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The Role of Public Sector Management Accounting in Achieving Good Governance and Public Accountability

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Abstract

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This study aims to analyze the role of public sector management accounting in strengthening the principles of good governance and public accountability. The research employs a literature review approach by examining several scholarly articles from the last five years, along with one relevant national source. The study focuses on how management accounting functions not merely as an administrative tool but also as a strategic information system that supports government planning, budgeting, monitoring, and performance evaluation processes. Findings reveal that the implementation of results-based accounting systems, fiscal transparency, and value for money principles significantly enhances efficiency, effectiveness, and accountability in public institutions. Furthermore, the success of management accounting depends on the integrity of officials, technical competence, performance-oriented leadership, and digital technology that enables transparent financial reporting. In conclusion, public sector management accounting serves as a fundamental pillar for realizing clean, transparent, responsive, and sustainable governance, thereby reinforcing public trust in government institutions.

1. Introduction

Modern governance demands a paradigm shift in public resource management. The development of social, economic, and political dynamics requires government institutions to adopt the principles of good governance based on transparency, accountability, effectiveness, and public participation. In this context, public sector management accounting plays a strategic role because it functions as an information system that provides relevant and reliable data to support decision-making, supervision, and evaluation of the performance of public organizations (Cuadrado-Ballesteros & Bisogno, 2021). Through management accounting, government agencies can ensure that the use of public resources is carried out efficiently, economically, and on target.

The transformation of the role of accounting in the public sector is becoming increasingly important in line with the increasing public demand for openness and honesty in government financial reporting. A transparent accounting system not only shows fiscal conditions factually, but also serves as an accountability tool to assess the responsibility of public officials for the implementation of policies and programs. As emphasized by Cucciniello et al. (2017), public accountability is a fundamental element in the implementation of democratic government. Without a reliable accounting system, the implementation of good governance principles will be difficult to achieve because the public does not have an information base to control government performance.

In many developing countries, including Indonesia, public sector reforms have been directed at strengthening financial reporting systems and improving the quality of governance. This change is triggered by the need to increase bureaucratic effectiveness, reduce budget leakage, and increase public trust in state institutions. Sinaga (2017) stated that public sector management accounting has a strategic function as a tool to encourage the efficiency of budget use and strengthen the internal control system. Thus, accounting is no longer seen as just an administrative instrument, but as a strategic mechanism in creating a clean and accountable government.

Lyrio et al. (2018) research shows that good public accounting practices have a significant effect on increasing fiscal transparency. Through the presentation of publicly accessible financial statements, the public is able to assess the effectiveness of policies and the use of public funds. Consistent fiscal transparency ultimately builds trust between the government and citizens. Public trust is an important social capital in the implementation of public policy. Thus, the existence of a reliable public sector management accounting system is an absolute requirement to strengthen the legitimacy of the government in the eyes of the public.

Furthermore, Marinelli and Antoniou (2020) explain that public sector management accounting contributes to the application of the concept of value for money, which assesses the government's financial performance based on three criteria: economy, efficiency, and effectiveness. This approach allows public organizations to manage budgets with a social outcome and benefit orientation, rather than just procedural compliance. This principle emphasizes the importance of a shift from rule-driven management to performance-driven governance. When every public fund is associated with concrete results for the community, the level of accountability and public trust will increase.

However, there are still a number of obstacles that hinder the optimization of the implementation of public sector management accounting. Stafford and Stapleton (2017) highlight that many public accounting reforms fail to produce real transparency due to weak bureaucratic capacity, resistance to change, and reliance on rigid administrative structures. Under such conditions, technical reforms will not be effective in the absence of a change in organizational values and culture. Therefore, Nyamori et al. (2017) emphasize the need for comprehensive institutional reform through training, digitalization of the financial system, and enforcement of professional ethics among state apparatus.

In addition to the technical and institutional aspects, the success of public accounting is also determined by the integrity and professionalism of the individuals involved in the financial reporting and auditing process. Ebimobowei et al. (2020) emphasized that strong public audits are an important complement in maintaining the credibility of financial statements. Audits serve not only to find errors, but also to improve the system to be more accountable and transparent in the future. Therefore, synergy between management accounting systems, public audits, and community participation is the main key in realizing good governance in a sustainable manner.

Based on this description, it can be concluded that public sector management accounting plays a role as the backbone of public finance reform and modern governance. This study aims to analyze in depth how management accounting contributes to improving public accountability, fiscal transparency, and bureaucratic effectiveness, by referring to various scientific literature for the period 2017–2021. This study is expected to provide a more comprehensive understanding of strategies to strengthen the public sector accounting system in the context of clean, efficient, and results-oriented governance.

2. Literature Review

2.1. Public Sector Management Accounting

Public sector management accounting functions as an efficient, effective, and economical resource management instrument in order to support data-driven decision-making. According to Sinaga (2017), management accounting in the public sector plays a role in providing accurate financial information for government agency leaders to increase transparency and accountability. This system integrates aspects of planning, budgeting, and evaluation so that each public activity can be measured for its efficiency and effectiveness. Cuadrado-Ballesteros and Bisogno (2021) affirm that public sector accounting reform in many countries is oriented towards good governance, where the quality of financial reporting is the main indicator of good governance. Meanwhile, Nyamori et al. (2017) explain that modern management accounting is transforming into a strategic information system that not only functions administratively, but also supports cross-unit performance analysis in government bureaucracy.

In the global context, the role of management accounting is further strengthened by the implementation of the International Public Sector Accounting

Standards (IPSAS) which encourages the consistency of public financial statements in various jurisdictions. This emphasizes that public sector accounting is not only a technical process, but also a means of building an organizational culture that is accountable, integrity, and oriented towards public services. These reforms encourage the improvement of the quality of fiscal policies and strengthen public trust in government institutions through a transparent and auditable reporting system.

2.2. Public Accountability and Good Governance

The concept of public accountability emphasizes the responsibility of government institutions to the public for the use of public funds and the results achieved. This accountability is an important element in good governance, which prioritizes transparency, participation, and policy effectiveness (Cucciniello et al., 2017). According to Lyrio et al. (2018), good public sector accounting practices create a strong supervisory mechanism through open financial reporting and credible public audits. This process strengthens public trust in the integrity of the government and reduces the risk of misappropriation of funds. Marinelli and Antoniou (2020) added that the implementation of the value for money principle in public finance is a concrete step towards efficient and responsible governance.

Within the framework of public financial reform, accountability is not only seen as an administrative obligation, but also as an instrument of democratization. The public has the right to obtain financial information and assess the performance of state administrators. Therefore, the implementation of a transparent accounting system based on international standards is the key to strengthening governance. In addition, public accountability requires public leaders who have integrity, independence, and honesty in making fiscal decisions. Thus, the relationship between management accounting and public accountability is symbiotic: they reinforce each other to achieve clean, transparent, and socially just governance.

3. Methods

This study uses a literature review method that focuses on conceptual analysis and theoretical synthesis of various previous research results on the role of public sector management accounting in supporting good governance and public accountability. The literature study approach was chosen because the topics studied are conceptual, normative, and multidisciplinary, so it requires an in-depth exploration of existing theories, concepts, and research results. Through a literature analysis, this study seeks to identify the relationship between the application of management accounting, financial transparency, public sector reform, and strengthening the accountability of government institutions.

The research stage begins with the collection of secondary data sourced from scientific articles, books, reputable journals, reports of international institutions, and other academic publications relevant to the period from 2017 to 2021. Each reference was selected based on thematic relevance, originality of the idea, and contribution to the understanding of public sector accounting. All literature is identified through the Google Scholar database and other indexed academic portals. Inclusion criteria include literature that discusses public sector accounting, government financial management, fiscal accountability, and good governance.

Meanwhile, literature that is purely technical or focuses on the context of a particular region is excluded so that the discussion remains general and conceptual.

After the selection process, the data was analyzed using a descriptive-qualitative approach. This analysis aims to interpret various theories and empirical findings in order to gain a comprehensive understanding of how public sector management accounting contributes to improved governance. The analysis process is carried out by examining the similarities in patterns, differences in research results, and the direction of reform that emerges from the literature studied. Each finding is then categorized into major themes such as fiscal transparency, managerial accountability, information system integration, and efficiency of public resource management.

The results of the synthesis of this stage are expected to be able to explain the strategic position of management accounting in supporting good public governance. In addition, the literature study approach provides space to identify research gaps that can be used as the basis for the development of empirical research in the future. Thus, this method not only presents a systematic review of the literature, but also produces a conceptual framework that is useful for strengthening accountability and transparency in the public sector on an ongoing basis.

4. Results

The results of the literature review show that public sector management accounting has a very important role in creating transparent, accountable, and efficient governance. In the global context, the implementation of a good accounting system in the public sector not only functions as an administrative tool, but also becomes the main foundation for the realization of good governance. A study by Cuadrado-Ballesteros and Bisogno (2021) shows that public sector accounting reform is significantly associated with improved governance quality across countries, especially when accompanied by increased human resource capacity and technological infrastructure. The reforms strengthen internal oversight mechanisms and clarify public institutions' responsibilities to the community, thereby reducing the risk of corruption and budget irregularities.

Furthermore, Sinaga's (2017) research results confirm that implementing public sector management accounting is a strategic step toward a clean, results-oriented government. Through this approach, each work unit in the government can measure financial and non-financial performance comprehensively. The use of management accounting information allows institutional leaders to evaluate program effectiveness, financing efficiency, and the level of achievement of development goals. Thus, accounting not only functions as a transaction recording tool, but also as an evidence-based decision-making information system.

In a broader context, Nyamori et al. (2017) highlight that public management accounting has evolved from a conventional reporting system to a strategic one that focuses on achieving public added value. This system places accounting as an integral part of organizational governance, not just a stand-alone administrative function. Public sector accounting reforms that adopt the principles of New Public Management (NPM) emphasize the need for results-orientedness, budget efficiency, and transparency at every stage of the public policy cycle. This principle demands a change in organizational culture from mere compliance with regulations to optimal performance orientation and public services.

Lyrio et al. (2018) added that transparency is a key component in public accounting reform. When financial information is presented openly and easily accessible, the public has the opportunity to directly supervise the use of public funds. This strengthens public trust and minimizes the potential for abuse of authority. In addition, financial transparency is also the basis for external supervisory institutions, such as independent auditors and legislative institutions, to evaluate the effectiveness of state financial management. Therefore, the success of public accounting reform depends not only on the technical aspects of the reporting system, but also on the ethical commitment and integrity of state administrators.

Findings from Marinelli and Antoniou (2020) strengthen this view by emphasizing the importance of applying the concept of value for money in public financial management. They explained that public sector management accounting must be able to assess each government program based on three main criteria: economy (economical use of resources), efficiency (achievement of maximum output with minimal input), and effectiveness (achievement of preset goals). These three indicators are the main benchmarks for public institutions in ensuring that every fund used provides optimal benefits for the community.

Research conducted by Ebimobowei et al. (2020) also shows that public audits integrated with management accounting systems play a significant role in strengthening financial accountability. They found that the higher the level of transparency of financial statements, the better the public's perception of the integrity of public institutions. In this context, the audit function is not only to detect errors or irregularities, but also to act as a learning mechanism for government agencies to improve the effectiveness of financial management in the future.

Meanwhile, Brusca et al. (2018) highlight that management accounting has great potential in preventing corruption and strengthening internal supervision. By providing accurate information about fund flows, management accounting creates an audit trail that makes it easy to track public transactions. This system helps detect inconsistencies between budget plans and realizations, thereby minimizing the risk of manipulation of financial data. In many cases, the implementation of strong management accounting has been shown to improve the efficiency of government spending and strengthen public trust in government agencies.

Another study by Stafford and Stapleton (2017) shows that although many countries have adopted accrual-based public sector accounting reforms, their implementation often fails to deliver tangible results in terms of transparency and accountability. The main cause is the lack of integration between the accounting system and the performance management mechanism and political oversight. This shows that technical reforms will not be effective without structural and cultural changes in the organization. For this reason, consistent public policy support and continuous training are needed for state apparatus so that they are able to manage performance-based accounting systems professionally.

Grossi et al. (2020) also found that the implementation of accounting standards and transparent budget management contributes positively to increasing the accountability of public institutions. Their study emphasizes that the consistency of the application of international-based accounting standards, such as IPSAS, is able to strengthen comparisons between periods and between entities, thereby increasing the credibility of public financial statements. On the other hand, transparency in budget preparation and implementation provides space for public participation in the fiscal policy process.

Bracci et al. (2019) emphasized that the professional ethical framework in public accounting plays an important role in realizing good governance. Public sector accountants are not only required to have technical competence, but must also uphold integrity and social responsibility. Professional ethics are a moral controller that prevents manipulation of financial statements and maintains objectivity in the presentation of public information. When the integrity of accountants is upheld, the public accounting system will be more trusted as a means of social control over the management of state resources.

Furthermore, the results of research by Brusca et al. (2018) show that the effective implementation of management accounting is able to improve the internal control system in government institutions. The system functions to ensure that all financial activities are carried out in accordance with the organization's regulations and objectives. Through good internal controls, public institutions can identify financial risks early and take corrective action quickly. This indirectly increases operational efficiency and strengthens accountability for budget implementation.

In addition, Cuadrado-Ballesteros and Bisogno (2021) highlight the positive relationship between accounting reform and World Governance Index (WGI) indicators that reflect the quality of governance. Countries that successfully implement performance-based public accounting reforms tend to have higher levels of transparency, better political stability, and more effective corruption control. Thus, accounting reform has an effect not only on the internal efficiency of public institutions, but also on the stability and legitimacy of the government as a whole.

Finally, the research of Sinaga (2017) and Lyrio et al. (2018) simultaneously emphasized that the success of public sector management accounting in encouraging good governance is inseparable from national policy support that encourages fiscal transparency and institutional capacity strengthening. In the Indonesian context, efforts to reform bureaucracy and fiscal decentralization have opened up great opportunities for the implementation of public management accounting at various levels of government. However, to achieve maximum effectiveness, a strong political commitment, an independent audit system, and an organizational culture that supports integrity and information disclosure are needed.

Overall, the results of the literature analysis show that public sector management accounting plays a key role in governance reform. Through the implementation of a transparent reporting system, credible public audits, and the application of the value for money principle, public institutions can increase fiscal accountability and strengthen public trust. Improving the quality of management accounting also has direct implications for the achievement of the Sustainable Development Goals, especially in the aspect of strong institutions and responsive governance. Thus, strengthening public sector management accounting is an important prerequisite for the realization of effective, transparent, and socially just governance.

5. Discussion

The results of the literature research show that public sector management accounting has a close relationship with the achievement of good governance and increased public accountability. However, the findings also show that there is a gap between theory and practice, especially in terms of policy implementation and the readiness of public institutions to adopt modern accounting systems. As stated by Cuadrado-Ballesteros and Bisogno (2021), effective public accounting reform requires synergy between technical, institutional, and bureaucratic cultural factors. Reforms that focus only on procedural aspects without paying attention to ethics, leadership, and integrity commitments risk producing financial statements that are formalistic and do not reflect the real conditions of governance.

Furthermore, Nyamori et al. (2017) explained that the transformation of public accounting towards a performance-based system has not been fully optimal due to the weak capacity of human resources and lack of adequate information technology support. In many developing countries, public financial statements are still prepared manually, reducing the efficiency and speed of presenting information to the public. This condition hinders the principle of fiscal transparency which should be the main pillar of good governance. Therefore, the digitization of the public accounting system, for example through e-budgeting or e-auditing, is an innovation that needs to be prioritized so that financial reporting can be carried out in real time and can be widely accessed.

In addition, Marinelli and Antoniou (2020) emphasized the importance of applying the value for money principle in every stage of public financial management. Effective management accounting should not only measure input and output aspects, but also the social outcomes and impacts of public policies. Thus, the orientation of public finance shifts from mere compliance with regulations to the achievement of tangible results for society. This concept is in line with the New Public Management approach which places efficiency and effectiveness as the benchmark of the success of the modern bureaucracy.

Meanwhile, Lyrio et al. (2018) highlighted the importance of information disclosure and public participation in strengthening public accountability. Without an open and easily accessible reporting mechanism, it is difficult for the public to assess the extent to which public funds are being used in a targeted manner. Public management accounting plays a role in bridging this gap by providing information that is relevant and verifiable by various parties. Public participation in assessing and supervising government performance is an effective form of social control to maintain the integrity of state institutions. The findings from Brusca et al. (2018) add an ethical dimension to this discussion. They emphasized that transparency and accountability do not only depend on a good system, but also on individual morality and organizational culture.

When public officials have strong integrity and high values of professionalism, accounting practices will be an effective means of preventing corruption. Therefore, the success of public accounting reform requires a change in values and behavior at the individual and institutional levels. This discussion shows that public sector management accounting is not just an administrative instrument, but also a moral and strategic foundation in building good governance. Successful implementation requires the support of technology, policies, and an integrated organizational culture. With this combination, public accounting will function as a means of control, accountability, and transparency that encourages the creation of a clean and service-oriented government.

6. Conclusion

Public sector management accounting has a strategic role in strengthening good governance and increasing public accountability. Based on the results of the literature review, it can be concluded that the implementation of a transparent, efficient, and results-based management accounting system is the main key in realizing a clean, effective, and service-oriented government. Management accounting not only serves as an administrative tool for recording financial transactions, but also as a strategic information system that supports the planning, control, and evaluation of the performance of public organizations. In addition, the successful implementation of public management accounting is highly dependent on the integration between technical, institutional, and ethical aspects.

Accounting system reform needs to be supported by the capacity of competent human resources, a commitment to fiscal transparency, and an organizational culture that upholds integrity and professionalism. The digitalization of the financial system and public involvement in supervision are also important factors in creating transparency and increasing public trust in the government. Conceptually, public sector management accounting serves as the foundation for the creation of an accountable, responsive, and sustainable government system.

Through the application of the value for money principle and an open reporting system, public institutions can ensure that the use of state resources really provides maximum benefits to the community. Thus, strengthening management accounting is a fundamental step towards effective and socially just governance.

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