International Journal of
Public Finance and Fiscal Policy
Volume 1, Number 1, 2022

The Role of Public Sector Accounting and Bureaucratic Reform in Enhancing Public Accountability to Achieve Good Governance

Irham Alfarid Hidayat[1]

[1] Universitas Pembangunan Nasional Veteran Yogyakarta, Yogyakarta, Indonesia

Abstract

Article history:
Received: January 11, 2022
Revised: February 15, 2022
Accepted: April 20, 2022
Published: June 30, 2022

Keywords:
Accountability Public,
Bureaucratic Reform,
Financial Transparency,
Good Governance,
Public Sector Accounting.

Identifier:
Zera Open
Page: 1-18
https://zeraopen.com/journal/ijpffp

Good governance is the fundamental pillar in establishing a transparent, accountable, and service-oriented public administration system. Public sector accounting plays a crucial role in supporting good governance by promoting transparent financial reporting, enhancing public accountability, and ensuring the effective management of public resources. This study employs a literature review approach to analyze the relationship between public accountability, bureaucratic reform, and public sector accounting practices in fostering good governance. Findings from various scholarly sources indicate that the implementation of transparent and accountable financial reporting systems significantly increases public trust and strengthens governmental legitimacy. Furthermore, bureaucratic reform that emphasizes professionalism and efficiency contributes to improving the effectiveness of public financial management. The integration of these elements ensures that governmental operations are aligned with the principles of integrity, transparency, and public service excellence. In conclusion, the success of good governance is highly dependent on the synergy between public accountability, transparent reporting mechanisms, and efficient financial governance, all of which collectively contribute to enhancing public trust and promoting sustainable institutional performance.

1. Introduction

Good governance is a fundamental principle in modern government administration that emphasizes the importance of transparency, accountability, public participation, and effectiveness and efficiency in the execution of governmental functions. This concept emerged in response to increasing public demands for clean, open, and public service-oriented governance. The principles of good governance not only highlight the procedural aspects of bureaucracy but also stress the importance of integrity, openness, and moral responsibility in every stage of decision-making. According to Brinkerhoff (2017), good governance creates a harmonious reciprocal relationship between the government as the policy executor and the community as the beneficiary, where public accountability is the main key to maintaining legitimacy and public trust in government institutions.

In the context of public sector administration, public accountability is an essential dimension that reflects the extent to which the government can account for the management of public resources transparently and efficiently. Accountability is measured not only through administrative compliance but also through moral responsibility to the community as the main stakeholder. Alqooti (2020) assert that public sector auditing and financial transparency have a vital role in strengthening accountability and ensuring that every fiscal policy is implemented ethically and effectively. Financial reports that are presented accurately and openly become an important instrument for the community to assess the extent to which public policies and budget utilization align with the principles of efficiency and social justice.

Financial transparency, therefore, serves as a supervision mechanism that strengthens social control over the government.

Furthermore, bureaucratic reform is a fundamental element in efforts to build an effective, adaptive, and results-oriented government system. This reform encompasses the transformation of institutional structures, the renewal of organizational culture, and the enhancement of internal control systems that emphasize integrity and efficiency. According to Saputra (2021), the implementation of PEFA can strengthen bureaucratic capacity in achieving fiscal transparency and efficiency in the use of public funds, while simultaneously reducing the risk of deviation and misuse of the budget. Through the PEFA system, the government has an objective measure to assess the effectiveness of state financial management and ensure that every fiscal policy is implemented in accordance with the principles of accountability and regulatory compliance. Thus, bureaucratic reform oriented towards financial transparency and administrative integrity contributes significantly to increasing public trust in government institutions.

Besides institutional reform aspects, public sector accounting practices also play a strategic role in realizing the principles of good governance. Lyrio et al. (2018) explain that public accounting serves as a primary instrument in creating fiscal transparency and integrity through the presentation of financial reports that are accurate, relevant, and easily accessible to the public. The implementation of accrual-based accounting allows the government to assess the financial condition more comprehensively, as this system records all transactions based on the time they occur, not merely when cash is received or spent. This approach provides a more realistic picture of the state's financial position, minimizes the potential for reporting distortions, and strengthens the credibility of public financial reports. In line with global developments, public accounting reform that emphasizes openness and efficiency is also an integral part of efforts to strengthen public trust in government institutions.

Moreover, good governance is not only related to the administrative dimension but also encompasses the aspects of ethics and the government's social responsibility towards the community. In the era of digital technology and information openness, the level of public trust in the government is strongly determined by the consistency between policies formulated, implementation in the field, and the tangible results felt by the community. Therefore, the application of transparency and accountability principles is a main prerequisite for the formation of an effective, efficient, and responsive government that addresses public needs. In this context, public sector accounting and financial reporting systems integrated with modern oversight mechanisms are expected to become the foundation for clean, open, and public service-oriented government administration.

2. Literature Review

2.1. The Concept of Good Governance and Public Accountability

Good governance is a concept of government administration that places the principles of transparency, participation, accountability, and the rule of law as the main pillars in public administration. This concept is oriented towards creating an efficient, responsive, and fair government, with the interests of the community as the main focus of every public policy. Through the application of these principles, the government is expected to be able to create an open and integrated bureaucratic system, where every decision-making process can be accounted for rationally and ethically.

According to Brinkerhoff (2017), public accountability is not only understood as a form of administrative responsibility but also functions as a social control mechanism over the execution of government. This means that every action and policy undertaken by public officials must be able to be monitored, evaluated, and accounted for to the community. In this context, the government is required to guarantee the openness of information and provide a participatory space for citizens to be actively involved in the public oversight process. Transparency is the basis for fostering trust, while accountability strengthens the government's legitimacy in carrying out its public mandate.

In line with this view, Lyrio et al. (2018) assert that public integrity and transparency are essential elements of good governance, which play a crucial role in building public trust in government institutions. Transparency allows every policy, decision, and allocation of public resources to be monitored effectively, enabling the community to act as a controller in the democratic system. Thus, public accountability functions not only as a formal obligation but also as an instrument for strengthening popular sovereignty in modern and integrated government administration.

2.2. Public Sector Accounting and Financial Transparency

Public sector accounting is a system that supports the implementation of good governance principles by providing relevant and accountable financial information. This accounting system allows government financial reporting to be conducted systematically, transparently, and verifiably. Alqooti (2020) show that public sector auditing, transparency, and good governance significantly influence financial accountability. Their research results indicate that the implementation of financial auditing, performance auditing, and compliance auditing increases the efficiency and effectiveness of public financial management. Furthermore, Saputra (2021) emphasize that PEFA system is an important instrument in measuring the extent to which the government can implement the principle of fiscal transparency.

PEFA provides an evaluation framework for state financial practices, covering aspects of transparency, internal control, and efficiency in the use of public resources. Through an accrual-based accounting system, the government can assess financial performance more objectively and ensure that every expenditure and revenue is recorded accurately. In addition, Olaoye and Olaniyan (2020) link transparent public financial management with economic growth. They found that increased efficiency and accountability in the management of the public sector finances can encourage macroeconomic stability. In other words, public sector accounting is not only an administrative tool but also an economic strategy to strengthen public trust and attract investment.

2.3. Bureaucratic Reform and the Effectiveness of Public Financial Management

Bureaucratic reform plays a strategic role in strengthening the implementation of good governance through increased professionalism, efficiency, and integrity of state apparatus. An effective, transparent, and accountable bureaucracy creates a strong foundation for the implementation of public policies that are oriented towards results and the interests of the community. Suryanto (2019) explain that a transparent public financial system not only strengthens bureaucratic integrity but also enhances the effectiveness of internal oversight of fiscal policies. In this context, the implementation of performance-based bureaucratic reform is a crucial step in building a results-oriented government, where success is measured based on concrete achievements, not merely administrative processes.Furthermore, bureaucratic reform also demands a transformation of work culture towards an adaptive, responsive, and innovative bureaucracy.

Bach (2020) assert that fiscal transparency and public accountability are the main indicators of successful bureaucratic reform. Public involvement in the planning, implementation, and evaluation of public policies plays an important role in strengthening legitimacy and reducing the potential for deviation and corrupt practices. Thus, effective bureaucratic reform must place public participation as an integral part of government administration. The research by Brinkerhoff (2017) reinforces this view by showing that a bureaucracy emphasizing the principle of public accountability contributes directly to improving government performance. When state apparatus work based on the principles of professionalism, openness, and integrity, public trust in government institutions increases significantly. Therefore, the effectiveness of public financial management is highly dependent on the extent to which good governance values are internalized within the bureaucratic system, public accounting, and modern government oversight mechanisms.

3. Method

This research uses a literature study approach focusing on the theoretical and empirical analysis of the relationship between good governance, public accountability, and public sector accounting. This approach was chosen because it is considered capable of providing a comprehensive understanding of how financial reporting systems and government administration play a role in strengthening transparency and accountability in the public sector. Through the literature review, this research seeks to trace patterns, gaps, and the consistency of findings from previous research to formulate a solid conceptual framework regarding the implementation of good governance principles in government financial management.

The research process began with a systematic search for scientific articles published in the Google Scholar database within the last five years. The selection of this period was based on the relevance of contemporary policy contexts, especially the reform of government administration and the renewal of the public sector accounting system that occurred in the last five years. The search process used keywords such as good governance, public accountability, public sector accounting, financial transparency, and bureaucracy reform. Through the initial filtering process, a number of literatures were obtained that directly examined the relationship between fiscal transparency, public auditing, and government accountability. The analysis stage was carried out through in-depth reading of each selected article, focusing on identifying the main ideas, theoretical basis, research methodology, and relevant empirical findings. A qualitative analysis approach was used to group the literature based on thematic similarities, such as the relationship between bureaucratic reform and the effectiveness of public financial management, and the influence of auditing and financial reporting on increasing accountability and fiscal transparency.

All acquired literature was then compared and synthesized to find the conceptual links between the theory and practice of good governance in the public sector. This synthesis approach allowed the researcher to gain a comprehensive understanding of how the principles of transparency, accountability, and efficiency contribute to the creation of a clean and effective government. Thus, the results of this literature analysis become the conceptual basis for the discussion of the research results and findings in explaining the strategic role of public sector accounting towards achieving sustainable good governance principles.

4. Results

The results of this literature synthesis affirm that the application of good governance in the public sector is closely related to improved financial accountability, fiscal transparency, and bureaucratic effectiveness. The review of various studies indicates that the success of good government administration is not only determined by the existence of formal regulations but also depends on the extent to which oversight mechanisms, public auditing systems, and bureaucratic reform are carried out consistently with the principles of transparency and public participation. Thus, good governance is the result of a dynamic interaction between formal policies and administrative practices oriented towards public accountability and openness.

The first finding highlights that public accountability serves as a fundamental element in building a clean, credible, and publicly trusted government. Jaya et al. (2020) asserts that the relationship between the government and citizens must be based on clear moral and administrative responsibility, where every action of public officials must be openly accounted for to the public. Public accountability does not only include reporting performance results but also openness in the preparation, implementation, and evaluation of state financial policies. Literature shows that countries with high levels of fiscal accountability tend to have a more positive public trust index in government institutions, because transparency in public finances strengthens the legitimacy and trust of the community in state institutions.

Besides accountability, the aspect of financial transparency is also an important pillar in strengthening government credibility. Based on the research findings of Masdar et al. (2021), the implementation of public sector auditing has a significant impact on financial accountability and the effectiveness of government administration. Public auditing, which includes aspects of finance, performance, and compliance, functions not only as an administrative control tool but also as a strategic mechanism for strengthening transparency, preventing the misuse of public funds, and increasing the efficiency of budget utilization. These research results affirm that the periodic implementation of public auditing can improve the quality of government financial reporting, suppress corrupt practices, and enhance the quality of public services overall.

Furthermore, the public sector accounting system also plays a central role in supporting the implementation of good governance. Bajo et al. (2017) state that the PEFA framework is an important instrument in assessing the effectiveness of the public financial system in supporting transparency and accountability. Through the implementation of the PEFA framework, the government can assess the level of efficiency of budget management, the accuracy of public spending targets, and compliance with sound fiscal principles. This system helps strengthen fiscal integrity by ensuring that all budgeting and financial reporting processes run consistently according to applicable public accounting standards. Thus, a transparent public accounting system becomes the foundation for effective and reliable financial administration.

Besides accounting mechanisms and auditing, public integrity and information openness also have a significant contribution to strengthening public trust in the government. Lyrio et al. (2018) emphasize that fiscal transparency, realized through the publication of budget reports, independent audit results, and the availability of public financial data, is an effective form of communication between the government and citizens. This transparency creates space for the community to participate in the process of public policy oversight and evaluation. Governments that actively open access to financial information demonstrate a commitment to integrity and accountability, which ultimately increases public trust in government institutions.

Furthermore, the relationship between bureaucratic reform and the increase in the effectiveness of financial management is also one of the important findings. Bureaucratic reform focusing on efficiency, professionalism, and integrity is proven to be able to significantly improve the performance of public institutions. According to Olaoye and Olaniyan (2020), good public financial management practices contribute positively to economic growth and strengthen public trust in the government. When the allocation and use of the public budget are carried out based on the principles of efficiency and transparency, economic productivity increases because public funds are used optimally for development activities that provide tangible benefits to the wider community.

Further review indicates that bureaucratic reform also has a direct impact on increasing fiscal discipline and administrative efficiency. Suryanto (2019) assert the importance of an adaptive and integrated public financial system to strengthen fiscal transparency. A financial system capable of monitoring budget implementation in real-time allows the government to detect potential deviations early, so the risk of misuse can be minimized. The integration between the public financial system and internal auditing is an important factor in ensuring that every fiscal decision is based on accurate, verifiable data, and in accordance with good governance principles.

The synergy between public auditing and the public sector accounting system is also key in realizing an accountable government. Periodic public auditing functions as an early detection tool for administrative errors, while the public accounting system ensures that every financial transaction is recorded correctly and transparently. The collaboration of these two systems strengthens the effectiveness of fiscal oversight, enables more objective performance evaluation, and supports more accurate financial policy planning. Thus, public auditing and accounting function as two complementary instruments in supporting the implementation of sustainable good governance (Rahayu et al., 2020). Conceptually, the results of this research identify three main dimensions that characterize effective good governance, namely transparency, accountability, and efficiency.

Transparency guarantees openness in the decision-making process and the management of the public budget, accountability ensures that every government policy and action can be accounted for, while efficiency emphasizes the optimal use of public resources to achieve maximum results. These three dimensions interact with each other and form a credible, adaptive government system oriented towards the sustainability of national development (Morita et al., 2020). From the entire analyzed literature, it can be concluded that the success of good governance implementation is highly dependent on the quality of the financial information system, the effectiveness of the auditing institution, and the professional capacity of the bureaucratic apparatus. Governments that have an accrual-based financial system, independent oversight mechanisms, and a strong culture of integrity will be more capable of preventing corrupt practices and abuse of authority.

This aligns with the theory of modern administration, which asserts that fiscal transparency and public accountability are effective social control tools in directing bureaucratic behavior towards clean, efficient, and responsive public services that address community needs. Thus, it can be concluded that the results of the literature research over the last five years consistently reinforce the view that the integration between the public accounting system, financial auditing, and bureaucratic reform is the main pillar in realizing a government that is transparent, efficient, and responsible. A government that prioritizes financial transparency not only gains stronger legitimacy in the eyes of the public and investors but also creates a solid foundation for sustainable development. The effective implementation of good governance ultimately becomes a reflection of moral commitment, bureaucratic professionalism, and continuous public participation in building a fair and integrated government administration.

5. Discussion

The results of the literature synthesis show that the link between good governance, public accountability, and public sector accounting is the main foundation in building a transparent and efficient government system. Good governance is not merely a normative concept but a working system that demands integrity, professionalism, and responsibility from all state apparatus. Financial transparency and accountability play a significant role in building public trust and creating social and economic stability. As explained by Jaya et al. (2020), public accountability is a reciprocal relationship between the government and the community built on the basis of openness and moral responsibility. The government is not only required to report work results administratively but must also ensure that fiscal policies and decisions reflect the interests of the wider community. This perspective asserts that public accountability is the heart of good government administration because it allows the public to monitor and evaluate the effectiveness of government policies.

The research by Masdar et al. (2021) reinforces this view by emphasizing that public auditing and fiscal transparency play a strategic role in improving government financial administration. Audit results submitted to the public function not only as a form of administrative control but also as a mechanism for preventing potential financial deviations. Quality auditing encourages the efficiency of budget use and directs the bureaucracy towards more effective performance. Furthermore, Bajo et al. (2017) mention that the implementation of PEFA framework allows the government to assess the extent to which fiscal policies are carried out transparently and efficiently. Through this mechanism, public financial management becomes more measurable and open, so the public can objectively assess the government's fiscal performance. This model helps ensure that budget allocation aligns with development priorities and public needs, and strengthens the government's legitimacy in managing state finances.

On the other hand, Olaoye and Olaniyan (2020) highlight the close link between financial accountability and economic growth. When the public financial management system is transparent, efficient, and accountable, the impact is felt not only in the context of government administration but also in national economic development. Clarity in financial reporting increases the trust of investors and international institutions in the fiscal stability of a country. The results of this discussion show that the synergy between public accounting, auditing, and bureaucratic reform forms a strong good governance ecosystem. Without clear accountability and consistent transparency, the principles of good governance cannot run effectively. Therefore, the development of an open, accurate, and easily accessible public financial reporting system is a main priority in creating clean and trustworthy government administration.

6. Conclusion

Based on the results of the literature review, it can be concluded that good governance is the main foundation in realizing clean, transparent, and accountable government administration. This principle emphasizes not only compliance with regulations but also integrity, information openness, and moral responsibility in every public administration process. Public accountability is a key pillar in maintaining public trust in the government, while fiscal transparency ensures that every use of public funds can be openly monitored and evaluated. The implementation of an effective public sector accounting system, independent periodic auditing, and results-oriented bureaucratic reform is proven to increase the efficiency of state financial management.

The synergy between transparency, accountability, and efficiency is a key element in strengthening government administration. Thus, the success of good governance is highly dependent on the extent to which the government is able to integrate accountability principles into the public financial system and bureaucratic management. A government that implements open and accountable financial administration not only increases public trust but also strengthens institutional legitimacy and supports sustainable and inclusive economic development.

References

Alqooti, A. A. (2020). Public governance in the public sector: literature review. *EuroMid Journal of Business and Tech-Innovation*, 14-25.

Bach, S. (2020). Fiscal councils' impact on promoting transparency and accountability in public finance management. *Public Sector Economics*, *44*(3), 355-384.

Bajo, A., Primorac, M., & Runtić, D. (2017). Public financial management, accountability, and citizens' trust. *Hrvatska i komparativna javna uprava: časopis za teoriju i praksu javne uprave*, *17*(3), 389-405.

Brinkerhoff, D. W. (2017). Accountability and good governance: concepts and issues. *International development governance*, 269-287.

Jaya, N. A., Ispriyarso, B., & Natalis, A. (2020). Konstruksi kebijakan desentralisasi fiskal berbasis paradigma good financial governance di Indonesia. *Humani (Hukum Dan Masyarakat*, *10*, 24-43.

Lyrio, M. V. L., Lunkes, R. J., & Taliani, E. T. C. (2018). Thirty years of studies on transparency, accountability, and corruption in the public sector: The state of the art and opportunities for future research. *Public Integrity*, *20*(5), 512-533.

Masdar, R., Furqan, A. C., Masruddin, M., & Meldawaty, L. (2021). The role of transparency and professional assistance in regional financial management in the Indonesian regional governments. *Journal of Public Affairs*, *21*(3), e2666.

Morita, K., Okitasari, M., & Masuda, H. (2020). Analysis of national and local governance systems to achieve the sustainable development goals: case studies of Japan and Indonesia. *Sustainability Science*, *15*(1), 179-202.

Olaoye, F. O., & Olaniyan, O. N. (2020). Public sector financial management and economic growth. *International Journal of Economics & Business*, *3*(1), 56-65.

Rahayu, S., Yudi, & Rahayu. (2020). Internal auditors role indicators and their support of good governance. *Cogent Business & Management*, *7*(1), 1751020.

Saputra, K. A. K. (2021). The effect of sound governance and public finance management on the performance of local governments. *Russian Journal of Agricultural and Socio-Economic Sciences*, *118*(10), 32-43.

Suryanto, S. (2019, November). Analysis of Regional Financial Information Systems As A Media of Regional Financial Management Transparency In Indonesia. In *IOP Conference Series: Materials Science and Engineering* (Vol. 662, No. 2, p. 022080). IOP Publishing.