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Public Sector Accounting Reform: Transparency, Digitalization, and Value-for-Money

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Abstract

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Public sector accounting reform is an important agenda in realizing more transparent, accountable, and performance-oriented government financial governance. This study synthesizes the literature of the last five years to examine the development of accrual accounting implementation, the digitization of accounting information systems, and the application of value-for-money principles in public financial reporting and evaluation. The results of the synthesis show that accrual-based accounting is able to provide a more comprehensive fiscal picture, especially related to asset recognition, long-term liabilities, and real government expenses. However, these benefits are highly dependent on the readiness of human resources, regulatory clarity, and consistency of operational procedures. Digitalization has been proven to speed up the reporting process and increase data openness, but its effectiveness requires system integration, data standardization, and strengthening of employee technical capacity. Meanwhile, the value-for-money concept encourages the orientation of reporting towards efficiency, effectiveness, and public value generated from government programs. This study concludes that public sector accounting reform will be optimal if implemented through a holistic approach that includes institutional, technological, supervisory, and organizational culture changes.

1. Introduction

Public sector accounting has a strategic role in ensuring the realization of transparent, accountable, and responsive governance. In the modern era, public demands for fiscal information disclosure are increasing, prompting governments at various levels to carry out more comprehensive financial reporting reforms. The changes in the post-global fiscal environment in recent years have underscored the need for a reporting system that is able to more realistically portray financial position, performance, and fiscal risks. International accounting standards, such as the International Public Sector Accounting Standards (IPSAS), emphasize the importance of a consistent and reliable reporting framework to support government decision-making processes (IPSASB, 2022).

Recent literature shows that the transition from a cash base to an accrual basis provides significant benefits in improving the relevance and completeness of financial information. Through accrual accounting, the government can present a more complete picture of assets, liabilities, long-term expenses, and future commitments, allowing for more precise fiscal analysis (Karatzimas et al., 2022). However, empirical findings suggest that these benefits are conditional and heavily influenced by institutional readiness. In many public entities, successful implementation depends on the organization's ability to strengthen human resource capacity, update accounting information systems, and develop adequate oversight and audit mechanisms (Saleh et al., 2023).

The results of research over the past decade reveal that there is a considerable gap between the normative objectives of accounting reform and the factual conditions in the field. Some governments have difficulty updating SOPs, reconciling data between systems, and ensuring consistency of records. These barriers often lead to reports not being able to be prepared on time or containing inaccurate information, thus lowering the value of the report as a basis for decision-making (Haug et al., 2024). On the other hand, agencies that invest in improving employee competencies and implement well-documented reporting processes show more consistent and quality results.

Digitalization is one of the most influential factors in accelerating the transformation of public accounting. An electronic-based accounting information system has the potential to increase the efficiency of the recording process, accelerate the preparation of reports, and open up opportunities for the presentation of financial data in real time to the public. Nonetheless, the literature warns that digitization without data standardization, internal controls, and information security governance can result in information fragmentation and complicate the audit process (Sam et al., 2024). Therefore, technology integration must be accompanied by careful system architecture planning and continuous training support for employees.

In addition, improving the quality of financial reporting is often associated with fraud prevention efforts. Empirical studies in several regions show that increased budget transparency has a negative correlation with corruption rates, although the relationship depends on institutional contexts, such as the effectiveness of external audits and the consistency of law enforcement (Alessa, 2024). As such, better financial reporting is an important instrument, but its success depends on a broader supervisory environment.

The reference file used in this study, which discusses the urgency of implementing public sector accounting in government agencies, reaffirms that the need for transparency, accountability, and reporting reliability is an issue that remains relevant to this day (Costari & Belinda, 2021). The findings are in line with the literature of the last five years, which shows that the implementation of public sector accounting is a long-term effort that requires a combination of technical reforms, changes in organizational behavior, and measurable digital transformation. Taking into account the development of the literature and the dynamics of these policies, this article aims to present a comprehensive literature review on public sector accounting reform in the last five-year period, covering aspects of the benefits, challenges, and policy implications. This analysis is expected to provide a more complete conceptual picture for the formulation of public reporting practices that are more transparent, effective, and value-for-money.

2. Literature Review

2.1. The Evolution and Framework of Public Sector Accounting

The development of public sector accounting in the past decade has shown a significant transformation in line with increasing demands for openness, accountability, and quality of fiscal information. The transition from a cash-based approach to an accrual-based approach is one of the most prominent reform steps, with many countries and public entities adopting it to improve the completeness and relevance of financial reporting. The accrual base is considered to be able to provide a more complete picture of the long-term position of assets, liabilities, and expenses, resulting in more useful information for fiscal planning and policy evaluation (IPSASB, 2022). This paradigm shift also aligns with the growing need to record government long-term commitments, including pension obligations, public asset management, and fiscal risks that are not visible in the cash base.

In the literature, public sector accounting reform is considered not only a technical change, but also an institutional change that requires human resource readiness, internal governance, and information system support. Systematic studies show that countries or agencies with strong administrative capacity, clear SOPs, and integrated information systems tend to be able to implement accruals more effectively than those that only implement changes in the report format without process reform (Karatzimas et al., 2022). Furthermore, harmonization with international standards such as IPSAS provides additional benefits in the form of consistency of reporting across periods and regions, facilitates performance comparisons, and increases the credibility of government financial statements in a global context.

On the other hand, some studies show that implementation does not always run smoothly due to organizational resistance, limited technical competence, and coordination challenges between policymakers and operational units. These obstacles show that reform requires a combination of regulatory support, training investment, and monitoring of implementation effectiveness (Schmidthuber et al., 2023). Thus, the evolution of public sector accounting is a complex and multidimensional process, which includes standard adjustment, organizational readiness, and implementation governance.

2.2. Transparency, Accountability, and Value-for-Money

Fiscal transparency and public accountability are at the heart of public sector accounting reform. The quality of financial reporting is not only judged by compliance with standards, but also by the ability of the report to provide information that can be used by the public, supervisors, and policymakers in evaluating government performance. In this context, the concept of value-for-money (VfM) developed as a framework that emphasized the importance of efficiency, effectiveness, and economics of the use of public resources. VfM directs the focus not only on budget management, but also on the benefits generated for the community, so that reporting does not stop at the presentation of figures, but rather acts as a tool for evaluating development achievements (Sam et al., 2024). Therefore, the integration between financial reporting and performance auditing is becoming increasingly important.

The literature in the last five years shows that transparency has a strong relationship with public perception of government integrity. When financial statements are presented in a complete, timely, and easily accessible manner, public trust tends to increase. Nevertheless, transparency also requires a strong internal control system and independent external audit mechanisms to ensure the quality of published data. Some studies report that even though financial information has been made publicly available, without an effective verification and evaluation process, it cannot be optimally utilized as a tool of public oversight (Tawiah, 2023).

In addition, the implementation of VfM also requires clear and measurable performance indicators. Without proper outcome indicators, evaluations of program effectiveness tend to be biased or not comprehensive. Case studies show that governments need to develop the integration of financial data and performance data to make reporting more meaningful (Jorge et al., 2021). Thus, transparency and accountability are not the result of a single variable, but rather a combination of quality reporting, credible audits, and results-based performance evaluations.

2.3. The Role of Accounting Technology and Information Systems

The development of information technology has had a major impact on public sector accounting practices. Digital transformation enables financial recording and reporting processes to be faster, more accurate, and more transparent. Electronic-based Accounting Information Systems (AIS) are now the backbone in supporting the efficiency of administrative processes, reducing the risk of manual errors, and facilitating the consolidation of financial statements across units. Technology also allows the public to access fiscal data more easily, thereby strengthening the principles of open government and public accountability (Park & Gil-Garcia, 2022). However, the implementation of the technology does not always go smoothly and still faces significant challenges.

One of the main challenges is system fragmentation, especially when organizations use various applications that are not integrated with each other. This condition causes data inconsistencies, duplication of work, and decreased efficiency of the reporting process. Literature studies show that non-interoperable systems can increase the administrative burden while reducing the quality of the auditability of financial information (Bisogno et al., 2024). Therefore, digitalization needs to be designed comprehensively through a standardized data architecture and clear oversight mechanisms.

In addition, the capacity of human resources to operate technology is an important factor in determining the success of implementation. In many public agencies, the limitation of technical competence causes technology to not be used optimally, even causing dependence on vendors. Therefore, the digitalization plan needs to be balanced with continuous training and strengthening a data-based organizational culture (Saleh et al., 2023). As such, technology is an important enabler in the modernization of public sector accounting, but its effectiveness is highly dependent on institutional readiness and a mature implementation strategy.

3. Methods

This research uses a literature review method with a qualitative-descriptive approach that aims to synthesize scientific findings related to the implementation of public sector accounting, transparency, digitalization, and value-for-money in the last five-year period. This method was chosen because the purpose of the research is not to test empirical hypotheses, but to map the development of concepts, identify patterns of findings, and formulate policy implications from the available literature. The literature review approach allows researchers to integrate a wide range of sources, including journal articles, policy reports, systematic reviews, and case studies, thus providing a comprehensive picture of the issues being studied.

The literature collection process was carried out through a structured search on the Google Scholar database and national and international scientific repositories using keywords such as public sector accounting, accrual accounting, IPSAS adoption, public financial transparency, digitalization of public accounting, and value-for-money in government. In addition, searches are also conducted in Indonesian with relevant keyword equivalents to obtain sources from the national context. The range of publications selected is limited between the last five years to ensure the relevance of the findings to current conditions. Sources that meet the inclusion criteria are scientific articles that contain concepts, empirical findings, or critical analysis related to the research theme; written in a public sector context; and available in the form of verified academic publications. Documents that do not have a clear scientific basis, or do not relate to public sector accounting are excluded from the analysis.

Once the literature has been collected, the next stage is to conduct a screening process through reading titles, abstracts, and keywords to assess suitability with the focus of the research. Articles that meet the criteria are then analyzed in depth to identify core topics, such as the benefits and challenges of accrual implementation, the role of digitalization, the dynamics of transparency and accountability, and the integration of value-for-money concepts in public reporting and auditing. The findings of each article were grouped with a thematic approach to see similarities, contradictions, and theoretical contributions between studies.

To maintain the quality of the analysis, this study prioritized reputable sources, including a systematic review that provided a summary of findings from many primary studies. Articles that have high relevance to institutional, governance, and technological issues in public sector accounting are given greater weight in the synthesis process. The reference files provided by the researcher are also used as contextual sources because they provide illustrations of implementation challenges in real practice. Through this systematic literature review approach, the research is expected to produce a complete conceptual understanding and can be used as a basis for the development of recommendations in the results and discussion sections.

4. Results

The results of the literature synthesis analyzed in this study show that the implementation of public sector accounting in the last five years has continued to experience significant development, although in various contexts it still faces institutional, technical, and technological challenges. In the overall literature reviewed, it can be seen that public sector accounting reform is no longer just emphasizing the preparation of financial statements, but has shifted towards strategic efforts oriented towards improving the quality of governance, the effectiveness of budget use, and fiscal transparency. The implementation of accrual-based accounting occupies a central position in the reform process because it is considered to be able to provide a more comprehensive picture of the government's financial position, including long-term assets and liabilities that have not been reflected in the cash base (IPSASB, 2022).

One of the important findings from the literature is that the benefits of accrual accounting are highly dependent on institutional readiness. Organizations that have strong administrative capacity, adequate employee competencies, and integrated information systems show notable improvements in the quality of financial reporting after adopting accruals. The results show that the application of accrual allows the government to more accurately disclose long-term liabilities, public infrastructure conditions, and contractual commitments, thereby supporting more responsible fiscal planning (Karatzimas et al., 2022). However, when implementation is carried out without careful preparation, the transition to accrual actually creates new obstacles such as recording errors, account inconsistencies, and report delays.

Obstacles to the implementation of accrual are found in case studies at various levels of government. For example, the report shows that lack of public accounting training often leads to an inability of employees to understand the principles of revenue recognition, expenses, asset depreciation, and the identification of contingent liabilities. As a result, the resulting financial statements do not reflect real fiscal conditions. This condition is exacerbated by frequent changes in technical regulations without adequate socialization. These studies conclude that the implementation of accrual requires a gradual strategy that includes strengthening human resources, developing standardized SOPs, and consistent policy support from the central level (Schmidthuber et al., 2023).

In line with that, the digitization factor emerged as a major theme in the literature. Information technology plays a vital role in facilitating the implementation of modern public accounting. The Accounting Information System (SIA) has been proven to be able to speed up the recording process, reduce the risk of manual errors, and improve data accuracy. The results of the study show that agencies that integrate SIA with budget, asset, and procurement planning modules have reports that are faster to complete and more informative for policymakers (Haug et al., 2024). However, digitalization also presents great challenges. An unintegrated system results in data fragmentation and complicates the report consolidation process. Another challenge is the lack of ability for employees to operate digital-based financial applications, which leads to dependency on certain operators and increases the risk of errors and data manipulation.

Digitalization also has direct implications for public transparency. Studies show that online publication of financial statements increases public access to fiscal information. This increasingly open information supports public participation in budget oversight. However, for these benefits to be effective, efforts are needed to ensure the reliability of published data. Transparency without accuracy actually causes confusion of information that can reduce public trust in the government (Sam et al., 2024). Therefore, digitalization must be balanced with strict verification and audit mechanisms.

In addition to accrual and digitalization, the theme of value-for-money (VfM) is the focus of the literature in the context of government performance evaluation. This concept emphasizes the importance of efficiency, effectiveness, and economics of budget use so that financial reporting no longer only assesses compliance with rules, but also assesses the benefits resulting from public programs (Park & Gil-Garcia, 2022). The results of the literature review show that many countries are starting to integrate performance indicators in their fiscal reports, although the rate of implementation varies. In some contexts, indicators are still limited to outputs, not outcomes, making it difficult to assess the real impact of government programs. Another challenge is the lack of integration between financial data and performance data.

The results of cross-country research show that the implementation of VfM allows auditors and policymakers to identify inefficient programs and develop recommendations for improvement. However, the effectiveness of the implementation of VfM is greatly influenced by the quality of the financial reporting system and audit capacity. In countries or regions with weak oversight, as well as rigid bureaucracies, VfM's integration in reporting does not have a significant impact on the quality of public services (Alessa, 2024).

Another finding that stands out is the relationship between financial reporting and corruption prevention. Empirical studies have found that the improvement in the quality and transparency of financial reporting correlates with a decrease in corrupt practices, as more complete and easily accessible information allows the public and supervisory agencies to conduct more thorough verification (IPSASB, 2022). However, this relationship is not automatic. The impact of reporting on corruption reduction only occurs when there are strong external oversight mechanisms, consistent law enforcement, and an institutional environment that supports accountability.

Internal supervision also plays an important role in maintaining the quality of reporting. Much of the literature highlights that without effective internal oversight, the risk of errors, data manipulation, and budget irregularities increases. Good internal oversight not only assesses compliance, but also provides recommendations for system improvements so as to encourage continuous improvement in government financial governance (Jorge et al., 2021).

Case studies in local government show that implementation challenges often stem from non-technical factors, such as organizational culture, resistance to change, and weak coordination between units. Employees who are unfamiliar with modern accounting show a tendency to revert to old administrative habits that hinder the sustainability of the implementation of new standards. On the other hand, agencies that implement a comprehensive organizational change approach, including training, mentoring, monitoring, and evaluation, show better results in the implementation of accrual and digitalization (Belinda & Costari, 2021).

In addition, the literature highlights the importance of political and regulatory support. Changing policies can hinder smooth implementation and reduce employee motivation. Conversely, consistent policies accompanied by adequate resource support encourage organizations to develop quality reporting practices. Good policies must be accompanied by a clear implementation plan, success indicators, and periodic evaluation mechanisms to ensure that reform goals are achieved (Saleh et al., 2023).

The results of the synthesis also confirm that accounting reform cannot stand alone; It must be integrated with the overall financial management strategy of the country. This integration includes budget planning, asset management, fiscal risk management, and performance audits. When financial statements stand separate from the planning and budgeting processes, their benefits become limited. Conversely, when financial data is used to support strategic decision-making, governments can be more responsive and adaptive to changing fiscal conditions (Sam et al., 2024).

The findings show that the implementation of public sector accounting in the last five-year period continues to move towards a more transparent, digital, and performance-oriented system. Although significant progress has been made, implementation challenges are still considerable. Accounting reform requires an integrated approach that includes aspects of human resource competence, technology, organizational structure, supervision, and policy. Successful implementation is highly dependent on the government's ability to build a financial governance ecosystem that promotes accuracy, transparency, and accountability at all stages of public financial management.

5. Discussion

The results of the literature synthesis show that public sector accounting reform in the last five-year period is not only related to technical changes in the preparation of financial statements, but also reflects broader institutional transformation. The implementation of accrual-based accounting, digitization of information systems, and the integration of value-for-money principles are the three main pillars that shape the direction of the development of public accounting today. However, the effectiveness of the implementation of the three pillars is highly dependent on organizational readiness, regulatory compliance, and consistency of supervision and evaluation.

First, in terms of accrual, the literature shows that accrual-based benefits such as transparency on long-term liabilities, accuracy of asset information, and the quality of load measurement can only be felt if public institutions have adequate administrative capacity and understand the principles of accounting recognition well (IPSASB, 2022). Implementation that is not accompanied by careful preparation actually results in additional administrative burdens, recording errors, and inconsistent reports. These findings confirm that the accrual transition is more of a process of systemic change than simply a replacement of the reporting format.

Second, digitalization has emerged as a determining factor for the success of public accounting modernization. Technology is able to improve the speed of information processing, data accuracy, and the level of transparency. However, the literature also shows that digitization without data standardization and interoperability actually increases system fragmentation and hinders report consolidation (Bisogno et al., 2024). Therefore, digitalization needs to be designed within the framework of an integrated information system architecture and supported by continuous training for employees. Organizations that implement a digitalization strategy partially tend to experience barriers in data integration, while organizations with a systemic approach show more effective results.

Third, the integration of value-for-money principles expands the scope of financial reporting from administrative compliance to program benefit evaluation. This approach emphasizes the measurement of efficiency, effectiveness, and economics so that public reporting does not only stop at the presentation of numbers, but also provides an overview of the public value generated by the government (Park & Gil-Garcia, 2022). Nonetheless, implementing VfM requires clear outcome indicators as well as the ability to connect financial data with performance data. Many agencies do not have this capability so the evaluation still focuses on output, not results felt by the community.

In addition to these three pillars, institutional dynamics such as organizational culture, resistance to change, and the power of external oversight are important factors that affect the success of implementation. Case studies show that without a strong culture of accountability, modernization efforts only result in superficial administrative changes (Costari & Belinda, 2021). Conversely, when reforms are supported by leadership commitment, consistent regulation, and effective oversight systems, the implementation of modern public accounting shows more significant results.

Another challenge that also arises is the relationship between public accounting and corruption prevention. While quality reporting and transparency contribute to corruption risk mitigation, this is only the case if there is a robust and consistent audit system in place. Without a strict oversight mechanism, improving the quality of reports is not enough to prevent substantive irregularities (Tawiah, 2023). Public sector accounting reform requires an integrative approach that includes strengthening human resource competencies, building integrated information systems, aligning performance indicators, and strengthening supervisory institutions. Through this approach, the benefits of accrual, digitalization, and value-for-money can be optimized to support more transparent, accountable, and service-oriented public financial governance.

6. Conclusion

This literature review shows that public sector accounting reform in the last five years has played an important role in encouraging increased transparency, accountability, and quality of government financial management. The implementation of accrual-based accounting, digitization of information systems, and the application of value-for-money principles are the main foundations in the development of a reporting framework that is more relevant, comprehensive, and able to reflect fiscal conditions more accurately. However, the results of the synthesis reveal that the success of the reform depends on the readiness of human resources, policy consistency, and the strength of internal and external oversight systems. Digital transformation has the potential to speed up the reporting process and increase public access to fiscal information. But without data standardization, system interoperability, and ongoing training, digitalization will not have an optimal impact.

Similarly, the implementation of value-for-money demands integration between financial data and performance data so that reporting not only assesses compliance, but also assesses the tangible benefits of public programs. Public sector accounting reform requires a holistic approach, including technical, institutional, organizational culture, and political commitments. The government needs to ensure that the changes made do not stop at the administrative level, but result in substantive improvements in the quality of financial governance. Thus, the implementation of public sector accounting can truly become a strategic instrument to increase the effectiveness of state spending and public trust in government institutions.

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