

Original article

Application of Non-Profit Accounting Standard (PSAK 45) and Internal Control in Religious Organization

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Abstract - This study aims to determine how the application of the Non-profit Accounting Standard (PSAK 45) in the presentation of the financial statements of the Church of Christ Jesus Jemaat Kuta (GKY Kuta) and the implementation of internal controls in it. This study used a qualitative method with the number of informants as many as 4 people who were determined using the purposive sampling technique. Data was collected through interviews and observations on the financial statements of GKY Kuta. The data analysis technique used is an interactive analysis model. The results show that GKY Kuta has not implemented PSAK 45 because there is no normative belief to apply PSAK 45 in church financial reporting, and the internal control system that runs at GKY Kuta has been able to reduce the potential for fraud to a level that is acceptable to the organization.

Keywords - Non-Profit Entities, Church, Fraud, PSAK 45, Internal Control

I. INTRODUCTION

Generally, the highest governing board in the church (the synod) has prepared guidelines for the presentation of financial statements as a reference in each church area. The guidelines that have been prepared aim to create uniformity of information and control against fraudulent actions in the management of church finances. However, not all of the guidelines prepared by the church are in accordance with PSAK 45 Revised 2011 (hereinafter referred to as PSAK 45) as a reference for the presentation of financial statements for non-profit entities. In the case study research conducted by Kumambow, *et al.* (2015), the financial reports presented by the Evangelical Christian Church in Minahasa (GMIM) Bukit Zaitun Walian Dua only consist of the General Cash Report and the Budget Realization Report. The financial statements of GMIM Bukit Zaitun Walian Dua are different from the components of the financial statements of non-profit entities in accordance with PSAK 45, which consist of statements of financial position, activity reports, cash flow statements, and notes to financial statements.

While living in Bali, researchers worshiped and were actively involved in service activities at the Church of Christ Jesus Jemaat Kuta (GKY Kuta). Every month during the GKY Kuta Sunday service, the financial council presents the church's monthly financial reports in the Congregational News session. However, the financial report submitted to the congregation only contains a summary of the amount of the church's periodic cash receipts and disbursements. The researcher sees that the report, in terms of form and substance, has not presented financial information as recommended by PSAK 45. In addition to clear church financial management and reporting as a form of church accountability to congregations and donors, the church must also have an effective internal control system in reducing the risk of financial fraud among positions within the church (pastor, church board, and congregation). According to Ellis (1974), the church is a non-profit organization with weak internal controls due to an inadequate accounting system and a lack of commitment to financial management. This makes Midkitt (2004) express the opinion that churches and nonprofit organizations are the main targets of fraud, and fraud is a common thing in churches (Duncan and Flesher, 2002). Until the time of this research, there has been no financial fraud scandal that has occurred internally at GKY Kuta. This means that the internal control system related to operational and compliance aspects has been running effectively at GKY Kuta. On the other hand, internal control related to reporting aspects, namely reliable and relevant financial reporting, has not been fulfilled. Based on these findings, researchers are interested in conducting further research on the implementation of PSAK 45 in GKY Kuta and the implementation of internal controls in it.

II. METHODS

This research was conducted using qualitative research with a phenomenological approach. Qualitative research is used to examine the condition of the object and nature. Qualitative research is a research procedure that produces descriptive data in the form of descriptive words, written or



spoken words from other people. Therefore, in conducting this research, the researcher used a descriptive qualitative method because the researcher wanted to obtain more in-depth data. This research was conducted at the Church of Christ Jesus (GKY) Kuta Congregation, which is located at Jl. Dewi Sri II, Kuta, Bali. The reason the researcher chose this location was that the researcher regularly worshiped in the church and already knew the conditions and atmosphere so that it was easy to approach the research.

Determination of informants that is often used in qualitative research is purposive sampling. The selection of informants as data sources in this study is based on the principle of subjects who master the problem, have data, and are willing to provide complete and accurate information. The informants in this study were the members of the GKY Kuta assembly, which only involved the pastor, the chairman of the congregation, and the departmental council.

The method used in this study is the non-participant observation method, namely the method of observing the object being observed. However, researchers are not directly involved but only as independent observers. In this study, researchers made observations on the financial statements of GKY Kuta in April 2021.

III. RESULT AND DISCUSSION

Application of PSAK 45 in the presentation of the financial statements of GKY Kuta

Based on the form of financial statements and information contained in the financial statements of GKY Kuta, it can be concluded that GKY Kuta has not implemented PSAK 45 in its financial reporting. Referring to the Theory of Reasoned Action, the behavior of the GKY Kuta Financial Sector Council, which does not present the church's financial statements in accordance with PSAK 45, is determined by intentions that are influenced by the two factors below.

A. Attitude toward behavior

a) Behavioral beliefs

GKY Kuta believes that secular belief patterns are as important as sacred beliefs. The church not only prioritizes spiritual service activities, but also carries out the responsibility to report financial performance to the congregation as contained in the financial statements.

b) Outcome Evaluation

The management of GKY Kuta realizes that the level of confidence of the congregation in church management can be increased by reporting the church's financial performance to the congregation. It is also able to show that GKY Kuta is an accountable entity.

B. Subjective norm

a) Normative belief

Non-profit entities by the Indonesian Accounting Association (IAI) are recommended to present their financial statements according to PSAK 45. On the other hand, the highest authority in the church, namely the GKY Synod, does not require the management of the local congregation of GKY to use PSAK 45 as a guideline for presenting financial statements. Based on observations in the GKY Kuta financial report for April 2021, both in terms of the form and information presented, the report does not refer to PSAK 45. The GKY Kuta Financial Sector Council, as the party that compiled the church's financial statements, did not know and did not understand the existence of PSAK 45, which was prepared by IAI as a guideline for the presentation of financial statements for non-profit entities. This means that the party that is used as a reference in the GKY Kuta financial reporting is the GKY Synod. This is because there is no obligation or pressure from the synod to compile financial reports based on PSAK 45. From the users' side of financial statements, namely the congregation, there are no complaints regarding the form and information presented in the church's financial statements that have been prepared so far. It can be concluded that the financial information needs of users of financial statements have been met, and the contents of the financial statements can be understood by the congregation.

C. Motivation to comply

The implementation of PSAK 45, which is a recommendation, and there is no pressure from the GKY Synod to follow it; the GKY Kuta Financial Sector Council has no incentive to comply. Therefore, the financial statements presented refer to the report format derived from the previous treasurers even though the current treasurer of GKY Kuta has an accounting education background.

In addition, the GKY Kuta accounting method still uses a cash basis where transactions are recorded when cash is actually received or issued by the entity. Information generated from cash basis accounting is less able to meet the entity's need for comprehensive information in the management decision-making process. The results of the research of Andriani et al. (2010), strengthened again by the research of Sousa et al. (2012), stated that users of financial statements and preparers of financial statements assume that the change from the cash basis to the accrual basis will provide more useful information. In the case of accounting records at GKY Kuta, the finance sector, together with the facilities and infrastructure sector, did not periodically depreciate the church's fixed assets. This makes the value of fixed assets less reflect the true value. In contrast to the results of this study, Hassan (2013) explains that there is a difference between the application of cash basis and accrual basis accounting in the private sector and the public sector.

The difference is because public sector organizations are not intended for financial purposes, so that the accounting methods used to measure profits cannot be applied in the public sector.

Implementation of internal control at GKY Kuta

The internal control system plays a role in reducing and preventing the occurrence of fraud risks in an organization. The following is a description of the implementation of internal control carried out at GKY Kuta:

A. Control environment

In general, the components of the GKY Kuta control environment are adequate and running well. The GKY Synod has a vision, mission, and goals to be achieved together with the entire GKY local congregation; there is a separation of functions that can be seen in the organizational structure and job descriptions, duties, and authorities of the GKY Congregational Council, which are regulated in the GKY Procedures. The implementation of integrity and ethical values in church services is fully realized by the GKY Kuta Congregational Council, and its sustainability is largely determined by each individual. However, in the process of selecting candidates for the congregational council, the criteria for the spiritual life of each candidate have been determined so that they can be considered for nomination in the election for the congregational council.

Specificity in church board recruitment applies in terms of individual knowledge and abilities. The church's human resources are very limited, and not everyone who is nominated has the opportunity to serve in a field that is in line with their capacity. Therefore, adaptation and willingness to learn independently in carrying out tasks are needed.

B. Risk assessment

GKY Kuta has carried out the identification of risks that are considered to have a negative impact on church services, which are manifested in efforts to manage these risks. The internal risks faced by the management of GKY Kuta are operational risks related to managerial decisions taken and compliance risks related to adherence to church rules and Bible values. Meanwhile, security in the church is an external risk faced by GKY Kuta.

C. Control activity

Efforts to manage the risks specified in the procedures and policies within the organization are carried out to reduce the potential for the identified risks to occur. The control activities that run at GKY Kuta include the existence of a layered authorization system in operational and transactional activities involving three people in the management of GKY Kuta, the existence of adequate documents and records stipulated in the GKY Church Administration, as well as supervision from the congregation on activities carried out by the GKY Kuta. Walking on GKY Kuta.

Weak control over human resources at GKY Kuta can be seen from the absence of continuous learning classes for selected congregations, especially for those who have educational backgrounds, abilities, and experiences that are not in line with the field of ministry in the church. Specifically for human resources in the financial sector, increasing understanding of accounting is expected to reduce the potential for fraud in the internal church. In addition, supervision of the assembly work carried out in general by the congregation and the congregation itself can increase the potential for fraud. Although the internal control at GKY Kuta can be called weak, until this research was conducted, there had never been any fraud at GKY Kuta.

D. Information and communication

The communication process related to important information in the organization that occurs between individuals in the assembly or congregational council to the congregation, especially regarding internal control, can affect the achievement of organizational goals. The GKY Kuta Congregational Council has known and understood the church's internal control contained in the GKY Church Administration. However, the congregation, in general, is not aware of the procedure.

E. Monitoring

The internal control system that runs within an organization is important to be evaluated on an ongoing basis so that corrective actions can be taken if deviations are found. GKY Kuta conducts regular evaluations in the plenary meeting of the congregation to discuss other efforts that are more effective and efficient in church operational activities.

The church is not only judged from the service activities carried out for the congregation and the general public, but also how the church is responsible for being a moral example for all people. Anindita in Eka and Heru (2017) mentions that the role of the church regarding holiness is by not only providing knowledge about religion, but also teaching ethics and morals so that people have more faith and care. An accountable church can be seen from the implementation of good internal control and transparent financial management. Based on the answers of informants and the results of observations in this study, GKY Kuta periodically reports its financial statements to the congregation in the congregational news session during Sunday worship and provides an opportunity for the congregation to ask questions if any discrepancies are found in the financial statements.

The results of this study show that corruption that occurs within the church occurs because of pressure and opportunities in the internal control system that runs in the church. The potential for fraud is also magnified by human nature as sinners who find it difficult to fight personal desires.

IV. IMPLICATION MANAGERIAL

The results of this study can theoretically confirm the sacred and secular concepts in the church's belief system, which explains that individual perceptions of church accountability can affect the application of internal control in the church. Sacred and secular beliefs can go hand in hand, so that spiritual activities that rely on trust in each other continue to run without neglecting the implementation of internal control. Thus, the resources in the church can be used according to the functions and regulations of the church. In relation to the Theory of Reasoned Action, the results of this study confirm that individual or group behavior is driven by intentions that are influenced by attitudes towards a behavior and subjective norms. The results of this study can be a reference for GKY Kuta in order to be able to carry out accounting records that are able to meet the needs of users of financial statements comprehensively and thoroughly in their financial reporting. In addition, GKY Kuta can evaluate the current internal control system in order to mitigate the existing risks more effectively.

V. CONCLUSION

GKY Kuta has not yet applied PSAK 45 in the presentation of its financial statements. The absence of pressure from the GKY Synod to implement PSAK 45 and local congregations who accept and can understand the financial statements presented by the GKY Kuta Financial Sector Council, are reasons for internal church parties not to implement PSAK 45 in preparing church financial reports. On the other hand, the GKY Kuta Financial Sector Council, as an internal party, is also not aware of the existence of PSAK 45 as a guideline for financial reporting for non-profit entities. Therefore, referring to the Theory of Reasoned Action, normative belief to apply PSAK 45 was not formed because there was no encouragement from external and internal church parties. The internal control system implemented by GKY Kuta has provided reasonable assurance and can reduce the potential for fraud to a level that is acceptable to the organization.

The church is advised to consider the application of PSAK 45 as a financial reporting guideline so that the financial statements presented have high reliability and comparability. In the aspect of internal control, the church needs to carry out proper and effective supervision by appointing an independent institution as an auditor and providing training for church accounting human resources so

that financial reporting that meets accounting standards is no longer considered difficult and confusing.

Further research is recommended to restate the financial statements that are the object of research referring to PSAK 45 in order to be able to provide a clear description of the application of PSAK 45. In addition, further research can be carried out not only in one church, but also involving institutions managed under church synods, such as foundations.

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