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# **The Comparison of SATIRE Process Model and Contingency Model in Government Accounting System**

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## **Abstract**

This paper will analyze the comparison between SATIRE process Model and Contingency Model in Government Accounting system especially in implementation of Accrual Basis. This paper will have two sections. The first one will explain about the SATIRE Process Model. The other section will analyze the Contingency Model. There are several benefits of using SATIRE process Model. The Benefits to government organizations include Operational efficiency, systems efficiency, business model efficiency, organizational performance, and so on. However, for the Contingency Model, there are three kinds of variables such as stimuli, structural variables and implementation barriers. In contingency model, there is an example relate to government which use this model such as New South Wales Government. It can be concluded that both of the models have several advantages and also disadvantages.

*Keywords: SATIRE process Model, Contingency Model*

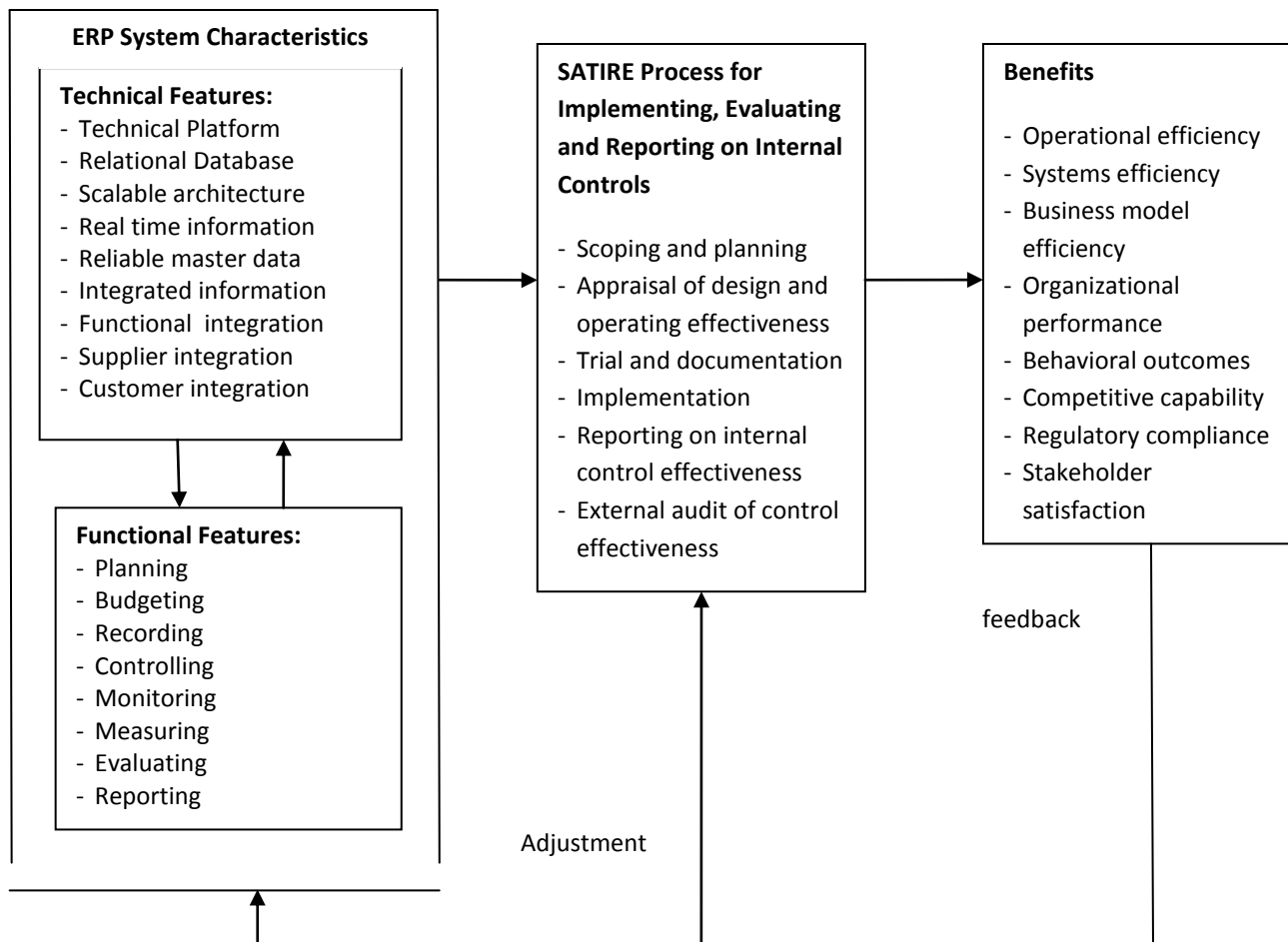
## **1. Introduction**

Traditionally, in the public sector, cash accounting has been predominantly used, but in recent years, there has been an international trend towards the adoption of accrual accounting. Accrual accounting is a system of accounting that recognizes a transaction when it actually occurs, as opposed to cash accounting, which recognizes a transaction when it is paid. There are significant differences between governments that could potentially make the implementation experience differ. In Indonesia based on Government Accounting Standard actually attempt to adopt accrual accounting. Reforms that occurred concurrently with the adoption of accrual accounting include the Financial Information Strategy (FIS) and Modern Comptrollership Initiative. These reforms impacted the development and functioning of the accrual accounting system.

Jones (1998); Pallot (1992) discussed about technical aspects of public sector accrual accounting. Guthrie (1998) argued that whether the change is more than rhetoric. Moreover, Potter (1999) and Robinson (1999) argued that whether the change will have unintended consequences.

This paper will analyze the comparison between SATIRE Model and Contingency Model in Government Accounting system especially in implementation of Accrual Basis. This paper will have two sections. The first one will explain about the SATIRE Model. Finally, it will analyze the Contingency Model.

## 2. SATIRE Model



**Figure 1: SATIRE Process Model of ERP Systems Effectiveness in Implementing Internal Controls.**

Source: Kumar, Pollanen, and Maheshwari (2007), p. 21

The implementation processes for accrual accounting can be framed using emergent process theory. An emergent process takes into account the unpredictable reactions between people in an organization and the environment. It assumes that people try to achieve goals, but that the outcomes are not always those intended. The strength of this type of theory is that it accounts for mutual influences, but its weakness is that it is explanatory rather than predictive in nature (Markus and Tanis, 2000).

Kumar et.al (2007) developed a model of ERP systems effectiveness in implementing internal controls, as seen from Figure 1. This model identifies the system characteristics and required functional features of Enterprise System that would benefit implementation, the actual implementation processes and the associated benefits of the system. He described that the functional Enterprise System features outline the

information needs in typical accounting systems, for instance, budgeting, transaction processing, monitoring and reporting. The technical features can work seamlessly as enablers of effective internal control implementation.

The control implementation as SATIRE model follows six processes depicted in the model including scoping and planning, appraisal of design and operating effectiveness, trial and documentation, implementation, reporting on internal control effectiveness, and external audit of internal control effectiveness Kumar, Pollanen, and Maheshwari's (2007). Although the major stages are sequential, minor modifications to previous stages may be necessary throughout the successive stages as learning occurs. Effective internal controls, implemented using Enterprise System, can result in several operational and strategic benefits, for example, systems and process efficiency, improved organizational performance, regulatory compliance, and positive employee behaviors and stakeholder reactions. Feedback and lessons learned can be used to further improve systems and processes and ultimately achieve sustainable longer term benefits and organizational.

### **3. The Contingency Model**

The contingency model consist four modules such as the stimuli module, the structural variables module of information producers, the structural variables module of users of information, the implementation barriers module. In each case the complex of relationships between the specific form assumed by public sector accounting and the factors that affect it cannot be traced back like a mono causal concatenation of effects. Rather one must start from the assumption that a specific constellation of background conditions collectively affect the public sector accounting system (multi causal relationship). The model has some speculative features, too, as the empirical relevance of environmental condition and their relationships with the accounting system are not definitely settled. More over The model may not contain all conceivable and relevant independent variables. The contingency model therefore should be understood and interpreted as a first attempt to describe a complex innovation process by a set of hypotheses.

This section examines the institutional modules. It assumes, as does organizational contingency theory, that the specific configurations or institutional components influence the attitudes and behavior of the participants public life, politics and administration. The

mechanism by which this influence is exerted and its strength are not, however, examined in detail in the following (Luder, 1992):

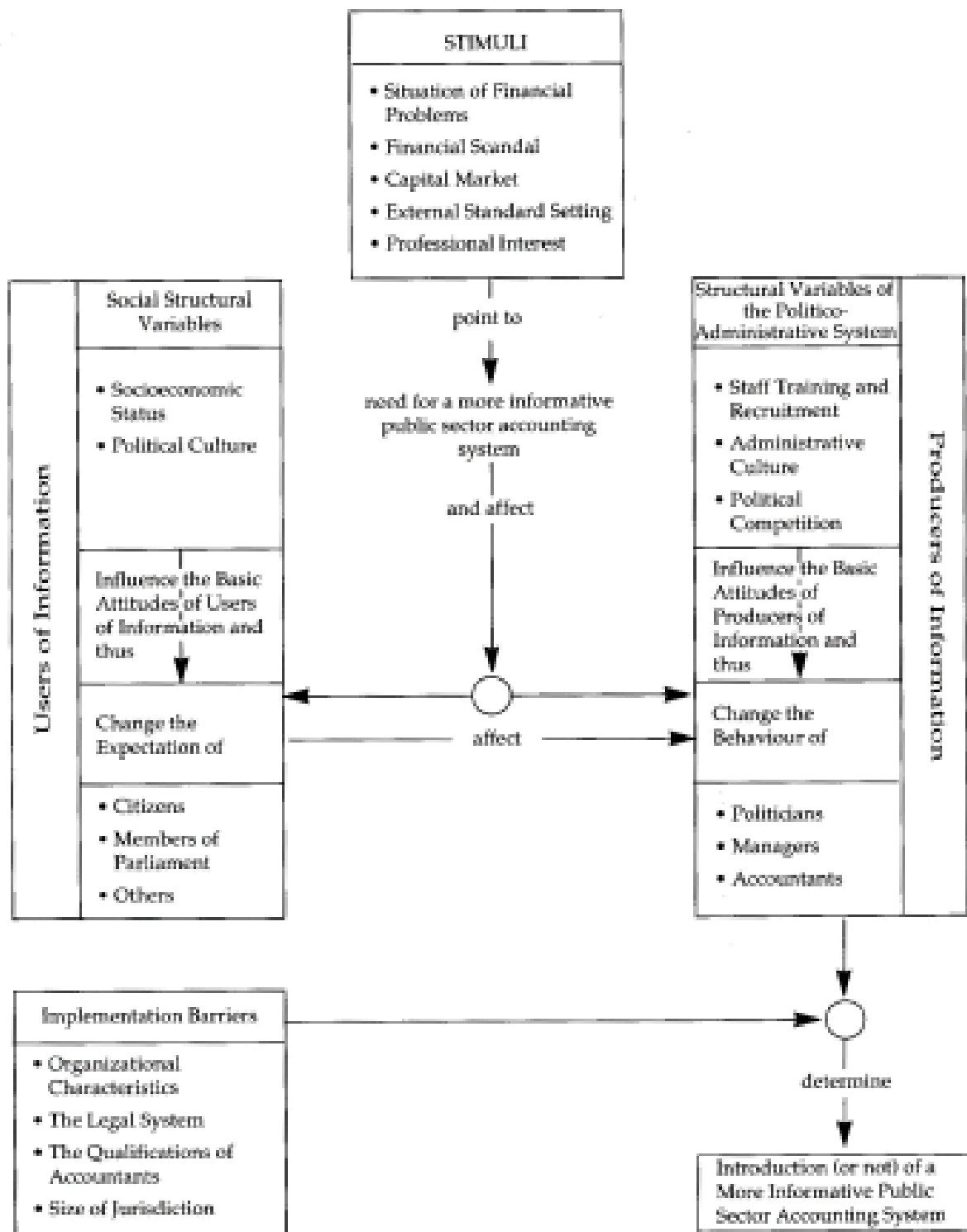
1. Stimuli that individually or in combination, initially reveal a need for improved information.
  - Fiscal stress, financial difficulty arises when the increase in and / or the absolute level of public debt are considered to be no longer sustainable in terms of interest burden, interest rate or creditworthiness.
  - Financial scandal, refers to cases of negligent or deliberate waste in financial management by the public authorities with serious financial consequences for the taxpayers.
  - Capital market, it can be the source of incentives to create a more informative system of governmental accounting and financial reporting.
  - External standard-setting, it occurs when bodies external to governments are entrusted with task of drafting and codifying the basic principles of accounting and financial reporting for the public sector.
  - Professional Bodies' Interest, there are two types of accountancy bodies which might be interested in governmental accounting such as professional association and public accounting firms
2. Social structure variables
  - Socioeconomic status, Chan and Rubin (1987) introduced the notion of socioeconomic status as a means of explaining the influence of economic and social background conditions on the information content of public sector financial reports.
  - Political culture, as patterns of political behavior in which social value concepts are expressed.
3. Structural variables of the politico administrative system
  - Staff training and recruitment, the training of administrative, especially accounting staff, and the recruitment of persons for top fiscal positions are factors that influence the basic attitudes of these information producers to the further development of public sector accounting.
  - Administrative culture is a part of the political culture.
  - Political competition has two distinct meanings. The first is in the sense of competition in the market for votes and the second refers to the competition between decision making bodies and electorate.

#### 4. Implementation barriers.

Implementation barriers are characteristics of the public sector and its accounting system that act to restrict the options available to implement change.

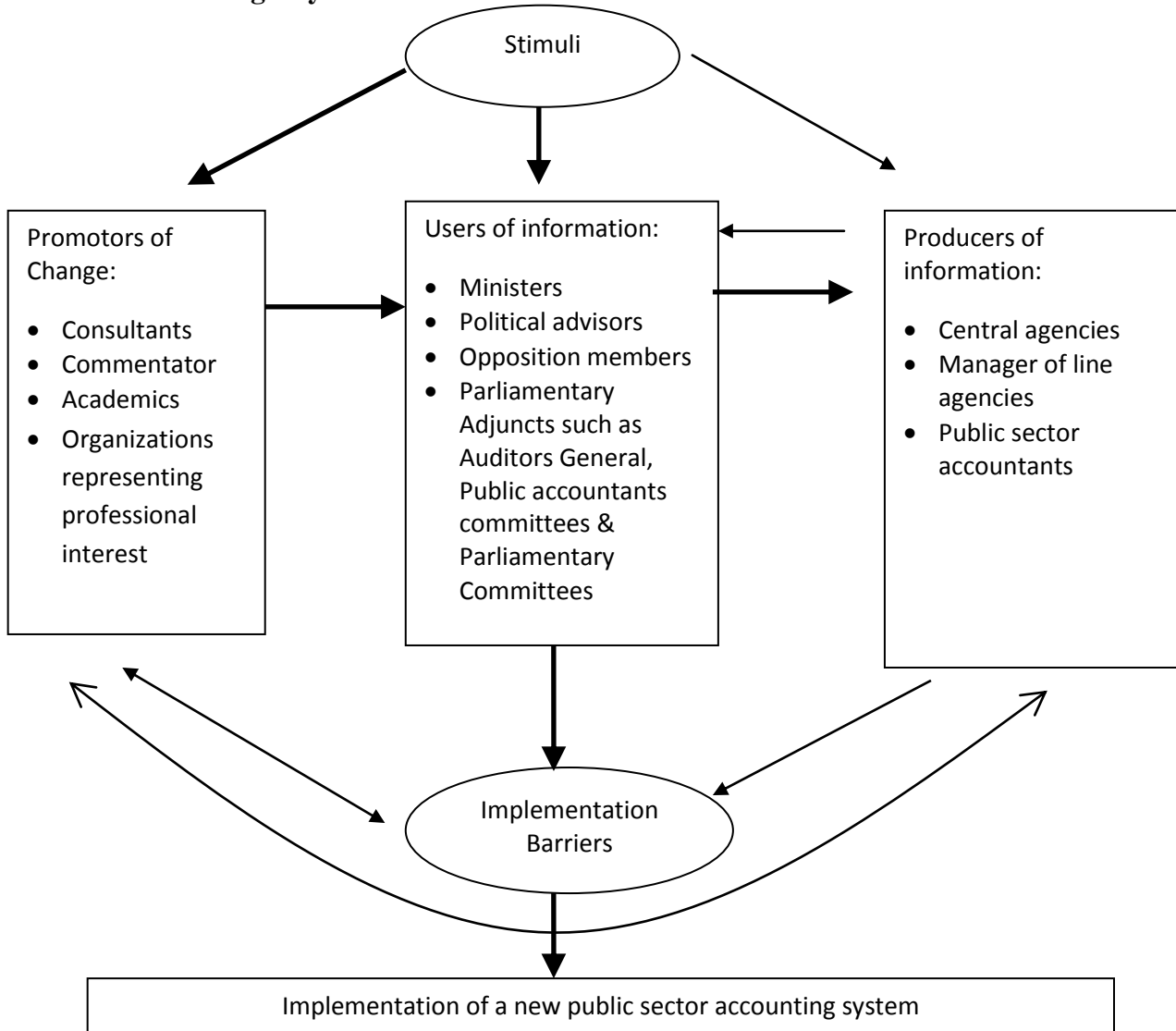
- Organizational characteristics, the decentralization of responsibility for changes of accounting practices in the government seem to be an important organizational implementation barrier. In a government with several organizational units exercising responsibility for the development of accounting procedures, there exists the risk that strongly diversified and non uniform accounting systems will develop.
- Legal System, A country's legal tradition is also reflected in the extent of legal codification of the regulations for public sector accounting.
- Qualification of Accountancy staff, the lack of certain general skills in the accounting field may create implementation barriers which cannot be eliminated in the short term and which may in certain circumstances mean that attempt to introduce more informative accounting will fail.
- Size of jurisdiction, the size of a jurisdiction is expressed in terms of the population size and the number and size of government agencies, which are positively correlated.





**Figure 2. Contingency Model of Public Sector Accounting Innovations**  
Source: Luder, 1992

### The use of contingency Model in New South Wales



**Figure 3. Process Model of Public Sector Accounting Change**

Source: Christensen, 2002

The paper examines the process of change in New South Wales Government by historical research methods used within an analytical framework provided by a proposed variant of Luder (1994). This is an example of using the contingency model in his paper by revised and adjusted depend on the situation in New South Wales Government. A revised contingency model is a useful as framework and major role played by Management Consultants was a significant aspect of the case study (Christensen, 2002).

Several reasons why the model of Luder's contingency model was developed in his paper in the following (Christensen,2002):

1. Empirical support cannot be found for Luder's inclusion of the general public as an influential force on public sector accounting.

2. The role of individuals needs to be incorporated in explanations of public sector accounting change,
3. Luder's model focuses on the likelihood of change rather than the purpose change. To better understand it is necessary to consider how the accounting change has been harmonized with the management system.

#### **4. The Advantages and Disadvantages of the models**

The advantages of this model are operational efficiency, systems efficiency, organizational performance, behavioral outcomes, stakeholder satisfaction, and compliance. However, in the case of accrual accounting implementation, compliance is with relevant standards set by the standard setting authorities and not compliance with regulations.

The advantages included in the model, that are specific to accrual accounting implementation and gathered from the literature such as increase comparability, better decision making, and better management of capital asset. These are examples for other countries include New Zealand, Malaysia and United Kingdom they adopt accrual accounting (Ellwood, 2003; Lye et al, 2005, Saleh and Pendlebury, 2006).

The disadvantages of the SATIRE process Model are in the following:

- lack of desire to learn and adopt by managers (Connolly and Hyndman, 2006);
- poor communication (Blondal, 2003)
- Lack of required knowledge and skills within the organization (Blondal, 2003)
- Reconciling the system with organizational needs (Connolly and Hyndman, 2006; Blondal, 2003; Kumar et. al, 2002)

Several advantages from this model are provide more information and improve decision making for users of information, they about the stimuli for instance fiscal stress, financial scandal etc, they divide two variables include social and political, provide implementation barriers.

The disadvantage of Contingency model include about the implementation barriers should mention the solutions as well. It is better for the users to know and to avoid the barriers.

## **5. Conclusion**

Both the SATIRE process model and Contingency Model have their own variables and concern. In SATIRE process Model, it identifies the system characteristics and required functional features of Enterprise System that would benefit implementation, the actual implementation processes and the associated benefits of the system. However, contingency Model consist four modules such as the stimuli module, the structural variables module of information producers, the structural variables module of users of information, the implementation barriers module. They have their own advantages and disadvantages.

The advantages both SATIRE process model and Contingency Model such as increase comparability, better decision making, and better management of capital asset. These are examples for other countries include New Zealand, Malaysia and United Kingdom they adopt accrual accounting (Ellwood, 2003; Lye et al, 2005, Saleh and Pendlebury, 2006).

The disadvantages of the SATIRE process Model such as lack of desire to learn and adopt by managers, poor communication, lack of required knowledge and skills within the organization, reconciling the system with organizational needs. The disadvantage of Contingency model include about the implementation barriers should mention the solutions as well. It is better for the users to know and to avoid the barriers.

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