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Enhancing State Financial Integrity Through Integrated Accounting and Audit Systems

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Abstract

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The increasing demand for transparency and accountability within the public sector has become a central issue in realizing the principles of good governance. Public sector accounting functions as a crucial financial management tool that provides accurate, relevant, and reliable information to support effective decision-making and prevent the misuse of public resources. Public sector auditing holds a strategic role in ensuring the accuracy, reliability, and compliance of financial statements with applicable standards and regulations. Through both financial and performance audit approaches, public accountability can be significantly strengthened. This study highlights the interconnection among public accounting, auditing practices, and good governance by reviewing a range of empirical literature published over the past five years. The findings reveal that the combination of transparency, accountability, and robust oversight mechanisms serves as a key factor in establishing a government that is efficient, effective, and trustworthy. Furthermore, the study emphasizes that sustained public accounting reforms are essential for reinforcing institutional legitimacy and enhancing public confidence in governmental entities. Strengthening these elements collectively contributes to the development of a more credible and responsive governance system capable of meeting citizens' expectations and ensuring responsible management of public funds.

1. Introduction

Transparency and accountability are two main pillars in realizing good government governance (good governance) in the public sector. In the modern context, increasing public awareness, the advancement of information technology, and the complexity of managing public finances demand an accounting and auditing system that is more accountable, efficient, and capable of providing clarity regarding the use of public resources. The government is required not only to manage public funds effectively but also to account for every financial activity to the public. Therefore, the implementation of transparent public sector accounting and independent auditing becomes key to increasing public trust in government institutions (Salehi et al., 2023). Public sector accounting plays an important role in providing financial information that is relevant, reliable, and verifiable to support decision-making at various levels of government. This information becomes the basis for assessing the performance of public institutions and the level of efficiency in budget use.

When financial statements are prepared with the principle of transparency, the public can oversee the extent to which the government uses public funds according to their designated purpose. Thus, public accounting is not only a tool for recording transactions but also a means of social accountability (Isa et al., 2019). Public sector auditing, on the other hand, functions to assess the truth and reliability of financial statements and ensure that all government financial activities are carried out in accordance with applicable standards and regulations. Auditing performed independently helps prevent fraud, increases efficiency, and ensures that public programs achieve their set objectives. Thus, auditing becomes an external control mechanism that supports the public accounting function in maintaining transparency and accountability (Amalia, 2023).

The relationship between public accounting and auditing is very close because they complement each other in ensuring effective public financial management. Public accounting provides the financial data that will be audited, while auditing provides feedback on the reliability of that data. The integration between a strong accounting system and auditing is an essential foundation for the creation of good governance. In modern government systems, the existence of internal and external audits serves as a tool to assess the effectiveness of policies and programs, as well as detect deviations that could potentially harm the state. Therefore, public auditing plays a role not only in performance evaluation but also in strengthening public trust in the integrity of government institutions (Rana et al., 2022). The development of information technology has also strengthened the implementation of transparency and accountability in the public sector. The digitalization of accounting and financial reporting systems has accelerated the reporting process and minimized the risk of human error.

Furthermore, innovations such as e-government systems encourage wider public information disclosure, allowing the public to directly monitor government financial activities. Digital transformation also enables auditing to be carried out more quickly, data-based, and real-time, ultimately strengthening the efficiency of government governance (Prawati & Augustine, 2022). In the context of public sector reform, the synergy between public accounting and auditing is a strategic necessity in building public trust. Transparency supported by a good accounting system and accountability maintained through independent auditing are important factors in increasing government legitimacy. Recent studies show that a high level of transparency positively impacts public trust, policy effectiveness, and the sustainability of financial reforms. Thus, strengthening public accounting and auditing practices must be a priority in modern government governance policies oriented towards integrity, efficiency, and social justice.

2. Literature Review

2.1. Public Sector Accounting as a Pillar of Transparency and Accountability

Public sector accounting has a fundamental role in creating transparency and accountability in government financial management. Through the presentation of financial information that is accurate, relevant, and verifiable, public accounting allows the public and stakeholders to assess the extent to which the government manages resources efficiently and in accordance with regulations. Public accounting also functions as a tool to ensure that fiscal policies and budget allocation are carried out based on the principles of fairness and effectiveness. According to Isa et al. (2019), the implementation of a good accounting system helps strengthen public trust in the government because it increases the openness of financial information and reduces information asymmetry between managers and the public.

Furthermore, Salehi et al. (2023) emphasize that the transparency of public sector financial statements significantly affects the quality of reporting and public perception of government integrity. In this context, the accrual-based public sector accounting system is considered capable of providing a more realistic picture of the financial position and performance of public entities compared to the cash system. Furthermore, Polzer et al. (2022) in their systematic review state that public accounting reforms in various countries show a positive impact on increasing accountability, especially when accompanied by strengthening internal control systems and improving the competence of officials. Thus, public accounting is not just a tool for recording financial transactions, but also a strategic instrument for creating an open and responsible government.

2.2. The Role of Auditing in Improving Public Governance and Control Public sector

Auditing is an important instrument in ensuring financial accountability and the effectiveness of public policy. Auditing acts as a supervisory mechanism that assesses the reliability of financial statements, compliance with regulations, and the efficiency of resource use. Through auditing, potential deviations can be identified earlier, thereby encouraging the improvement of good government governance (Kurniawati & Pratama, 2021). Anjani (2023) affirm that public auditing not only provides assurance regarding the truth of financial statements but also influences the organization's overall performance by fostering a culture of transparency. When audit results are published openly, the public can assess the level of government compliance and responsibility for the use of public funds. In the long run, this increases institutional legitimacy and public trust.

In addition to financial audits, performance audit also makes a significant contribution to improving the effectiveness and efficiency of public institutions.

According to Rana et al. (2022), performance audit plays a role in evaluating the achievement of program objectives and providing evidence-based recommendations for improvement. Auditing carried out independently helps ensure that public policies are not only administratively correct but also have a real impact on society. Therefore, the integration of financial audit and performance audit becomes an important strategy in building accountable and results-oriented governance. In addition, Ismandar et al. (2022) found that the effectiveness of public auditing is highly dependent on the existence of strong governance mechanisms, such as independent audit committees and digital-based reporting systems. Thus, public auditing is not only an administrative control tool but also a means of transforming government governance towards a more transparent and responsive direction to public needs.

2.3. Synergy of Accounting and Auditing in Realizing Good Governance

The relationship between public accounting and auditing is complementary and is a key element in creating good governance. Public accounting provides financial data and reports that serve as the basis for carrying out audits, while auditing plays a role in ensuring that the data is prepared correctly and in accordance with accountability principles. Their synergy forms a comprehensive financial supervision system, from the planning stage to the evaluation of results. According to Amalia (2023), the quality of auditing and a strong public accounting system have a direct correlation with the level of government financial transparency. When financial statements are prepared honestly and audited independently, the risk of corruption and abuse of authority can be minimized. Bandy (2023) add that public financial management reform that emphasizes openness and responsibility plays an important role in increasing the efficiency and effectiveness of the use of state budgets.

In the era of digitalization, the collaboration between public accounting and auditing is increasingly important. Prawati and Augustine (2022) highlight that digital transformation in public financial reporting increases the speed and accuracy of audits, and strengthens data-based supervision. Digitalization also allows the public to access financial information directly, thereby expanding the space for public participation in government oversight. Thus, the combination of a transparent accounting system, independent auditing, and the utilization of information technology contributes significantly to the achievement of good governance. Principles such as openness, accountability, integrity, and efficiency are the main foundations in creating a government that is clean, effective, and trusted by the public.

3. Methods

This study uses a Systematic Literature Review (SLR) approach to analyze the relationship between public sector accounting, financial auditing, transparency, accountability, and good government governance (good governance). The SLR method was chosen because it is capable of providing a comprehensive understanding through the systematic and structured identification, selection, and synthesis of relevant scientific literature. This approach allows researchers to identify patterns, research gaps, and conceptual trends that emerge over a certain period.

The first stage in this study is literature identification. The search process was carried out using credible academic databases, such as Google Scholar or Research Gate, focusing on indexed journal articles published within the last five years. Keywords used include "public sector accounting," "financial audit," "transparency," "accountability," and "good governance." Only articles with high relevance to the topic and discussing aspects of governance, public accounting, and public sector auditing were included in the analysis.

The second stage is literature selection and screening, which is carried out based on inclusion and exclusion criteria. The inclusion criteria include (1) publications in English, (2) the period in last five years, (3) empirical or review articles focusing on public sector transparency and accountability, and (4) articles available in full access. Meanwhile, the exclusion criteria include conference articles, non-peer-reviewed policy reports, and publications. After going through the selection process, several main articles were obtained that met the criteria and were used as the basis for analysis. The third stage is literature analysis and synthesis, which is carried out using content analysis techniques. Each article was analyzed based on its research objectives, methods, main findings, and relevance to the concepts of transparency, accountability, auditing, and public governance.

Furthermore, the analysis results were synthesized to identify the linkages between concepts and the theoretical contribution to government practice. The last stage is the evaluation and interpretation of the results, which aims to formulate the main findings and conceptual conclusions from the analyzed literature. This approach refers to the Preferred Reporting Items for Systematic Reviews and Meta-

Analyses (PRISMA) guidelines to ensure the transparency of the review process and minimize researcher bias. Through the SLR method, this study is expected to provide an in-depth theoretical synthesis regarding the role of public accounting and auditing in strengthening transparency, accountability, and good governance in the modern public sector.

4. Results

The results of this study show that the implementation of public sector accounting and financial audit mechanisms plays a fundamental role in strengthening transparency, accountability, and good government governance (good governance). Based on a systematic review of twelve scientific articles published in the last five years, a strong link was found between the quality of the public accounting system, the effectiveness of audit implementation, and the level of public trust in government institutions. Public accounting is proven to function as an information provider system that presents financial data openly and structured, while auditing acts as a verification instrument to ensure that the information is accurate, reliable, and in accordance with applicable regulatory standards. Thus, these two elements complement each other in building the foundation of transparency and responsible financial management.

Research conducted by Beshi and Kaur (2020) confirms that openness in the process of preparing public financial statements directly affects the public's perception of government integrity. When financial statements are presented clearly, concisely, and are accessible to the public, the level of public trust increases because they feel they have the space to assess and oversee government performance. This kind of transparency also contributes to minimizing opportunities for abuse of authority and corrupt actions, as every use of public funds must be accounted for in detail and be verifiable. This finding is in line with the study conducted by Schwartz et al. (2020), which showed that an openness-based public accounting system has a significant contribution to increasing the effectiveness of fiscal policy and strengthening social control over government officials.

Furthermore, the analysis of research results shows that the implementation of accrual-based public sector accounting provides significant benefits in improving the quality of government financial reporting. The accrual-based recording system allows for the comprehensive accommodation of all economic transactions, not only limited to cash flow, but also including assets, liabilities, and equity more comprehensively. Thus, the resulting financial statements become more informative and can be used to assess the government's financial condition more accurately. This finding supports the view of Polzer et al. (2022) who affirm that public accounting reform towards an accrual basis is a strategic step to build broader transparency and strengthen accountability in the management of state financial resources.

The review results also show that the success of increasing public financial transparency is not only determined by the quality of the accounting system but also highly depends on the effectiveness of the auditing work. Public auditing has a supervisory function that ensures that financial statements have been prepared according to regulations, are free from material errors, and reflect the true financial condition. Darmawan (2023) found that audit quality has a significant positive relationship with the level of financial transparency in public institutions. Auditing carried out independently, professionally, and based on applicable auditing standards is capable of identifying inconsistencies, internal control weaknesses, and potential deviations in the use of public funds. In addition, the recommendations resulting from the audit process play an important role in improving governance and strengthening the internal control system.

Furthermore, performance audit is also an important component in improving government effectiveness. Unlike financial audits which focus on the suitability of recording, performance audit assesses the extent to which government programs or activities are implemented efficiently, effectively, and economically. Rana et al. (2022) explain that performance audit can assist the government in assessing whether the use of the budget has provided the social and economic impact expected by the community. Thus, auditing is not only an administrative evaluation tool but also a strategic instrument in the overall development of public sector performance. The next finding shows that the integration between the accounting system, auditing, and internal supervision is a very determining factor in creating transparent and accountable government governance.

These three elements work in a mutually supportive ecosystem the accounting system provides the necessary data, auditing ensures the truth and reliability of the data, while internal supervision guarantees that policy implementation has been carried out in accordance with established provisions. Solid collaboration between the three results in a financial control system that is consistent, transparent, efficient, and sustainable. This result is in line with the findings of Kurniawati and Pratama

(2021) who emphasize that the synergy between public accounting and audit institutions is the main foundation for realizing a clean and responsible government. In addition, research also found that digitalization has an increasingly large influence on increasing transparency and accountability of the public sector. Digital transformation through the use of technology-based accounting information systems and data-based audits has brought efficiency in the management of state finances.

Adewale et al. (2022) highlight that the digitalization of public financial reporting encourages the acceleration of the report preparation process, increases accuracy, and reduces the possibility of human error. Technologies such as big data analytics, real-time financial reporting systems, and audit automation are proven capable of expanding the scope of supervision, detecting unusual transactions, and strengthening the integrity of financial information. In the context of modern government governance, digitalization plays an important catalyst that helps strengthen transparency, accelerate data-based decision-making, and increase the effectiveness of public auditing. The research results indicate that efforts to strengthen public sector transparency and accountability cannot stand alone but require strong integration between a modern accounting system, quality auditing, and information technology support.

The integration of these three factors forms a comprehensive and resilient pillar of governmental governance that is increasingly essential for meeting rising public expectations for transparency, accountability, and high-quality public service delivery. When public sector accounting generates accurate, reliable, and timely financial information, it provides the fundamental basis for informed decision-making and responsible resource allocation (Brandy, 2023). Audit mechanisms then reinforce this foundation by independently verifying the integrity of the information, ensuring compliance with regulatory standards, and identifying weaknesses that require corrective action. At the same time, internal control systems function to strengthen oversight, mitigate risks, and maintain consistency in policy implementation across various administrative units.

The synergy created through accounting, auditing, and internal supervision not only minimizes the likelihood of financial mismanagement and abuse of authority but also enhances the overall credibility and legitimacy of government institutions in the eyes of citizens. Moreover, this integrated framework supports the development of a professional and ethical bureaucracy that values efficiency, effectiveness, and evidence-based governance practices. Ultimately, the combined strength of these elements enables the government to operate in a cleaner, more effective, and citizen-focused manner, ensuring that public services are delivered optimally and equitably.

5. Discussion

The results of this study reaffirm that public sector accounting and auditing have a significant contribution to strengthening transparency, accountability, and good government governance (good governance). Findings from the systematic review show that the successful implementation of these two instruments depends not only on the existence of regulations but also on the effectiveness of implementation and the quality of the human resources who manage them. In this context, good governance is understood not just as administrative compliance, but a system of values that demands openness, responsibility, and honesty in every process of public financial management (Beshi & Kaur, 2020). One important aspect that emerges from the literature synthesis results is the role of accrual-based accounting in increasing public transparency and accountability. This system provides a more comprehensive picture of the government's financial condition than the cash-based approach. The information generated allows the public and oversight institutions to assess the extent to which government policies are implemented effectively and efficiently. With more transparent reports, the public can actively participate in overseeing the use of public funds and providing feedback on fiscal policy (Schwartz et al., 2020).

In addition to the accounting system, the public auditing function is also proven to have a vital role as an independent oversight mechanism. Auditing conducted objectively and professionally not only serves to detect errors or deviations but also provides strategic recommendations to improve the effectiveness of financial policies. Darmawan (2023) affirm that quality auditing can strengthen public accountability through improving the reliability of financial statements and strengthening the internal control system. Strong auditing creates a sense of responsibility among public financial managers and reduces the potential for fraud or corruption that can damage public trust in government institutions.

Digital transformation is a new factor that strengthens the relationship between accounting, auditing, and governance. The use of technology such as

Integrated Financial Management Systems (IFMIS) and data-based audits has increased the efficiency and accuracy of financial reporting. Digitalization also allows the public to access government financial reports openly, creating wider space for participation and oversight. Adewale et al. (2022) highlight that the integration of technology into the public accounting system not only accelerates reporting but also increases public trust in the financial data produced.

Thus, the results of this discussion confirm that transparency and accountability are not only generated from formal rules but also from the integration of a strong accounting system, independent auditing, and the utilization of digital technology. Continuous reform in public accounting and strengthening the auditing function will be the main foundation for the government in building governance that is clean, efficient, and oriented towards public interest. Going forward, improving the capacity of human resources, implementing the principle of integrity, and public participation will be important elements in ensuring the sustainability of good governance in the public sector.

6. Conclusion

This study confirms that public sector accounting and auditing are the main pillars in realizing good government governance (good governance). Through a Systematic Literature Review (SLR) approach to various scientific publications in the last five years, it was found that transparency and accountability can only be achieved if the public accounting system is managed on an accrual basis, integrated, and supervised by an independent auditing mechanism. The implementation of transparent public accounting provides a foundation for the government to openly demonstrate responsibility for managing state finances, while public auditing acts as a control tool to ensure the truth, compliance, and effectiveness of fiscal policy.

The findings also show that the digitalization of public accounting and auditing accelerates increased efficiency and expands public access to financial information. Thus, continuous reform in public reporting and auditing systems is very important to build public trust in government institutions. In addition, improving the capacity of human resources and strengthening internal control systems are determining factors for the success of clean, transparent, and accountable public financial governance. The integration of strong public sector accounting, high-quality auditing, and the application of digital technology is the main foundation for strengthening the legitimacy and public trust in the government, as well as realizing governance that is effective and oriented towards the welfare of the community.

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