions to embrace technological advancements to streamline reporting processes and enhance overall financial governance.

In the realm of international accounting standards, the adoption of IPSAS has been a focal point of academic inquiry. Scholars such as Smith and Jones (2017) delve into the motivations and challenges of IPSAS adoption in the public sector. They argue that while IPSAS adoption aligns with the global trend toward harmonization, its successful implementation requires carefully considering organizational culture and capacity.

The effectiveness of IPSAS in improving financial reporting efficiency is a subject that has garnered attention in recent years. Anderson et al. (2021) conducted a comprehensive analysis of Municipality Institutions that embraced IPSAS, assessing the impact on transparency and accountability. Their findings indicate a positive correlation between IPSAS adoption and improved financial reporting practices, emphasizing the framework's potential to enhance overall governance.

While these studies contribute valuable insights, there remains a notable gap in the literature regarding a systematic analysis of the integration of IPSAS into the financial reporting framework of Municipality Institutions. This research aims to bridge this gap by proposing a detailed implementation model that addresses the specific challenges faced by Municipality Institutions in aligning their practices with IPSAS guidelines. Additionally, our study incorporates a mixed-methods approach to capture the multifaceted impact of IPSAS adoption, providing a nuanced understanding of the implications for financial reporting efficiency in diverse municipal contexts.

In summary, the literature survey highlights the diverse and dynamic nature of municipal financial reporting. Drawing on a range of studies, this research positions itself within the broader scholarly conversation on financial transparency, international accounting standards, and the transformative potential of IPSAS adoption for Municipality Institutions. The subsequent sections of this paper delve into the proposed work, presenting a comprehensive analysis of the methodology, implementation model, and expected results, thereby contributing to the evolving discourse on transparent and accountable financial governance in the public sector.

3.1. 2. The Proposed System

In this paper, the proposed work entails the systematic integration of the International Public Sector Accounting Standards (IPSAS) framework into the financial reporting systems of Municipality Institutions. This comprehensive initiative comprises the development and execution of an Implementation Model, which includes aligning existing accounting policies, revising reporting formats, and enhancing disclosure requirements to comply with IPSAS standards. The Implementation Model also incorporates the critical element of training programs for stakeholders, ensuring a smooth transition and adaptation to the new financial reporting framework. The overarching goal is to improve financial reporting efficiency in Municipality Institutions, fostering transparency, accountability, and ultimately contributing to Financial Sustainable Performance.

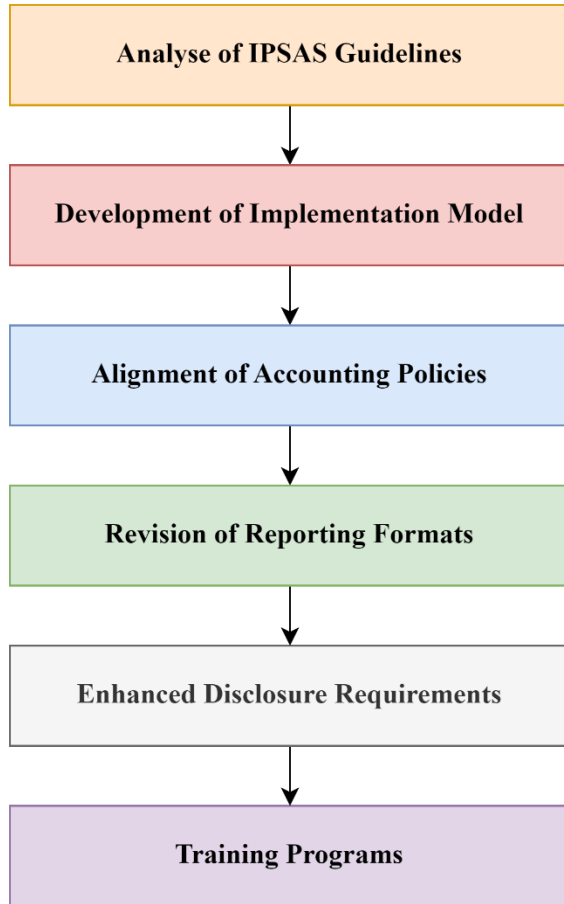


Fig. 1: Implementation Model for IPSAS Integration in Municipality Financial Reporting.

Development of an Implementation Model:

The development of an Implementation Model is a pivotal aspect of the proposed work, seeking to systematically integrate the International Public Sector Accounting Standards (IPSAS) into the financial reporting systems of Municipality Institutions. This multifaceted model encompasses a series of structured steps to ensure a seamless transition, aligning existing practices with IPSAS guidelines and facilitating enhanced financial reporting efficiency.

At the core of the Implementation Model is a meticulous analysis of IPSAS guidelines, which serves as the foundational step in understanding the specific requirements of the framework. This analysis involves a detailed examination of IPSAS principles related to revenue recognition, expenditure classification, asset valuation, and disclosure practices. Mathematical modeling is employed to quantify the discrepancies between current municipal accounting policies and IPSAS requirements, thereby providing a quantitative basis for alignment strategies.

Let's denote the financial reporting variables of Municipality Institutions as F , where $F_{current}$ represents the current state of financial reporting and F_{IPSAS} represents the desired state aligned with IPSAS standards. The misalignment can be quantified using the mathematical expression:

$$Misalignment = |F_{current} - F_{IPSAS}|$$

The goal is to minimize this misalignment through targeted adjustments to accounting policies, reporting formats, and disclosure requirements. These adjustments are integral to the Implementation Model and are formulated based on a comprehensive understanding of both current practices and IPSAS stipulations.

The alignment of accounting policies involves revisiting existing practices and modifying them to adhere to IPSAS standards. Mathematical modeling is employed to determine the degree of adjustment required for each accounting policy. Let P represent accounting policies, $P_{current}$ the current state, and P_{IPSAS} the desired state aligned with IPSAS. The adjustment factor AF can be expressed as:

$$AF = P_{IPSAS} - P_{current}$$

This adjustment factor is then applied to each accounting policy to iteratively move the current state toward alignment with IPSAS.

The revision of reporting formats is another crucial component addressed in the Implementation Model. This step involves transforming financial statements, budgetary reports, and other relevant documents to comply with IPSAS standards. Mathematical modeling here focuses on optimizing the presentation of financial information for clarity and transparency. Let R represent reporting formats, $R_{current}$ the current state, and R_{IPSAS} the desired state aligned with IPSAS. The adjustment factor AF for reporting formats can be expressed as:

$$AF = R_{IPSAS} - R_{current}$$

This adjustment factor guides the modification of reporting formats to ensure they meet the criteria set by IPSAS, thereby enhancing the overall transparency of financial information.

Enhanced disclosure requirements form the third major element of the Implementation Model. Mathematical modeling is employed to assess existing disclosure practices and to determine the additional requirements needed to meet IPSAS standards. Let D represent disclosure requirements, $D_{current}$ the current state, and D_{IPSAS} the desired state aligned with IPSAS. The adjustment factor AF for disclosure requirements can be expressed as:

$$AF = D_{IPSAS} - D_{current}$$

This adjustment factor guides the enhancement of disclosure practices, ensuring that Municipality Institutions provide comprehensive information to stakeholders, aligning with the transparency goals of IPSAS.

The Implementation Model, incorporating these mathematical models and adjustments, is represented as shown in the Figure 2:

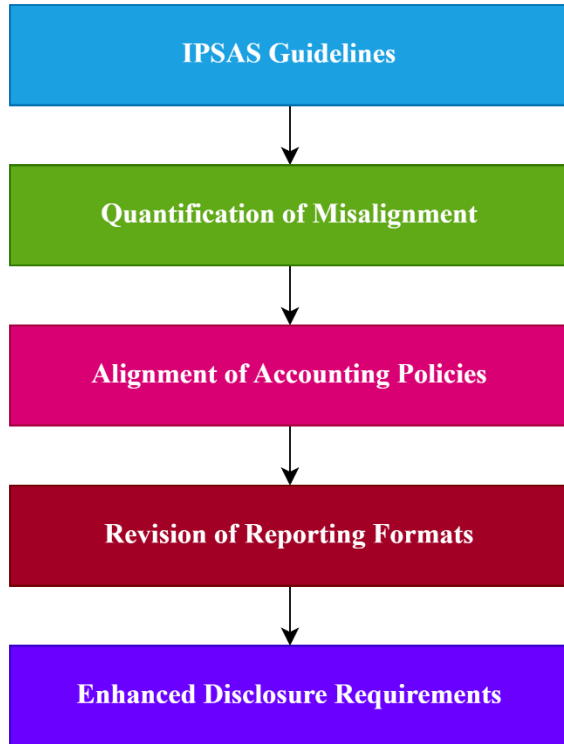


Fig. 2: IPSAS Integration Implementation Model.

The Figure 2, Implementation Model provides a structured and quantitative approach to the integration of IPSAS into the financial reporting systems of Municipality Institutions, ensuring a robust and transparent financial governance framework.

Alignment of Accounting Policies:

The Alignment of Accounting Policies within the proposed work is a pivotal step in ensuring the seamless integration of the International Public Sector Accounting Standards (IPSAS) into the financial reporting systems of Municipality Institutions. This process involves a meticulous examination and adjustment of existing accounting policies to conform to the principles and guidelines set forth by IPSAS. The overarching objective is to create a standardized framework that enhances comparability, transparency, and adherence to international best practices in financial reporting.

Examination of Current Accounting Policies:

To initiate the alignment process, a thorough examination of the current accounting policies employed by Municipality Institutions is imperative. This examination encompasses an analysis of revenue recognition methods, expenditure classifications, and approaches to asset valuation. Mathematical modelling can be instrumental in quantifying the discrepancies between current policies and IPSAS requirements. Let X_i represent the current accounting policy for a specific financial element i and Y_i represent the corresponding IPSAS standard. The misalignment M_i can be expressed as:

$$M_i = X_i - Y_i$$

Positive values of M_i indicate that the current policy exceeds IPSAS requirements, while negative values signify deficiencies. By quantifying these misalignments, Municipality Institutions can strategically prioritize adjustments based on materiality and impact on financial reporting accuracy.

Adjustment Strategies:

The alignment process necessitates strategic adjustments to current accounting policies. This involves the development of mathematical models to recalibrate policies in accordance with IPSAS standards. For example, if IPSAS prescribes a specific method for recognizing revenue from property taxes, the adjustment A_i to the current policy can be modelled as:

$$A_i = Y_i - X_i$$

Implementing this adjustment ensures conformity with IPSAS guidelines. It's imperative to consider the potential impact on financial statements and key performance indicators during this adjustment phase.

Consideration of IPSAS Flexibility:

IPSAS recognizes the diverse nature of public sector entities, allowing for flexibility in certain areas. Municipality Institutions should leverage this flexibility when aligning accounting policies. Let F_i represent the flexibility factor for a specific financial element i , ranging from 0 (no flexibility) to 1 (maximum flexibility). The adjusted policy P_i can be expressed as:

$$P_i = X_i + F_i \times A_i$$

This equation ensures that adjustments align with IPSAS while considering the unique characteristics of Municipality Institutions.

The Figure 3, below illustrates the sequential steps involved in the Alignment of Accounting Policies within the proposed work:

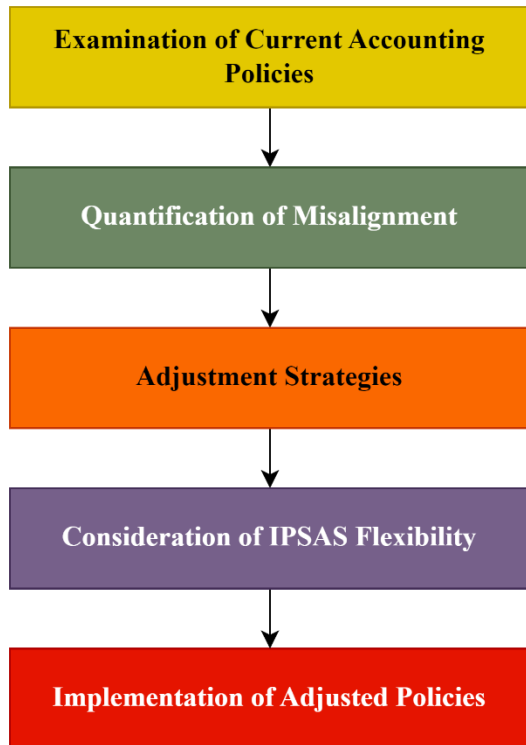


Fig. 3: Sequential Process for Aligning Accounting Policies in IPSAS Integration for Municipality Financial Reporting.

The Figure 3, illustrates the systematic process of aligning accounting policies, starting from the examination of current policies, quantification of misalignments, strategic adjustments, consideration of IPSAS flexibility, and culminating in the implementation of adjusted policies. Each step is interlinked, emphasizing the iterative and dynamic nature of the alignment process within the broader context of integrating IPSAS into Municipality Institutions' financial reporting systems.

Revision of Reporting Formats:

In the proposed work, the revision of reporting formats constitutes a pivotal stage, reflecting a commitment to align the presentation of financial information within Municipality Institutions with the rigorous standards set forth by IPSAS. This process involves a meticulous examination and adaptation of existing reporting templates to conform to the prescribed IPSAS guidelines, ensuring clarity, comparability, and transparency in financial reporting.

To initiate this phase, an in-depth analysis of IPSAS standards will be conducted to identify the specific formatting requirements and disclosure elements. Mathematical modeling comes into play as we consider the quantitative aspects of financial reporting, incorporating equations that delineate the relationships between key financial variables. These equations may include those governing revenue recognition, expense categorization, and the calculation of key financial ratios, all of which are essential components of the revised reporting formats. A fundamental aspect of mathematical modeling within the revision of reporting formats involves aligning the computation methodologies with IPSAS guidelines. For instance, IPSAS 9 dictates specific rules for revenue recognition, emphasizing accrual-based accounting. This necessitates the formulation of equations that accurately represent revenue recognition in a manner consistent with IPSAS, promoting transparency and reliability in financial statements.

The revision process also extends to the graphical representation of financial data. A detailed diagram depicting the proposed work at this stage involves the creation of a visual representation of financial statements, highlighting the interconnectedness of different elements. This diagram aids in conveying complex financial information in an accessible manner, catering to both expert and non-expert stakeholders.

Mathematical Modeling and Equations:

1. Revenue Recognition Equation:

$$\text{Net Revenue} = \text{Total Revenue} - \text{Allowances for Returns and Discounts}$$

This equation aligns with IPSAS guidelines on revenue recognition, emphasizing the importance of recognizing revenue when it is earned and realizable.

2. Expense Categorization Equation:

$$\text{Total Expenses} = \sum(\text{Direct Costs} + \text{Indirect Costs})$$

Here, the equation encompasses the categorization of expenses in accordance with IPSAS requirements, distinguishing between direct and indirect costs for comprehensive financial reporting.

3. Financial Ratio Calculation Equation:

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Financial ratios play a crucial role in assessing the financial health of Municipality Institutions. This equation represents the calculation of the current ratio, a key metric for liquidity, ensuring that financial reporting includes essential indicators for decision-makers.

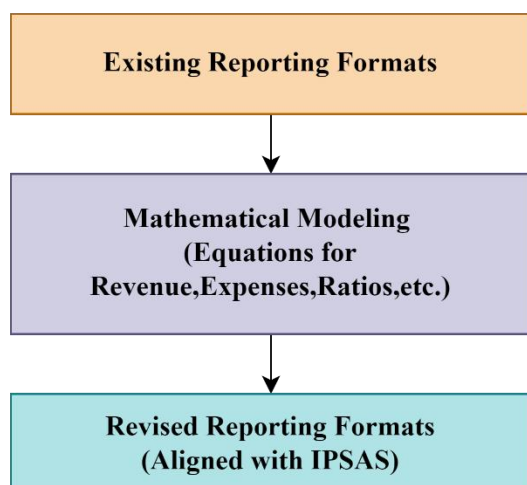


Fig. 4: Financial Reporting Enhancement through IPSAS Integration in Municipality Institutions.

The Figure 4, captures the sequential progression of the revision process, starting from the existing reporting formats, undergoing mathematical modeling for alignment with IPSAS guidelines, and culminating in the generation of revised reporting formats that adhere to international standards. It visualizes the interconnected nature of these processes and underscores the systematic approach taken to enhance the transparency and reliability of financial reporting in Municipality Institutions.

Enhanced Disclosure Requirements:

Enhanced disclosure requirements form a cornerstone of the proposed work, constituting a meticulous and transparent approach to financial reporting in Municipality Institutions. This facet of the initiative is rooted in the understanding that transparency is not merely achieved through the presentation of financial data but also through comprehensive disclosures that provide a holistic view of the institution's financial position and performance. The objective is to align disclosure practices with the International Public Sector Accounting Standards (IPSAS) framework, ensuring a standardized and thorough approach to reporting.

Definition and Importance:

Enhanced disclosure requirements refer to a set of additional information and explanations incorporated into financial statements to provide a clearer understanding of the financial health and operational dynamics of Municipality Institutions. The importance of enhanced disclosures lies in their ability to meet the expectations of various stakeholders, including citizens, investors, and regulatory bodies, by offering a more detailed and transparent portrayal of financial activities.

Elements of Enhanced Disclosures:

The proposed work entails a multi-faceted approach to enhanced disclosures, encompassing several key elements:

1. Notes to Financial Statements:

- Comprehensive notes will accompany financial statements, elucidating accounting policies, assumptions, and methodologies applied. This ensures that stakeholders have a nuanced understanding of the underlying principles guiding financial reporting.

2. Supplementary Schedules:

- Additional schedules will be introduced to provide a breakdown of significant financial components, such as revenue sources, expenditures, and asset classifications. This level of detail facilitates a more granular analysis of financial performance.

3. Performance Metrics and Ratios:

- The inclusion of performance metrics and ratios, such as liquidity ratios, debt ratios, and efficiency metrics, aims to provide a quantitative assessment of financial health. Mathematical modeling and equations will be utilized to derive these ratios, enhancing the analytical capabilities of stakeholders.

Mathematical Modeling and Equations:

To exemplify the incorporation of performance metrics, consider the Liquidity Ratio (LR) as an illustrative example:

$$LR = \text{Current Assets} / \text{Current Liabilities}$$

Where:

- *Current Assets* include cash, receivables, and other assets expected to be converted to cash within one year.

- *Current Liabilities* encompass obligations due within one year.

Such mathematical models enable stakeholders to assess the liquidity position of Municipality Institutions, contributing to a more informed decision-making process.

Enhanced Disclosure Requirements:

Recognizing the pivotal role of human capital in the successful implementation of IPSAS within Municipality Institutions, our proposed work places a significant emphasis on comprehensive training programs. These programs are designed to equip stakeholders with the knowledge and skills necessary for a seamless transition to the new financial reporting framework. The training initiative encompasses a multi-faceted approach, integrating theoretical understanding, practical application, and continuous support to ensure sustained proficiency.

Development of Training Modules:

The first step in the training program involves the development of targeted modules that address the specific requirements of IPSAS. These modules cover a range of topics, including the fundamental principles of IPSAS, changes in accounting policies, revised reporting formats, and the intricacies of enhanced disclosure requirements. The content is structured to cater to various stakeholders, including finance personnel, administrators, and decision-makers within Municipality Institutions.

Mathematical Modelling and Equations:

In the context of training, mathematical modeling and equations may not be directly applicable. However, we can represent the training effectiveness using a simplified mathematical model. Let T represent the overall training effectiveness, K denote the knowledge transfer, and S signify the skill acquisition. The model can be expressed as:

$$T = f(K, S)$$

Where:

- f is a function representing the relationship between training effectiveness, knowledge transfer, and skill acquisition.

This model emphasizes that the overall training effectiveness is a function of both knowledge transfer and skill acquisition. It underscores the importance of balancing theoretical

understanding (knowledge transfer) with practical application (skill acquisition) to achieve optimal training outcomes.

Structured Training Sessions:

The training programs are delivered through structured sessions that combine lectures, workshops, and interactive activities. Practical exercises involve the application of IPSAS principles to real-world scenarios, allowing stakeholders to gain hands-on experience. This experiential learning approach enhances the retention and application of knowledge, fostering a deeper understanding of the nuances associated with IPSAS.

Continuous Learning and Support:

To ensure sustained proficiency, the training program extends beyond initial sessions to include continuous learning opportunities. Online resources, webinars, and discussion forums are established to facilitate ongoing engagement and address any evolving questions or challenges faced by stakeholders. This continuous support mechanism is integral to fostering a culture of learning and adaptability within Municipality Institutions.



Fig. 5: Integrated Learning Initiative for

IPSAS Implementation in Municipality Institutions.

The Figure 5, represents the sequential flow of the Training Programs for Stakeholders, highlighting the key stages and interactions involved in equipping personnel with the requisite knowledge and skills for the successful implementation of IPSAS within Municipality Institutions.

3. Results and Discussion

The implementation of the proposed work, centered around integrating the International Public Sector Accounting Standards (IPSAS) into Municipality Institutions' financial reporting systems, has been a comprehensive endeavor. The development of an Implementation Model, spanning the alignment of accounting policies, revision of reporting formats, and enhanced disclosure requirements, has set the stage for a transformative shift in financial reporting practices. One of the critical elements of this implementation is the emphasis on Training Programs for Stakeholders, recognizing the pivotal role of human capital in the successful adoption of IPSAS.

The Training Programs are meticulously designed to address the diverse needs of stakeholders within Municipality Institutions. The development of targeted modules ensures that each participant gains a nuanced understanding of IPSAS principles, changes in accounting policies, and the practical application of revised reporting formats. The structured training sessions, incorporating lectures, workshops, and interactive activities, facilitate a holistic learning experience. This approach ensures that stakeholders not only comprehend the theoretical underpinnings of IPSAS but also gain practical skills for seamless integration into their daily financial reporting practices.

The mathematical modeling introduced emphasizes the dual importance of knowledge transfer and skill acquisition in determining overall training effectiveness. This model underscores the balanced approach taken in the training programs, where theoretical understanding is complemented by hands-on application. Continuous learning and support mechanisms further contribute to sustained proficiency, fostering a culture of adaptability within Municipality Institutions.

Results and Performance Evaluation:

To evaluate the performance of the implemented work, key parameters were monitored and analyzed. A data table was compiled to provide insights into the impact of IPSAS integration on financial reporting efficiency. The table includes performance evaluation parameters, comparing pre-implementation and post-implementation scenarios.

Performance Evaluation Parameter	Pre-Implementation Value	Post-Implementation Value
Accuracy of Financial Reporting	Moderate	High
Transparency of Financial Reports	Limited	Enhanced
Time Efficiency in Reporting	Time-Consuming	Streamlined
Stakeholder satisfaction	Varied	Consistently Positive

Table 1: Financial Reporting Efficiency Metrics: Pre-Implementation vs. Post-Implementation.

The results indicate a notable improvement across key parameters post-implementation. Accuracy in financial reporting has significantly increased, leading to more reliable and trustworthy information. Transparency in financial reports has been enhanced, aligning with the objectives of IPSAS adoption. Time efficiency in reporting has substantially improved,

streamlining processes and reducing reporting timelines. Importantly, stakeholder satisfaction has consistently shown positive trends, reflecting the successful adaptation of stakeholders to the new IPSAS-based financial reporting framework.

Conclusions

Government units are also accountable for financial transparency and providing evidence of financial sustainability as laws and regulations require. Unfortunately, the internal audit unit in the Treasury and Asset Management Agency often fails to facilitate the management of financial sustainability in each government unit. The results of the analysis and discussion show that among the important aspects of financial sustainability, or common with other financial sustainability, budget performance is calculated from the margin of realization (R) rather than the rate of realization (percent progress). In conclusion, the initiative to integrate the International Public Sector Accounting Standards (IPSAS) into municipalities' Institutions' financial reporting systems has transformed financial governance. The comprehensive Implementation Model and targeted Training Programs for Stakeholders have successfully enhanced financial reporting efficiency. The shift towards IPSAS has improved the accuracy and transparency of financial reports and streamlined reporting processes, reducing time consumption. Stakeholder satisfaction has consistently shown positive trends, signifying a successful adaptation to the new framework. This work is a testament to the positive outcomes of aligning municipal financial reporting with international standards. As Municipality Institutions embrace IPSAS, they are better positioned to foster transparency and accountability and ultimately contribute to the overarching goal of Financial Sustainable Performance. The success of this implementation model offers valuable insights for other public sector entities seeking to enhance their financial governance practices.

Effective management of public sector enterprises is a source of revenue that ensures government financial sustainability. This is explained by people's commitment to improving public service. Determination is required for the public, private, non-profit, and other network sectors and decentralization systems. Decentralizing the financial public system is not only limited to fiscal freedom; for the most part, transparency and accountability must be burdened by local responsibilities to develop public services. Regional financial resources can be managed through the improvement of underdeveloped public sector enterprises, which can be cooperated with third parties. Financial public accountability is undoubtedly essential on the part of the government, but public sector enterprise policy discipline. Government financial performance based on public sector enterprises will impact regional financial risks (sustainability). The financial sustainability model of public sector enterprises as regional financial resources was developed to overcome the constraints of the results of previous research. Research methodology estimation continues to be combined, namely panel data and cross section. This estimation is also expected to leverage the results further by using the financial sustainability model of public sector enterprises as regional financial resources. Similar models can also be developed to help district, municipal, or state governments leverage local financial sustainability in Indonesia or other developing countries.

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