

ANALYSIS OF FINANCIAL MANAGEMENT AND REPORTING AT THE BAUBAU LEGAL ASSISTANCE AND MEDIATION INSTITUTION

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ARTICLE INFO

Keywords:

Non-Profit Organizations;
Financial statements.

ABSTRACT

This study aims to determine the management and financial reporting in the offices of Baubau legal aid and mediation institutions. The sample for this research is reports on sources and uses of the budget and financial reports of the Baubau Legal Aid and Mediation Institute for 2021. The reason for choosing this is because the application of ISAK 35 concerning financial statements of non-profit organizations will become effective on January 1, 2020. The data analysis method used is analysis descriptive, namely by explaining in detail the events or facts that occur on the object of research. The results of the research show that financial management at LHBM Baubau, both the source and use of the funds, has been carried out in a transparent and accountable manner because it has followed the SOP and AD/ART that exist in LHBM Baubau. Besides that, financial reporting in Baubau LHBM still follows the type and format of profit-oriented entity financial statements and is not in accordance with the type and format as stipulated in ISAK 35 concerning financial statements of non-profit entities.

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1. INTRODUCTION

The financial report is a summary of a process of recording financial reports of financial transactions that occurred during one period or the relevant financial year [1]. The purpose of preparing these financial statements is to account for all planned activities in achieving the results. Basically, a financial report is the result of the accounting process as a means of communication between financial data or activities of a company with these data or activities [2]. Usually financial reports are often also referred to as the final product of the accounting process. The purpose of compiling financial reports is to be able to provide information regarding financial position in the format of financial reports, the performance of an organization and changes that occur in the finances of an organization that has benefits for users of financial statements in a decision or policy maker.

Broadly speaking there are two types of organizations, namely profit-oriented organizations and non-profit or non-profit oriented organizations [1]. Profit-oriented organizations, usually also called business organizations or companies. The main goal of this business organization or company is to generate maximum profits with minimal costs. In contrast, a non-profit or non-profit organization, its main goal is not to make a profit. The main goal of this non-profit organization is usually for the social benefit of the community, especially groups of people who are unable both physically and financially [2].

Making a non-profit financial report is of course very important to do. Because non-profit companies with activities in both business companies cannot be separated from the accountability of the funds used [3]. The existence of non-profit financial reports can provide information about the financial health of the non-profit organization for a certain period of time. Therefore, non-profit organizations also need financial reports in accordance with non-profit business financial accounting standards. However, this non-profit organization is certainly different from other businesses, namely this profit organization obtains funds from donations from donors and this organization also does not expect a large profit in carrying out its activities [4].

One type of non-profit organization in Indonesia is the Legal Aid Institute (LBH). LBH is a non-profit organization which is generally established with the aim of providing legal aid services for free (free of charge) to people who need legal assistance, but are unable, legally illiterate and oppressed. fee) for the lawyer, but for operational costs such as case fees in court (if the case reaches court) it is borne by the client, and even then if the client can afford [5]. But usually LBH-LBH have their own specificities in choosing cases to handle in accordance with their vision and mission.

Legal aid institutions must implement financial management, because financial management plays an important role in legal aid institutions for the smooth running of the institution's tasks in handling cases and other needs such as costs that must be incurred by legal aid institutions in one period [6]. Financial management is everything related to the acquisition, financing and management of assets with several overall objectives [7]. Financial management activities in a legal aid institution are the main key in the smooth operation of a legal aid institution. If the use of funds is irregular and uncontrolled, it can result in empty finances. Empty finances will disrupt all activities or activities in legal aid institutions.

In financial management there are four stages including planning, recording, reporting, and management [8]. Planning is an activity that sets organizational or company goals and chooses the best way or strategy to achieve these goals. Recording is the activity of recording financial transactions that have occurred, writing them chronologically and systematically. Reporting is the next step after posting to ledgers and subsidiary ledgers. Control is the process of measuring and evaluating the actual performance of each part of the organization if necessary improvements will be made [9].

Financial reporting is an integral part of a non-profit organization [10]. Financial reporting provides various information relating to legal aid institutions, such as the financial position and financial performance of an institution. Financial reporting of non-profit organizations, such as that of an LBH, originates from the accounting process which includes identifying, measuring, recording and means of economic communication [11].

Financial reporting is carried out to account for the management of resources and the implementation of policies entrusted to the reporting entity in achieving the objectives that have been set periodically [12]. Financial reporting must be transparent in providing open and honest financial information to users of financial reports based on the consideration that users of financial reports have the right to know openly and thoroughly the responsibilities of legal aid institutions in managing the resources entrusted to them and their compliance with laws and regulations [13].

In principle, the reference for preparing financial statements for all entities must choose one of the 3 SAKs, namely IFRS-based SAK, ETAP SAK, or EMKM SAK according to the characteristics of the entity. Including non-profit entities must also choose one of the 3 SAK [14]. PSAK 45 : Financial Reporting of Non-profit Entities which was first published on December 23, 1997 by DSAK IAI, then revised on April 8, 2011. PSAK 45 is the main reference for non-profit-oriented institutions such as foundations in presenting financial statements [15]. As of January 1 2020, the preparation of the financial statements of Non-Profit Entities no longer refers to PSAK 45: Financial Reporting of Non-Profit Entities but shifts the reference to ISAK 35: Presentation of Financial Statements of Non-profit Oriented Entities. PSAK 45 has effectively been revoked and can no longer be used through PPSAK 13: Revocation of PSAK 45. Instead, DSAK IAI issued ISAK 35 which is simultaneously effective on January 1, 2020. Therefore, institutions engaged in non-profit fields such as foundations should immediately make adjustments [9].

The Baubau Legal Aid and Mediation Institute is a non-profit organization in Baubau City. The aim is to provide legal assistance to the people of Baubau City and its surroundings with the spirit of "equity before law". The existence of LBH is very important in a law enforcement ecosystem in Indonesia, especially in Baubau City so as to create an even distribution of legal aid. As a non-profit organization, the Baubau Legal Aid and Mediation Institute is also required to carry out financial management and reporting in accordance with applicable laws and regulations in Indonesia as a form of accountability to various interested parties. Based on the description above, this study aims to determine financial management and reporting at the office of a legal aid institution and Baubau mediation.

2. METHOD

The data used is secondary data, namely processing data that has been generated by other parties. The sample for this research is reports on the sources and uses of the budget and the financial reports of the Baubau Legal Aid and Mediation Institute for 2021. The reason for choosing this is because the application of ISAK 35 concerning financial statements of non-profit organizations will become effective on January 1, 2020. The data analysis method used is analysis descriptive, namely by explaining in detail the events or facts that occur on the object of research. To analyze the financial management of the Baubau Legal Aid and Mediation Institute (LBHM) it is done by analyzing the sources and uses of Baubau LBHM funds in terms of accountability and transparency aspects.

LBHM Baubau's financial management and reporting will be analyzed by comparing the financial reports prepared by LBHM Baubau with the provisions in ISAK 35 both from the point of view of the types of financial reports and the standard format of financial reports.

3. RESULT AND DISCUSSION

3.1 Financial Management

From 2016 to September 2021, 683 poor people who were in conflict with the law served. Details of cases handled by the Baubau Legal Aid and Mediation Institute can be seen in Figure 1 below

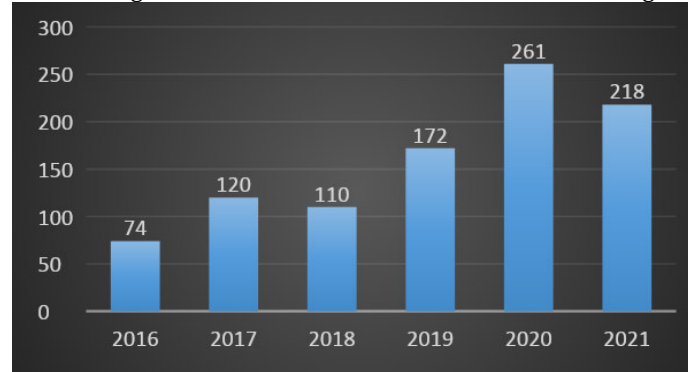


Figure 1. Number of cases handled by LBHM Baubau

In total, from 2016 to 2021, 955 cases were handled by the Baubau Legal Aid and Mediation Institute for the poor who faced the law. The highest number of cases occurred in 2020 with 261 cases.

Acquisition of Funds

The Legal Aid and Mediation Institute (LBHM) Baubau is a non-profit, non-governmental organization that is independent and not affiliated with any political party. LBHM Baubau was established to provide free legal assistance to the poor or groups of poor people through the judicial route (litigation) or legal assistance outside the court (non-litigation), based on Law Number 16 of 2011 concerning Legal Aid.

The services provided by LBHM Baubau are free of charge, on the other hand LBHM Baubau in carrying out activities requires a lot of money. 1) the sources of obtaining operational funds for LBHM Baubau are as follows: 2) Government Budget or APBN; 3) Donors; 4) Public Donation; 5) The results of the program being executed

In accordance with its objectives, LBHM Baubau is intended to help the poor, so advocates or legal aid providers from LBHM Baubau are prohibited from asking clients for payment. However, if the client gives sincerely without being asked and has nothing to do with the case being handled, it is still understandable because it is not expressly regulated in law and does not violate the code of ethics. What is prohibited is the Legal Aid Provider receiving or requesting payment from the Legal Aid Recipient and/or other parties related to the case being handled. This can be subject to punishment with imprisonment for a maximum of 1 (one) year or a fine of up to Rp. 50 million.

So, regarding free gifts given in the form of explicit gratitude it is not regulated in Law 16/2011. What is prohibited is receiving or requesting payment from Legal Aid Recipients. However, according to its purpose, the legal assistance provided by LBHM Baubau was provided free of charge for the poor.

The Use of Funds

Funds obtained by LBHM Baubau are then used for operational costs consisting of: 1) Case costs in court; 2) Employee Salary; 3) Employee Transportation; 4) ATK costs; 5) Correspondence and Postage Fees; 6) Depreciation; 7) Inventory Maintenance Costs; 8) Electricity Costs; 9) Telephone Fees; 10) Fuel Costs; 11) Water Fees; 12) Mail Management Fee

The process of using the funds was carried out in accordance with the Standard Operating Procedures at LBHM Baubau and the use of LBHM Baubau funds had followed the procedures set out in the AD/ART LBHM Baubau.

3.2 Finance report

In principle, the reference for preparing financial statements for all entities must choose one of the 3 SAKs, namely IFRS-based SAK, ETAP SAK, or EMKM SAK according to the characteristics of the entity. Including non-profit entities must also choose one of the 3 SAK. ISAK 35 was issued in order to provide guidance to non-profit entities in the presentation of financial statements. The process of issuing ISAK 35

together with the process of revoking PSAK 45, was ratified April 11, 2019 and became effective January 1, 2020. PSAK 45 was revoked and replaced by ISAK 35. Based on data obtained from LBHM Baubau, the type of financial statements prepared by LBHM Baubau is a balance sheet; Financial Position; Income statement and depreciation list of assets.

3.3 Discussion

The results showed that LBHM Baubau in obtaining funds to finance its operational activities relied heavily on assistance from the government and donors as well as the results of LBHM Baubau's business program. LBHM Baubau does not collect or charge clients for services rendered. This is in line with the purpose of establishing LBHM Baubau, which is to provide free legal aid to the poor.

Legal assistance has consistently been provided by LBHM Baubau to the poor free of charge from 2016 to 2021. As revealed in the activity profile of LBHM Baubau, the total from 2016 to 2021 handled by the Baubau Legal Aid and Mediation Institute for the poor in conflict with the law is as many as 955 cases. This also shows that LBHM Baubau has gained good trust from the poor who have difficulty obtaining legal assistance.

Accountability and transparency are very important in managing financial resources. As we know, money, especially cash, has no identity and is easily transferable. However, if the manager has faith, they will still present reports according to real conditions. So that detailed reporting is also needed and accompanied by supporting evidence documents for the use of these funds.

From the report on the use of funds it appears that the funds obtained were then used for operational legal aid activities provided by LBHM for the poor. The biggest component of the use of funds is for the salaries of employees or advocates who provide legal assistance, and the rest is for financing office needs.

Accountability for financial management carried out by LBHM management to the government and donors is a form of accountability for LBHM Baubau. Accountability is a form of accountability to other parties who have the right to know the results of the financial management. Accountability at LBHM Baubau is implemented by making receipts reports, details of disbursements of funds that have been used, and the final balance is summarized at the end of the year in the form of LBHM Baubau's annual report.

Accountability of financial management at LBHM Baubau is realized by making a routine report of receipts and expenses every month by the treasurer which is then reported to the director and chairman of the LBHM Baubau foundation. This report is made in accordance with evidence in the form of notes and receipts.

Besides that, transparency in fund management is realized by having SOPs for the disbursement of funds to be used. Each use of funds must be in accordance with the items that have been stipulated in the AD/ART LBHM Baubau. Before the funds are disbursed, according to the SOP, the director of LBHM Baubau must know the use of the funds. With this SOP, the leadership of LBHM Baubau can know the financial condition of LBHM Baubau so that it can be held accountable to the funders.

Efforts for accountability and transparency of LBHM Baubau's financial management can further be seen in LBHM Baubau's financial reports which are made annually. With this financial report, it shows that LBHM Baubau has tried to carry out accountable and transparent management.

As a non-profit organization, in making financial reports, LBHM Baubau should make financial reports in accordance with the provisions in Indonesia as stipulated in PSAK 45 which was subsequently repealed and replaced with ISAK 35 concerning financial statements of non-profit organizations. In accordance with ISAK 35, the financial statements of non-profit entities consist of 5 types, namely: 1) Statement of Financial Position; 2) Comprehensive Income Report; 3) Report on Changes in Net Assets; 4) Statement of Cash Flows; and 5) Notes to Financial Statements.

Thus, the type of financial report made by LBHM Baubau is not in accordance with ISAK 35 concerning financial statements of non-profit entities. Comparison between the financial reports prepared by LBHM Baubau and the provisions in ISAK 35 can be seen in the following table:

Table 1 Conformity of the Types of Financial Statements of LBHM Baubau with ISAK 35

NO	ISAK 35 Provisions	LBHM Baubau report	Information
1	Statement of Financial Position	Neraca	Inappropriate
2	Comprehensive Income Report	Income statement	Inappropriate
3	Asset Change Report	Statement of Financial Position and List of Depreciation Assets	Inappropriate
4	Cash flow statement	There isn't any	Inappropriate
5	CALK	There isn't any	Inappropriate

Based on the table above, it appears that all types of LBHM Baubau financial reports are not in accordance with those regulated in ISAK 35. There are even two reports that are missing, namely the Statement of Cash Flows and the Notes to Financial Statements (CALK). Thus, from the type of financial reports prepared, it can be concluded that the financial statements of LBHM Baubau are not in accordance with ISAK 35.

The format of LBHM Baubau's financial reports does not comply with the provisions in ISAK 35. The financial statements of LBHM Baubau only show the changes in each component in the balance sheet as well as the list of depreciation assets only shows the depreciation of fixed assets. In brief, a comparison of the format according to ISAK 35 and the financial report format at LBHM Baubau is presented in the following table:

Table 2 Compatibility of LBHM Baubau Financial Report Format with ISAK 35

NO	Format ISAK 35	LBHM Baubau report	Information
1	Statement of Financial Position	Neraca	Inappropriate
2	Comprehensive Income Report	Income statement	Inappropriate
3	Asset Change Report	Statement of Financial Position and List of Depreciation Assets	Inappropriate
4	Cash flow statement	There isn't any	There isn't any
5	CALK	There isn't any	There isn't any

4. CONCLUSION

Based on the description of the results of the research and discussion, it can be concluded that financial management at LHBM Baubau, both the source and use of the funds, has been carried out in a transparent and accountable manner because it has followed the SOP and AD/ART in the LHBM Baubau. Besides that, financial reporting at LHBM Baubau still follows the type and format of profit-oriented entity financial statements and is not in accordance with the type and format as stipulated in ISAK 35 concerning financial statements of non-profit entities.

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