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Review Article

A Review of Accountability and Transparency in Regional Financial Management Literature in Public Sector Accounting

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Abstract: This study explores in depth the implementation of the principles of accountability and transparency in the management of local government finances in Indonesia, using a descriptive-critical literature review approach. Addressing the issue of weak public financial governance, the research explores a range of theories, empirical findings, and best practices in public sector accounting systems. The findings reveal that the adoption of accrual-based accounting systems often remains administrative in nature, lacking a substantial understanding of their strategic managerial functions. Budget transparency is frequently symbolic, limited to the publication of data without adequate consideration of public accessibility and readability. Internal and external audits have yet to function effectively, as they tend to be procedural and are rarely followed up with concrete actions. These issues suggest that strengthening accountability and transparency requires a comprehensive approach, including the enhancement of human resource capacity, the use of information technology, reform of oversight mechanisms, and the cultivation of a bureaucracy grounded in public service values. The study recommends integrating good governance principles into local financial management through collaboration among government institutions, civil society, and oversight bodies. It is expected that the findings will contribute both conceptually and practically to the formulation of more accountable and transparent local financial governance policies.

Keywords: Accountability; Transparency; Local Government Finance; Public Sector Governance; Accrual-Based Accounting.



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1. Introduction

Local financial management serves as a critical foundation in the realization of governance that is both integrity-driven and responsive to public needs. Within the framework of Good Governance, the management of public finances not only reflects administrative efficiency but also embodies a commitment to the principles of transparency and accountability. Since the enactment of fiscal decentralization in the post-reform era, local governments in Indonesia have been granted broad authority to manage their financial resources. However, the expansion of such authority inevitably brings about increased responsibility to ensure that every financial process is conducted in an open and accountable manner to

the public. Transparency and accountability have become central tenets in the administration of public finance, particularly at the local government level. According to Mardiasmo (2009), accountability entails not only administrative obligations but also encompasses moral and political dimensions that require public officials to justify their decisions and actions. Roberts (2002) argues that transparency involves the availability and accessibility of information that allows citizens to monitor and comprehend decision-making processes, especially those related to budgeting and public expenditure. These two principles are not merely normative requirements of governance, but also strategic instruments for building public trust and reinforcing the legitimacy of local governments.

Nevertheless, in practice, local financial management in Indonesia continues to confront various structural and cultural challenges. Audit findings from the Supreme Audit Agency (BPK) consistently reveal irregularities in procurement processes, violations of financial procedures, and inadequate follow-up on audit recommendations. These findings point to a persistent lack of awareness and commitment to accountability within local bureaucracies. Moreover, transparency efforts often remain superficial, failing to reach a substantive level, as budgetary information is not presented in a format that is comprehensible or accessible to the public (Lestari & Susanto, 2020). In response to these issues, the government has initiated several governance reforms, one of which is the adoption of an accrual-based accounting system as stipulated in Government Regulation No. 71 of 2010. This approach is believed to provide a more accurate portrayal of the government's financial position by recognizing transactions based on rights and obligations rather than mere cash flows. However, the implementation of this system still faces significant obstacles, particularly in terms of human resource readiness, limited information technology infrastructure, and insufficient understanding of accrual accounting principles among local implementers (Harun & Kamase, 2012).

Furthermore, the realization of transparency and accountability cannot be reduced to merely technical or administrative concerns. Institutional frameworks, organizational culture, and the underlying values within bureaucratic systems also play pivotal roles in determining the success of these governance principles. Triyuwono (2011) asserts that genuine accountability can only be achieved through the cultivation of a strong culture of integrity that goes beyond formal compliance with regulations. Hence, strengthening internal and external oversight mechanisms and fostering active public participation in budgeting processes are essential to developing a sound and effective local financial system. In light of the aforementioned issues, this literature review seeks to systematically examine how the principles of accountability and transparency have been implemented in the management of local public finances in Indonesia based on previous empirical studies. The study also aims to identify key obstacles that hinder the optimal application of these principles and explore conceptual and policy-oriented approaches to enhancing the role of public sector accounting as a credible tool for accountability.

This review addresses several key research questions: (1) How have the principles of accountability and transparency evolved and been implemented in local financial management, according to academic studies? (2) What are the major challenges faced by local governments in achieving open and accountable financial governance? and (3) What strategies and conceptual approaches are recommended in the literature to enhance the quality of accountability and transparency in local public finance? To answer these questions, the article is organized into several main sections. First, it presents a theoretical framework outlining the concepts of accountability and transparency in public sector accounting. Second, it offers a critical review of prior studies that examine the implementation of these principles in local government contexts. Third, it provides an analytical discussion of the literature, highlighting patterns, contradictions, and research gaps. Fourth, it proposes alternative solutions and policy recommendations based on the literature. Finally, the article concludes by synthesizing the key findings and discussing their implications for advancing theory and practice in public financial governance.

2. Literature Review

2.1. Concepts of Accountability and Transparency in Public Finance

Accountability and transparency are two fundamental principles in public financial governance that have evolved dynamically in response to increasing demands for effective and ethical government administration. Etymologically, the term "accountability" originates from the word "accountability," which denotes the obligation to report, explain, and justify decisions and actions undertaken by those entrusted with authority. In the context of public finance, accountability signifies the imperative for public budget managers to account for the use of public funds to the citizenry, who are the sovereign holders of fiscal authority. Romzek and Dubnick (1987) identify four principal dimensions of accountability: bureaucratic, legal, professional, and political. These dimensions indicate that accountability transcends mere regulatory compliance and includes performance effectiveness, personal integrity, and the alignment of public policy with democratic values. Bovens (2007) expands upon this by highlighting that modern accountability

emphasizes a horizontal relationship between the government and citizens, whereby public officials must render accounts in an open manner, subject to public scrutiny and participation.

Conversely, transparency refers to the openness of government processes and information, allowing citizens to access, comprehend, and evaluate policies as well as the management of public resources. Armstrong (2005) underscores transparency as a prerequisite for accountability, noting that without access to information, meaningful accountability cannot be realized. Meijer (2013) further develops this perspective by emphasizing the importance of the quality of information disseminated by the government—information must not only be complete and accurate but also intelligible, relevant, and timely. In the practical implementation of local public financial management, accountability and transparency serve as both moral and technocratic foundations of governance. However, empirical findings by Lestari and Susanto (2020) reveal that the implementation of these principles remains fraught with obstacles. Transparency often manifests as a mere formality; financial reports are frequently difficult for the general public to access or interpret, and bureaucratic culture tends to remain opaque. These realities underscore a significant gap between normative ideals and practical execution in the field.

2.2. Reforming the Accounting System and the Adoption of Accrual Accounting

The transition from cash-based to accrual-based accounting in the Indonesian public sector, as mandated by Government Regulation No. 71 of 2010, represents a milestone in enhancing fiscal accountability. Accrual accounting recognizes revenues, expenditures, assets, and liabilities when rights or obligations arise, rather than upon the movement of cash. Through this approach, governmental financial reports are expected to offer a more accurate and comprehensive representation of the financial position and performance of public entities. Lapsley et al. (2009) argue that accrual accounting functions as a managerial tool that enhances decision-making efficiency, strengthens internal controls, and improves the fiscal credibility of governments. Nevertheless, the effectiveness of this system's implementation is significantly influenced by institutional readiness and organizational culture. Harun et al. (2015) identify key challenges in the Indonesian context, including limited human resource competencies, inadequate information technology infrastructure, and bureaucratic resistance to reform.

A study by Adi (2019) indicates that many local governments implement accrual accounting primarily to comply with regulatory requirements, lacking a substantive understanding of its underlying values. As a result, accrual-based financial reports are often reduced to administrative artifacts rather than serving as strategic decision-making tools. This aligns with previous findings suggesting that accrual accounting in Indonesia is applied technically and remains disconnected from principles of public value and service performance. Promoting a deeper understanding of the strategic benefits of accrual accounting, alongside sustained training for local financial managers, is essential for the effective implementation of this system. Beyond technical capacity, the leadership role of local government officials in cultivating an organizational culture that embraces innovation, and transparency is equally pivotal to the success of public financial transformation.

The Role of Oversight and Audit as Instruments of Accountability

One of the principal instruments for ensuring financial accountability at the local level is the oversight and auditing mechanism. In modern governance systems, auditing serves not only as an administrative examination but also as an integral component of managerial control and public accountability. Cohen and Sayag (2010) emphasize that well-designed internal audits can enhance the effectiveness of financial management, mitigate fraud risks, and provide strategic feedback for policy improvements. In Indonesia, external audits are conducted by the Audit Board of the Republic of Indonesia (BPK), which holds a constitutional mandate to assess the fairness and accuracy of government financial statements. However, recurring audit findings from the BPK suggest persistent weaknesses in follow-up mechanisms and a lack of effective sanctions for violations. Meanwhile, internal audits conducted by local inspectorates often suffer from limited independence and lack sufficient capacity to detect complex financial irregularities.

Recent literature also highlights the importance of participatory oversight approaches. Ackerman (2005) introduces the concept of social accountability, which entails the engagement of civil society in monitoring government performance and budget execution. This model has proven effective in several developing countries, contributing to enhanced transparency, reduced corruption, and improved public service outcomes. In the Indonesian context, public participation in local budget oversight remains minimal, primarily due to limited access to information and low levels of fiscal literacy among citizens. To address these issues, strengthening the capacity of audit institutions, improving public access to audit outcomes, and educating citizens about their fiscal rights and responsibilities are critical strategies. These efforts aim to transition the oversight function from a traditionally exclusive domain into a collaborative and democratic process. Such an approach is directly aligned with the foundational assertion that robust and participatory

oversight mechanisms are essential prerequisites for achieving transparent and accountable local financial governance.

Table 1. Summary of Key Study Variables

Main Variables	Definition / Theoretical Foundation	Scope of Analysis
Accountability	Administrative, political, and social responsibility (Romzek & Dubnick, 1987; Bovens, 2007)	Dimensions and conceptual development; disparity between theoretical framework and practical implementation in local governments
Transparency	Public information disclosure and meaningful accessibility (Armstrong, 2005; Meijer, 2013)	Evolution of the concept from formalistic to substantive; challenges of public access and financial literacy in regional fiscal management
Accrual Accounting	Recognition of transactions based on rights and obligations (Government Regulation No. 71/2010; Lapsley et al., 2009)	Potential to enhance financial reporting; technical obstacles and bureaucratic cultural resistance in the adoption of new systems
Oversight and Audit	Evaluation of budget utilization and performance effectiveness (Cohen & Sayag, 2010; Ackerman, 2005)	Audit as a strategic instrument; participatory oversight; systemic weaknesses and the need for reformulation
Organizational Culture and Human Resources	Integrity values, technical readiness, and bureaucratic work ethic	Influence of bureaucratic culture on resistance; importance of training and leadership in implementing reforms

3. Materials and Methods

This study adopts a descriptive-qualitative literature review approach. This methodology was chosen in light of the study's primary objective, which is to examine in depth the existing concepts, findings, and theoretical contributions made by previous researchers concerning accountability and transparency in local public financial management. A literature review allows the researcher to explore theoretical trends, scholarly debates, and best practices within the realm of public sector accounting without the need to collect primary data. The data used in this study were derived from relevant and credible secondary sources, including peer-reviewed national and international journal articles, audit reports issued by the Audit Board of the Republic of Indonesia (BPK), government regulations, academic textbooks, and institutional publications issued within the last decade (2013–2023). The selection of sources was conducted purposively, based on their thematic relevance, publication quality, and their contribution to the development of both theoretical frameworks and practical insights in local financial governance.

Thematic analysis was employed as the primary method of data analysis, involving the identification, classification, and categorization of key themes emerging from the reviewed literature. This analytical process was conducted through three main stages: (1) data reduction, which involved filtering and selecting relevant information from the body of literature; (2) data display, in which thematic summaries were systematically presented; and (3) conclusion drawing, which involved synthesizing patterns of thought, identifying contradictions, and highlighting gaps in the literature. To ensure the validity of the analysis, theoretical triangulation was employed by comparing various theoretical perspectives adopted in previous studies. Additionally, argumentative consistency was strengthened using direct citations from primary sources that are widely recognized in the fields of public accounting and governance. Through this structured and systematic methodological approach, the literature review aims not only to be descriptive in nature, but also analytical and reflective, thereby offering a conceptual contribution to the advancement of accountability and transparency practices within the framework of local public financial management in Indonesia.

4. Results and Discussion

This study explores how the principles of accountability and transparency are implemented in the management of local government finances, identify the challenges encountered in their application, and propose alternative approaches to strengthen the public sector accounting system. Based on the literature

analysis and the descriptive-qualitative approach employed, several key findings have been identified that respond to the research questions outlined in the introduction.

4.1. Implementation of Accrual-Based Accounting in Local Governments

The adoption of accrual-based accounting is recognized as a strategic effort to enhance the efficiency and accountability of local financial management. Findings from the literature indicate that while the accrual system has been formally mandated through Government Regulation No. 71 of 2010, its implementation at the regional level remains suboptimal. Studies by Harun et al. (2015) and Adi (2019) suggest that the system tends to be applied in an administrative manner, lacking a substantive understanding of its managerial potential. The literature review reveals a disconnect between the accrual system's theoretical capacity to present a comprehensive picture of financial conditions and its practical usage, which often reduces it to a supplementary reporting mechanism. Ideally, accrual accounting should enable long-term fiscal projections and holistic performance evaluation. However, limitations in human resource competencies, IT infrastructure, and an inflexible bureaucratic culture continue to hinder effective implementation. The interplay between the literature, methodology, and findings highlights that the system's design has not been adequately supported by implementational readiness at the local level. A notable example of best practice is observed in the Surabaya City Government, which has integrated accrual accounting into an electronic performance and budgeting dashboard (e-budgeting). In this case, the system serves not only a formal compliance role but also functions as a strategic data-driven planning instrument.

4.2. Transparency and Public Access to Local Financial Information

Budget transparency is a fundamental prerequisite for public accountability. The findings suggest that many local governments have not yet internalized transparency as a substantive governance principle. Official government websites frequently lack updated, comprehensive, or accessible financial information. These findings are consistent with Lestari and Susanto (2020), who note that transparency is often limited to regulatory formalities without substantive openness. The literature indicates that digital transformation is a critical enabler of transparency. Several local governments have initiated interactive transparency programs, such as the DKI Jakarta Provincial Government's development of a publicly accessible budget portal (APBD portal) that allows citizens to view detailed breakdowns by work units and programs. This model demonstrates that with institutional commitment and adequate technological support, transparency can evolve from mere document disclosure into a participatory system. Civic engagement in financial oversight is also gaining strategic significance. Mechanisms such as public consultation forums, online budget complaint platforms, and the involvement of civil society organizations (CSOs) represent emerging avenues for enhancing social control. These initiatives address the second research question concerning transparency challenges and reveal that the solutions are not purely technical but also institutional and political in nature.

4.3. The Role of Oversight and Audit in Strengthening Accountability

The findings confirm that both internal and external audits play a vital role in enhancing accountability. However, their effectiveness largely depends on the follow-through and enforcement of audit recommendations. The literature highlights that conventional oversight, which focuses solely on procedural compliance, is insufficient to prevent irregularities (Cohen & Sayag, 2010). This is consistent with the recurring findings of the Audit Board of Indonesia (BPK), which indicate weak enforcement mechanisms and lack of meaningful sanctions. Proactive risk-based auditing and participatory oversight have emerged as more relevant alternatives. For instance, the Bandung City Government once pioneered a mobile-based application that enabled citizens to report on budget execution and project implementation. This approach not only improved transparency but also expanded the scope for public involvement in the audit function.

4.4. Synthesis and Implications

The findings of this study affirm that strengthening accountability and transparency in local financial governance requires synergy between system design (regulatory frameworks), implementation readiness (human resources, information systems, and organizational culture), and participatory commitment (citizens and oversight bodies). All components must operate in a balanced manner to ensure that financial management is not only administratively accountable but also socially and politically meaningful. The literature review approach adopted in this research enabled a critical analysis of conceptual perspectives and empirical findings. The connection between methodology and results is evident through the identification of recurring patterns, contradictions, and best practices across the literature. This analysis

not only reinforces the issues outlined in the introduction but also broadens the understanding of real-world conditions and applicable solutions. By engaging with a diverse range of credible sources and aligning them with practical contexts, this study offers contributions that are both conceptual and practical. These findings lay the groundwork for the policy recommendations presented in the following section.

5. Conclusions

This study concludes that the implementation of accountability and transparency in the management of local public finances in Indonesia remains suboptimal. Although these principles are formally regulated, their practical application is often limited to procedural and superficial compliance. The accrual accounting system has not been strategically utilized, while financial transparency tends to focus solely on information accessibility rather than promoting public understanding and meaningful participation. Oversight and audit mechanisms have also been ineffective in fully preventing irregularities, as they primarily emphasize procedural adherence rather than outcome-based evaluation. The main barriers to effective implementation include limited human resource capacity, inadequate technological infrastructure, and a bureaucratic culture resistant to change. To address these challenges, several policy recommendations are proposed. First, continuous capacity-building programs should be implemented to enhance both technical and strategic competencies among local financial officers. Second, open and interactive digital platforms should be developed to improve the quality of public access to financial information. Third, the capacity and independence of internal audit institutions, particularly local inspectorates, must be strengthened, alongside the institutionalization of participatory auditing. Fourth, a performance-based evaluation system should be introduced to encourage compliance and foster innovation in financial management. Finally, institutional reform must focus on transforming bureaucratic culture by embedding values of integrity and public accountability to reshape the mindset and behavior of government officials. These steps are essential for achieving a more effective and transparent local public financial management system in Indonesia.

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