



Contribution of Public Financial Accounting to Transparency and Accountability to Realise Good Governance

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Abstract

This research aims to analyse the role of public financial accounting in improving the transparency and accountability of government financial management, as part of efforts to achieve good governance. The method used in this research is qualitative with a descriptive analysis approach based on secondary data, which includes literature review, documents, and related reports. The results show that public financial accounting plays an important role in improving the transparency of government financial management through several aspects, such as the preparation of reliable financial reports, the application of information technology in the accounting system, and the implementation of independent external audits. In addition, public education on accounting principles and public financial management is proven to increase public awareness of their right to obtain clear and accurate financial information. Public involvement in budget management oversight also strengthens government accountability, creating more effective social control. The findings of this study confirm that public financial accounting, both in terms of report transparency and public oversight, has a significant role to play in supporting the creation of transparent, accountable and people-orientated governance. Therefore, the development and implementation of community accounting needs to be strengthened as an instrument to improve the quality of governance in Indonesia.

1. Introduction

Transparency and accountability are the two main pillars of good governance. In the information age, the public demands clear, open and accountable management of public funds. However, poor access to financial information often creates a distance between the community and the government. In this context, community financial accounting becomes a strategic tool to ensure efficient and credible financial management.

Good governance is one of the important objectives of central and local government administration. This concept includes the principles of transparency, accountability, community involvement and effective use of resources. In this context, community financial accounting plays a very important role. Public financial accounting is not only a tool for recording financial transactions, but also a tool to ensure that a country's financial management is carried out properly and responsibly (Zamzami & Pramesti, 2018).

Community financial accounting includes the process of recording, measuring and reporting financial information relating to community entities. Through accurate and timely financial reporting, the public can evaluate the government's performance in budget management and use

of resources. This is important in building public trust in the government. As Anggono (2022) said, good public financial accounting is the foundation of good governance.

Governments need to improve public financial accounting practices to be more responsive to public needs, as non-transparent financial reporting can cast doubt on the integrity of government. The application of sound accounting principles and responsible reporting are essential in improving transparency. Public financial accounting also plays a role in corruption prevention, as with a transparent system, every financial transaction can be tracked and audited, which supports better control and monitoring. In addition, well-implemented accounting can support more effective planning and budgeting, allowing governments to make more informed decisions regarding the allocation of resources to programmes that have a positive impact on society.

However, although public financial accounting plays an important role in achieving good governance, it still faces many challenges. Many government agencies do not apply good accounting standards, resulting in financial statements that do not reflect actual conditions. This is a serious problem as inaccurate information can lead to wrong decisions.

In addition, the ability of human resources in the field of community accountants also needs to be improved. The poor quality of human resources managing community financial accounting can hinder a good and accurate reporting process. Therefore, community accountants and financial managers in government agencies need training and capacity building (Yafizham & Daulay, 2024).

Overall, the role of public financial accounting is crucial in realising good governance. Through good accounting practices, the government can improve transparency, accountability and effectiveness of financial management. This will have a positive impact on public trust in the government and ultimately support the creation of good governance.

Based on the background of the problem above, the formulation of the problem to be studied is the extent to which public financial accounting can increase transparency in government financial management, challenges in supporting good governance, and contribute to government accountability in the eyes of the public.

Finally, the objective of this study is to analyse the role of public financial accounting in improving transparency and accountability of government financial management. This research aims to identify how good accounting practices support the principles of good governance and explore the challenges faced in its implementation. It is therefore hoped that this research can provide a deeper understanding of the contribution of community financial accounting to good governance and responsiveness to community needs.

2. Research Method

This research uses a qualitative method with descriptive analysis to explore the role of community financial accounting in improving transparency and accountability in good governance. Secondary data was obtained from relevant documents, reports and literature, which provided background and context to understand the phenomenon under study. The descriptive analysis method was used to describe and interpret the data in depth, focusing on emerging patterns, themes, and meanings, thus helping to illustrate the role of accounting in improving transparency and accountability in government.

The descriptive analysis method in qualitative research is used to describe and interpret the results of the data collected. This approach does not only involve calculations or statistics, but also in-depth analysis of patterns, themes, and meanings that emerge from the data. As Miles and Huberman (2014) stated, descriptive analysis aims to describe a situation or phenomenon systematically and in detail so that readers can understand the context and content of the findings.

3. Results and Discussions

Increased Transparency in Government Financial Management

Public financial accounting has a very important role in improving the transparency of government financial management. Transparency here refers to the openness and clarity of financial information that the government provides to the public. By implementing good accounting practices, governments can ensure that the public can access and understand information about budget utilisation, sources of revenue and expenditure.

1. Provide Reliable Financial Reporting

One way public financial accounting promotes transparency is by producing responsible financial reporting. Financial reports prepared in accordance with applicable accounting standards provide clear information about the government's financial position. Anggono (2022) argues that transparent financial reporting helps the public understand how public funds are used, thereby increasing public trust in the government.

2. External Audit and Oversight

External audits conducted by independent agencies are also an important component of public financial accounting. This audit process ensures that government financial statements are accurately prepared in accordance with applicable accounting principles. As stated by Mardiasmo (2021), Independent audits increase the credibility of government financial reporting, thereby increasing transparency to the public.

3. Community Participation in Supervision

Transparent public financial accounting also encourages public participation in monitoring how budgets are spent. When people have access to financial information, they can play an active role in monitoring government policies and providing feedback. Research by Zamzami & Pramesti (2018) shows that public participation in public financial regulation can increase transparency and accountability and minimise the potential for corruption.

4. Community Outreach and Education

The government also needs to socialise and educate the public on the importance of transparency in financial management. By providing the public with a full understanding of how financial reports are prepared and what they mean, it is hoped that the public can be more active in evaluating the government's financial performance. Usman (2022) argues that public financial accounting education and advocacy can increase public awareness of the right to clear and transparent information.

Overall, public financial accounting plays an important role in improving the transparency of government financial management. Governments can create a more transparent environment by providing responsible financial reporting, using information technology, external audits, community engagement, and community outreach and education. This not only increases public trust in government but also supports the creation of good and sustainable governance.

Challenges in Implementing Effective Public Financial Accounting to Support Good Governance

Effective implementation of public financial accounting is key to supporting good governance. However, various challenges often hamper these efforts. Some of these challenges include:

1. Lack of Transparency and Accountability

One of the major challenges in the implementation of community financial accounting is the lack of transparency and accountability in financial management. As stated by Kuntadi (2023), 'Without adequate transparency, the public cannot effectively assess government performance, which can result in a loss of public trust.' A clear example of this can be seen in several regions in Indonesia, where local budget management is often not fully open to the public. For example, in some districts where financial reports or budget allocations are

unclear, the public often feels excluded from decision-making processes relating to the use of public funds. This decline in public trust in government can be seen in the results of a survey conducted by the Corruption Eradication Commission (KPK), which revealed that transparency in budget management is one of the important factors in increasing public trust and reducing the potential for corruption in government (KPK, 2022). This shows the importance of implementing transparent financial accounting to rebuild public trust in the government.

2. Limited Human Resources

The quality of human resources involved in public financial accounting management is often an obstacle. Many government employees lack adequate knowledge and skills in accounting and finance. According to research by Christianti & Maharani (2022), limited training and education in the field of community financial accounting makes it difficult to implement good accounting practices. This has an impact on the government's ability to produce accurate and timely financial reports.

3. Inadequate Infrastructure and Technology

Effective use of information technology is essential in public financial accounting. However, many government agencies still use manual systems that are prone to errors and fraud. A study conducted by Sinaga (2017) states that limited information technology infrastructure hampers efforts to improve accountability and transparency in public financial management. Investment in appropriate technology systems is needed to support the implementation of effective accounting.

4. Cumbersome Bureaucracy and Inefficient Procedures

Cumbersome bureaucratic processes and inefficient procedures are also a challenge. In many cases, budget and financial reporting processes are overly complex, hindering the government's ability to manage its budget properly. According to Yafizham & Daulay (2024), complex bureaucracy often causes delays in the preparation of financial reports and can lead to inefficiencies in budget management.

5. Unsupportive Organisational Culture

Organisational culture in government agencies that does not support accountability and transparency can hinder the implementation of public financial accounting. As stated by Nasution (2019), a culture that prioritises private interests over public interests is often an obstacle to the implementation of good accounting practices. Therefore, it is necessary to change the organisational culture to better support the principles of good governance.

6. Resistance to Change

Changes to accounting and financial management systems are often met with resistance from stakeholders, including government employees. The study by Haryadi & Handayani (2021) states that resistance to change can hinder efforts to introduce better accounting practices and more transparent reporting systems. Therefore, it is important to involve all parties in the change process to gain wider support.

The challenges of implementing effective community financial accounting to support good governance point to the need for comprehensive efforts to address these issues. Increasing transparency, training human resources, developing technological infrastructure, streamlining bureaucratic procedures and changing organisational culture are important steps to achieve this goal. By addressing these challenges, the government can create a better accounting system that supports good governance and increases public trust.

Contribution of Public Financial Accounting to Government Accountability in the Eyes of the Public

The findings show that community financial accounting plays a very important role in improving government accountability. Accountability here means that the government has an obligation to explain to the public and be responsible for the management of public resources. One of the main findings is that financial reporting transparency increases public trust in government. As stated by Mardiasmo (2021), Transparency of public financial reporting is the key to increasing government accountability in the eyes of the public.

Research conducted by Sinaga (2017) found that the implementation of good financial accounting standards in the public sector helps prevent abuse of power and corruption. They noted that implementing transparent and accountable accounting can reduce the level of corruption and increase public participation in oversight. This suggests that when people have access to clear financial information, they are better able to question and monitor government actions.

Furthermore, Research by Christianti & Maharani (2022) highlights the importance of external audits of government financial reporting as a form of oversight. Independent and transparent audits increase public trust and encourage governments to act more responsibly (Christianti & Maharani, 2022). External audits not only ensure the accuracy of financial reporting but also add the necessary oversight to maintain the integrity of the public financial management layer.

Good public financial accounting also facilitates public participation in the decision-making process. When financial information is available and accessible, communities tend to be more active in expressing opinions and criticising government policies. As Nasution et al (2019) stated, access to public financial information allows communities to engage in constructive dialogue with the government, thus strengthening the relationship between the two.

Research by Usman et al. (2022) shows that regions that implement accrual accounting systems and transparent financial reporting tend to have higher levels of public participation in budget monitoring. Financial reporting transparency helps to increase public awareness of local budgets and local financial management (Usman et al., 2022). This suggests that good public financial accounting serves not only as a record-keeping tool but also as a means of community empowerment.

The results show that public financial accounting has a strategic role in building effective governance. By making accounting transparent, accountable, and in accordance with applicable regulations, the government can increase public trust while preventing abuse of power. In addition, transparency of financial reporting encourages the public to actively participate in decision-making and oversight. It improves the relationship between government and society.

However, this research also shows that there are some places where the use of financial accounting is not in accordance with the standards. Not all regions have sufficient human resources, technology or systems to implement good accounting standards. As a result, financial reporting in some areas is poor, which reduces government accountability. Therefore, it is important to conduct further research on matters that hinder the implementation of community financial accounting.

The purpose of this study is to discover the role of community financial accounting in improving government accountability, assess its effect on community participation, and analyse the problems and solutions in implementing transparent and accountable accounting. Therefore, it is hoped that this research can help promote improved governance through more transparent and partial financial management.

4. Conclusions and Suggestion

Overall, public financial accounting is an important tool that supports good governance by enhancing transparency and accountability. By implementing good accounting practices, governments can not only increase public trust but also encourage active public participation in oversight and decision-making. This is important to create an enabling environment for the integrity and efficiency of public resource management.

Then, to achieve the goal of better accountability, the research suggests several things, namely:

1. the government needs to take special measures, such as strengthening human resource training in accounting, developing information technology infrastructure, and improving complex bureaucratic procedures.
2. In addition, community involvement in the supervision process and education to the public about the importance of transparency in public financial management should be prioritised.

Through these efforts, it is expected that community financial accounting can more effectively play its role in supporting good governance and strengthening government-community relations.

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