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Public Accounting, Transparency, and Accountability in Government Performance

Nessa Rifdahwati Kusuma[1]

[1] Universitas Diponegoro, Semarang, Indonesia

Abstract

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This study aims to analyze the role of public sector accounting in strengthening transparency, accountability, and government performance in Indonesia. Using a descriptive qualitative approach based on literature review, this research examines Google Scholar–indexed publications from the last five years focusing on the implementation of accrual-based accounting, budget transparency, internal audit functions, internal control systems, and the value for money concept. The findings indicate that accrual accounting improves the quality of financial information and supports public accountability, although its implementation still faces challenges related to human resource competencies and system readiness. Budget transparency is shown to enhance public trust, while the effectiveness of internal control and internal audit plays a crucial role in ensuring compliance with accounting standards. Moreover, the value for money concept provides an evaluative framework for assessing the efficiency and effectiveness of public spending. This study concludes that strengthening accounting reforms, enhancing oversight, building political commitment, and improving public sector professionalism are essential to achieving more transparent, accountable, and performance-oriented governance.

1. Introduction

The development of governance in Indonesia in recent years shows the increasing public demand for transparency, accountability, and quality of public sector performance. This demand was born from increasing public awareness about the importance of open and responsible government in managing public resources. In line with these dynamics, the reform of state financial management in the last five-year period now confirms that public sector accounting plays a strategic role as an instrument for creating government openness and accountability. In this context, the application of accounting standards, the effectiveness of internal controls, and the audit function are the main foundations in strengthening the quality of financial statements and increasing public trust in the government.

A number of studies show that the implementation of accrual-based accounting is one of the most significant national policies in encouraging changes in the structure of public financial management. Yuliati et al. (2019) emphasized that the adoption of accrual accounting by the government in Indonesia has resulted in an improvement in the quality of financial reporting, especially in terms of relevance and comparability. However, implementation challenges still arise in the capacity of human resources and the readiness of information systems. The findings are also supported by Yuliati et al. (2019) which states that compliance with accrual-based accounting standards has a direct effect on increasing local government accountability.

In addition to strengthening the accounting system, budget transparency is also an important issue in the public governance reform process. Lambajang et al.

(2018) shows that budget transparency has a significant impact on public perception of government integrity and accountability. Governments that present financial information openly and easily accessible tend to gain a higher level of trust from the public. Thus, the success of transparency depends not only on the availability of data, but also on the quality of presentation and community involvement in the monitoring process.

Another fact that supports the importance of transparency is the findings of Wardhani et al. (2017) which revealed that the level of regional fiscal health is closely related to the level of disclosure of their financial statements. Fiscally sound regions tend to be more transparent in their financial reporting, which ultimately strengthens public accountability. This proves the existence of a reciprocal relationship between transparency and the quality of regional financial management.

Accountability and transparency are also closely related to the internal control system and internal audit functions in government agencies. Muhtar et al. (2020) emphasized that the success of the implementation of accrual-based government accounting standards is greatly influenced by the effectiveness of the internal audit function. Without robust internal audits, the quality of financial reporting is difficult to guarantee, and the potential for irregularities can increase. The audit function not only serves as a supervisory tool, but also as a support for management in ensuring that accounting procedures run according to standards.

In addition, the concept of value for money is also an important direction in modern public sector governance. Trimarstuti (2019) explained that this concept helps the government ensure that public budget management is not only administratively accountable, but also effective in providing real benefits to the community. By measuring efficiency, effectiveness, and economy (3E), value for money serves as a strategic instrument to enhance the performance of public services. This concept emphasizes that government spending must be able to produce optimal output and outcomes.

In a broader perspective, the literature shows that the role of public sector accounting cannot be separated from efforts to realize good governance. Prabowo et al. (2017) stated that public accounting makes a significant contribution to supporting sustainable governance by providing relevant information for decision-making and performance evaluation. Thus, the integration between accounting, transparency, and accountability becomes the foundation for strengthening the legitimacy of government. Theoretical support for this is also contained in the Sugiarto and Bagjana documents, which emphasize the importance of accounting standards as a foundation for transparency and accountability. The development of public sector accounting practices and financial supervision systems in Indonesia over the past five years shows that increased accountability and transparency are key elements in building quality government performance. This research is designed to analyze in more depth how public sector accounting, transparency, internal control, and the concept of value for money contribute to improving public sector accountability and performance in Indonesia.

2. Literature Review

2.1. Public Sector Accounting and the Implementation of Accrual-Based Accounting

The implementation of accrual-based accounting in the public sector is one of the biggest reforms in the government's financial reporting system in Indonesia. This reform aims to improve the quality of financial information so that it is more relevant, reliable, and able to be used as a basis for decision-making by stakeholders. Yuliati et al. (2019) emphasized that the implementation of accruals directly contributes to improving the transparency and quality of local government financial reporting, especially through more precise recognition of assets, liabilities, and expenses. However, the implementation of accrual is not completely smooth because it is still faced with limited human resource capacity and the readiness of government information infrastructure. In this context, Yuliati et al. (2019) shows that the level of compliance of local governments with accrual-based Government Accounting Standards (SAP) determines the extent to which financial accountability can be achieved.

Non-compliance or partial implementation significantly degrades the quality of financial information and makes reporting difficult to use as an accountability tool. In addition, the use of accrual-based accounting is also closely related to the government's internal control mechanism. Muhtar et al.'s (2020) research revealed that the success of the implementation of accruals is greatly influenced by the effectiveness of the internal audit function. Without adequate oversight, the application of risky accruals is only administrative in nature without resulting in substantive improvements. The literature shows that accrual-based accounting is not just a technical change, but a structural transformation that requires institutional commitment, improved competence of the apparatus, and strong integration between reporting, internal controls, and audit functions. This accounting reform is an important foundation for improving governance and governance accountability in Indonesia in the long term.

2.2. Governance, Supervision and Accountability of Government Performance

Transparency is one of the main principles in modern governance, especially in the context of public financial management. Governments that are open in the presentation of budget data and financial statements tend to have stronger legitimacy in the eyes of the public. Lambajang et al. (2018) emphasized that budget transparency has a significant influence on public perception of the accountability and integrity of local governments. Good transparency includes information disclosure, easy public access, and clear and understandable presentation of data.

In addition to transparency, regional fiscal health factors also affect the performance of government financial reporting. Wardhani et al. (2017) found that regions with healthier fiscal conditions tend to show higher levels of transparency. This condition is due to the better ability of the regions to manage financial resources so that they are better prepared to present comprehensive and accountable reports. This shows the linkage between fiscal management, transparency, and accountability in strengthening public financial governance.

Other literature highlights the influence of internal oversight and administrative systems on government accountability. Kewo (2017) stated that the effectiveness of internal control and public accountability has a significant impact on the financial performance of local governments. Without strong oversight mechanisms, transparency is just a slogan that doesn't reflect the real conditions. Therefore, internal oversight, apparatus capacity, and organizational commitment are essential elements to ensure that transparency truly results in increased accountability.

2.3. The Concept of Value for Money and Public Sector Performance

The concept of Value for Money (VfM) is an important focus in modern public sector management because it provides an evaluation framework that emphasizes effectiveness, efficiency, and economics (3E). VfM allows the government to assess whether the public budget has been used optimally to produce outputs and outcomes that benefit the community. Trimarstuti (2019) explained that the application of this concept helps the government ensure that public spending is not only administratively accountable, but also provides real value to the public. Thus, VfM functions as a performance measurement tool as well as an accountability mechanism.

In addition, Masdar et al. (2021) emphasized that VfM is very much related to good governance. Governments that apply the VfM principle tend to have better quality financial management because the process of planning, implementing, and evaluating budgets is carried out in a measurable manner. This has implications for increasing public trust, especially if the government is able to show that the funds managed really have a positive impact on people's welfare. In other words, VfM not only measures the process, but also provides a basis for evaluating the quality of public services.

Furthermore, the research of Wahyuni et al. (2021) shows the relationship between the implementation of public sector accounting and fraud prevention, which is part of efforts to improve efficiency and accountability. Good accounting implementation can reduce the chances of irregularities and improve the quality of performance of public institutions. The concept of VfM becomes increasingly relevant when it is associated with preventing budget leakage and increasing the effectiveness of government programs.

3. Methods

This study uses a descriptive qualitative approach that aims to provide an in-depth understanding of the relationship between public sector accounting, transparency, accountability, and government performance in Indonesia. This approach was chosen because it is suitable for describing phenomena, analyzing concepts, and mapping empirical findings that have been produced by various previous studies without conducting interventions or statistical testing. The descriptive qualitative approach provides space for researchers to comprehensively see how policies, financial reporting practices, internal control systems, audit functions, and the application of the concept of value for money interact with each other in shaping accountable and transparent public sector financial governance.

This research data is fully obtained through library research, which is by examining various relevant scientific sources. These sources include national journal articles indexed by Google Scholar in the last five years, regulations related to government accounting, and other academic documents that have a strong connection to the topic. The selection of the last five-year time span was carried out to ensure that this study only refers to the latest literature that reflects the current dynamics in public sector financial management in Indonesia. In addition, the literature study provides flexibility to compare various research results so that a comprehensive synthesis of factors affecting government accountability and transparency can be compiled.

The data analysis process is carried out through several stages. First, the author collects scientific sources according to predetermined criteria, namely the relevance of the topic and the suitability of the year of publication. Second, each article is reviewed to identify key themes such as the implementation of accrual-based accounting, the effectiveness of internal controls, budget transparency, internal audit, and the concept of value for money. Third, a process of categorization and grouping of findings according to the focus of the research is carried out so that a systematic analysis structure is formed. Fourth, the author compiles an in-depth interpretation and description based on the pattern of findings and the relationship between variables.

This descriptive qualitative method allows the research to produce a holistic understanding of public financial management practices in Indonesia, without being limited to narrow quantitative analysis. By combining various perspectives from previous research, this study was able to provide a comprehensive picture of the extent to which public sector accounting, transparency, and oversight contribute to improving government accountability and performance. In addition, this method is relevant to assess the conformity of current practices with the principles of good governance, as well as to identify room for improvement going forward.

4. Results

The results of this study show that the increase in public sector accountability and transparency in Indonesia in the last five-year period is greatly influenced by the effectiveness of the implementation of public sector accounting, the implementation of accrual-based accounting, the quality of internal control, the internal audit function, and the government's commitment to managing the budget efficiently and effectively. Literature analysis reveals that local governments have made efforts to strengthen financial reporting through the implementation of accrual-based SAP, but structural and technical challenges are still faced. In this context, the implementation of accruals has been proven to have a positive impact on the quality of financial statements, although its success is largely determined by institutional factors, human resource capacity, and the readiness of the government's accounting information system.

These findings are in line with the research of Yuliati et al. (2019) which states that accrual accounting supports increasing the comparability and relevance of local government financial information. The application of accruals allows for a more complete presentation of assets, liabilities, expenses, and equity so that stakeholders can evaluate the government's financial position and performance more accurately. However, the implementation still faces obstacles in the form of internal resistance and limited technical competence of the apparatus. These obstacles cause variations in the success of implementation between regions and regions.

In addition, the results of the study show that the level of compliance of local governments with accounting standards is an important indicator in assessing the quality of financial reporting. Yuliati et al. (2019) found that regions that are able to implement accrual-based SAP consistently show a higher level of accountability than regions that only partially implement it. Compliance is influenced by the support of an internal control system and adequate internal supervision. Non-compliance is often caused by weaknesses in asset documentation, limited integration of financial data, and lack of training related to accrual accounting for apparatus.

On the other hand, the internal audit function plays a very important role in ensuring that the implementation of accrual accounting runs to standards and provides a substantive impact. Muhtar et al. (2020) emphasized that a strong internal audit can improve the quality of financial reporting by providing recommendations for improvement, monitoring compliance, and detecting potential irregularities early. Effective internal audits focus not only on administrative compliance, but also on the effectiveness of budget management processes and outcomes. However, the results of the literature show that there are still variations in the quality of internal audits between regions, caused by limited auditor independence, lack of technical competence, and limited institutional capacity.

Further findings show that budget transparency is a key aspect related to public accountability. Lambajang et al. (2018) found that budget transparency has a significant effect on public perception of the integrity of local governments. Areas that implement a comprehensive public information disclosure mechanism tend to obtain higher levels of trust. Transparency is not only related to the provision of budget information on the official website, but also includes ease of access, clarity of format, and reliability of the data presented. Various regions still face obstacles in maintaining the consistency of information disclosure, such as slow publication and incomplete data.

The fiscal health factor of local governments was also found to affect the level of transparency. Wardhani et al. (2017) emphasized that regions with stable fiscal conditions tend to be more cooperative in providing financial information openly. This is due to the ability of the region to prepare financial reports that are more complete, regular, and in accordance with standards. In contrast, regions with weak fiscal conditions tend to be less transparent due to limited capacity and concerns about public perception of their financial condition.

In the context of the relationship between internal control and accountability, Kewo's (2017) research shows that the effectiveness of internal control systems significantly improves the financial performance of local governments. Strong internal controls ensure that budget is used as planned, reduces the risk of material errors, and prevents potential irregularities. The results of the study show that regions that have an adequate internal control structure tend to show better performance and more accountable reporting.

Regarding improving budget efficiency and effectiveness, the concept of value for money (VfM) is one of the widely used evaluation tools. Trimarstuti (2019) emphasized that the implementation of VfM helps the government measure the level of economy, efficiency, and effectiveness in managing the public budget. The use of this concept allows the government to evaluate whether public spending provides optimal benefits to the community. The results showed that regions that routinely implemented VfM evaluations tended to have better quality of public services and more targeted use of budgets.

In line with that, the research of Masdar et al. (2021) revealed that the application of VfM principles is closely related to good governance. A government that is able to manage the budget based on measurable performance indicators will be better able to achieve regional development goals. VfM-based performance evaluations provide important feedback for improving the planning and implementation of government work programs, thus creating a continuous cycle of monitoring and improvement.

Furthermore, the research of Wahyuni et al. (2021) shows the relationship between the implementation of public sector accounting and fraud prevention. Strong public sector accounting is able to detect transaction irregularities, identify the risk of irregularities, and increase the accountability of the apparatus. These findings show that strengthening the accounting system is not only for administrative purposes but also an important instrument in preventing corruption, collusion, and nepotism.

From a broader governance perspective, Prabowo et al's research (2017) shows that public sector accounting has a significant contribution in supporting the sustainability of financial governance and the achievement of sustainable development goals. Public accounting provides information that can be used in performance evaluation, strategic planning, and more informed decision-making. Comprehensive financial information allows governments to identify problems, evaluate achievements, and formulate more effective policies.

The findings of this study also confirm that the challenges of public sector accounting implementation are not only technical, but also structural and institutional. Saraswati et al. (2021) revealed that the development of public sector accounting practices in Indonesia still faces obstacles in the form of limited quality of human resources, integration of financial systems, and organizational resistance to change. Without organizational culture transformation and strong political commitment, the implementation of accounting reform will be difficult to have a real impact on improving government accountability and performance.

In addition, the research of Pamungkas et al. (2018) shows that local government compliance with accounting standards is influenced by political characteristics and the effectiveness of the internal audit function. Unstable local political conditions, interference in the interests of political actors, or weak independence of internal auditors can hinder the accounting reform process. This shows that regional financial governance does not only depend on technical aspects, but is also influenced by institutional and political dynamics.

As a reinforcement of the findings, Sugiarto and Bagjana's document emphasized that government accounting is an important instrument to build transparency and public accountability. Financial statements prepared based on accounting standards are able to become a medium of government accountability to the public and strengthen public trust in government performance. Based on the overall results, the results of this study show that strengthening public sector accountability and transparency in Indonesia requires strong integration between the application of accrual accounting, internal control systems, internal audits, budget transparency, and the application of the concept of value for money. Increasing the capacity of the apparatus, strengthening the information technology system, political commitment, and effective public supervision are the main supporting factors for the success of the government's financial governance reform.

5. Discussion

The results of this study show that increasing accountability and transparency in Indonesia's public sector requires a comprehensive approach, not only through the application of accrual-based accounting, but also through strengthening internal controls, internal audits, budget transparency, and the application of value for money principles. These findings are in line with the literature that places public sector accounting as the main foundation in the governance reform process. For example, Yuliati et al. (2019) emphasized that accrual accounting has improved the quality of local government financial information, but its effectiveness is highly dependent on the readiness of the system and the quality of human resources. In other words, accounting reform cannot stand alone, but must be supported by adequate institutional capacity.

In terms of supervision, the internal audit function has a crucial position in ensuring compliance with accounting standards and preventing irregularities. Muhtar et al. (2020) show that effective internal audits can improve financial reporting accountability and encourage administrative regularity in government agencies. However, challenges in the form of limited auditor competence, lack of independence, and structural constraints in public organizations can reduce the effectiveness of internal audits. This shows that strengthening internal audits should be an integral part of public sector governance reform.

Budget transparency has also proven to be an important element in building a positive public perception of the government. Research by Lambajang et al. (2018) shows that the higher the level of government openness in presenting budget information, the greater the public's trust in the public financial management process. This indicates that transparency is not only administrative, but also political and social. Non-disclosure in budget management can reduce the government's credibility and trigger public distrust.

In addition to the transparency aspect, fiscal health is also a supporting factor in improving the quality of financial statements. Wardhani et al. (2017) found that regions with stable fiscal conditions tend to be better able to meet the principle of transparency because they have better technical capacity in preparing financial statements. This condition shows that financial governance reform cannot be separated from fiscal stability and the ability of regions to manage their revenues and expenditures.

The concept of value for money is the link between the efficiency of budget use and the quality of public services. Trimarstuti (2019) emphasized that the application of economic, efficient, and effective principles can significantly improve the quality of government performance. This concept provides a robust evaluation framework to assess whether the budget used really provides maximum benefits to society. Thus, value for money can be an important instrument in ensuring that public accounting not only provides financial information, but also supports the improvement of service quality and government performance.

These discussions show that the transformation of Indonesia's public sector governance requires a systemic approach that integrates accounting, oversight, transparency, and performance evaluation. Technical reforms without political support, organizational culture, human resource capacity, and fiscal health will not result in sustained increased accountability. The integration of these various governance instruments is an important step to build a more open, responsive, and public service-oriented government.

6. Conclusion

This research shows that public sector accounting has a strategic role in strengthening accountability, transparency, and government performance in Indonesia. The application of accrual-based accounting provides a more comprehensive foundation in the presentation of financial information so that the government can account for the management of public resources in a clearer and measurable manner. However, the effectiveness of the implementation of accruals is highly dependent on the capacity of human resources, the readiness of information systems, as well as the quality of internal controls and audits that support the reporting process. Budget transparency is seen as an important component in building public trust. Governments that are able to present information openly and easily accessible tend to be more trusted by the public. In addition, fiscal health and the effectiveness of the internal supervisory system also determine the level of accountability of financial reporting. Regions that have better fiscal stability tend to be more transparent and accountable in the reporting process.

The concept of value for money expands the role of public accounting from just a provider of financial information to an instrument for evaluating the effectiveness and efficiency of government performance. By assessing the extent to which the budget provides maximum benefits to the community, this concept helps to improve the quality of governance and public services. Based on the overall, the results of this study confirm that increasing accountability and transparency in the public sector requires integration between accounting reform, strengthening supervision, political commitment, and increasing the professionalism of the apparatus. Continuous efforts to improve accounting and governance practices are expected to encourage the Indonesian government towards more competent, responsive, and community-oriented public financial management.

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