Implementation of Good Governance in Public Sector Accounting: Evaluation of Effectiveness in Local Government

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Abstract

The purpose of this study is to assess how well local governments' public sector accounting practices use good governance. A combination of quantitative data analysis of local government financial papers and in-depth interviews with public accountants and government officials comprise the study methodology. The primary findings show that the efficiency, accountability, and openness of local governments' financial management are greatly enhanced by the use of good governance. In summary, implementing good governance principles in public sector accounting improves public confidence and government accountability while also improving the efficiency of local government financial management. For local governments and policymakers, this study offers crucial insights into the role that sound governance plays in enhancing the financial performance of the public sector.

Keyword : Good Governance,Public Sector Accounting,Local Government,Financial Transparency

JEL Classification : H83, M48,H72,G38,M41

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Introduction

For local government financial management to be more transparent, accountable, and efficient, good governance concepts must be used in public sector accounting. Participation, openness, accountability, responsiveness, consensus-building, equity, efficacy, efficiency, and legal order are all components of good governance. Good governance in public sector accounting is able to overcome various challenges in clean and accountable financial management (Triatmanto & Bawono, 2023). According to Grossi et al. (2023), by lowering corruption and raising the standard of public services, the implementation of these principles can boost the efficacy of financial management. By enhancing the accountability and transparency of financial reporting, the adoption of international accounting standards like IPSAS facilitates the application of good governance, according to a different research by Scannell and Tawiah (2024). In the public sector, the application of good governance helps ensure that public resources are managed properly and used for the welfare of the community (Sasongko, Bawono, & Prabowo, 2021). Polzer et al. (2023) suggest that the adoption of these international standards in developing and low-income countries can provide a more solid framework for responsible financial management. Christensen et al. (2023) highlight that accounting can be an important tool to ensure public accountability and maintain public trust in government. A study by Brown and Christensen (2022) also emphasizes that good governance in the public sector must accommodate value pluralism and be responsive to the needs of society. The importance of implementing good governance is increasingly relevant given the increasing demands of society for transparent and accountable government. Adhikari and Polzer (2021) found that the adoption of IPSAS in developing countries helps improve public financial management and enhance accountability. Cordery and Christensen (2020) underline the impact of digitalization in strengthening public sector accounting mechanisms, which contributes to transparency and efficiency. A study by McDonald III and Raudla (2019) shows that globalization reinforces the need for harmonized accounting standards to strengthen governance in the public sector. In order to guarantee that accounting and public reporting systems are open, accountable, and efficient, Ferry and Lassou (2018) and Sicilia and Grossi (2017) underlined the significance of accounting reform in assisting the application of good governance. This study's primary goal is to assess how well local governments are implementing good governance in public sector accounting. This study specifically intends to determine the elements that facilitate and impede the application of good governance in public sector accounting, as well as the effects that the implementation of good governance has on the accountability, transparency, and effectiveness of financial management in local governments. Furthermore, this study offers helpful suggestions for local governments to increase the efficacy of the application of good governance in public sector financial management.

This work adds significantly to the theory and practice of public sector accounting and is very relevant. By examining the relationship between the quality of public sector financial management and the implementation of good governance principles, this study theoretically adds to the body of previous work. In addition to offering empirical support for the significance of applying good governance concepts in the context of public sector accounting, the study's findings can assist shed light on the connection between financial management effectiveness and good governance. Practically speaking, this study provides insightful information for local government finance managers and policymakers. The findings of this study provide practical guidance on how local governments can implement good governance principles more effectively to improve transparency, accountability, and efficiency of their financial management. As a result, this study not only makes important scientific contributions to the field of public sector accounting, but it also offers workable solutions that local governments can use to enhance their financial management capabilities and satisfy public demands for accountable, transparent, and clean governance.

Literature review

Good governance in public sector accounting is a concept that emphasizes the importance of transparency, accountability, and efficiency in the management of public resources. According to Grossi et al. (2023), good governance involves integrity, commitment to ethical values, and respect for the law. In addition, good governance includes openness and involvement of various stakeholders, as well as risk and performance management through strong internal controls and good public financial management. Since it helps guarantee that public resources are used effectively and efficiently for the benefit of society, good governance is highly significant in public sector accounting. Scannell and Tawiah (2024) assert that the use of good governance concepts in public sector accounting enhances financial management quality and lowers corruption risk. Furthermore, Christensen et al. (2023) highlighted that public trust in government is increased and public accountability is strengthened via excellent governance. It is possible to increase the accountability and openness of financial reporting by putting international accounting standards like the International Public Sector Accounting Standards (IPSAS) into practice.

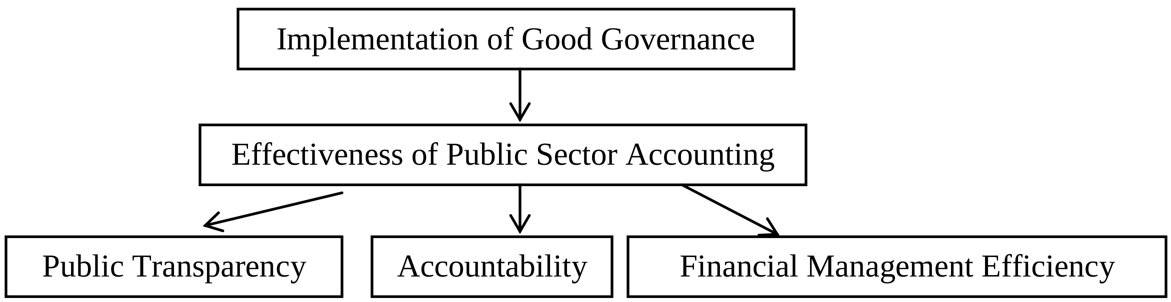
The implementation of good governance in public sector accounting involves developing organizational capacity, risk management, and transparent reporting. Polzer et al. (2023) showed that local governments need to adopt good accounting practices and ensure that internal audit and monitoring mechanisms function properly. In addition, the implementation of good governance requires support from competent leaders and human resources. Brown and Christensen (2022) underline the importance of digitalization in strengthening public sector accounting mechanisms, which contribute to transparency and efficiency. Therefore, the public sector may benefit from a more open, responsible, and effective accounting environment through the use of good governance. Prior research has looked at the use of good governance in public sector accounting and has found a number of advantages. For instance, Grossi and Steccolini (2023) highlighted how the use of good governance in public sector accounting may enhance the quality of public services, lower the risk of corruption, and increase the efficacy of financial management. Additionally, Scannell and Tawiah (2024) discovered that the use of international accounting standards, like IPSAS, may enhance financial reports' accountability and transparency, which are essential components of good governance. In addition, Polzer et al. (2023) revealed that the implementation of international standards in developing and low-income countries provides a more solid framework for responsible financial management. Christensen et al. (2023) highlighted that accounting can be an important tool to ensure public accountability and maintain public trust in government. Research by Brown and Christensen (2022) also shows that good governance in the public sector must accommodate value pluralism and be responsive to the needs of society. Adhikari and Polzer (2021) found that the adoption of IPSAS in developing countries helps improve public financial management and enhance accountability. Cordery and Christensen (2020) underline the impact of digitalization in strengthening public sector accounting mechanisms, which contributes to transparency and efficiency. Research by McDonald III and Raudla (2019) shows that globalization strengthens the need for harmonized accounting standards to strengthen governance in the public sector. Ferry and Lassou (2018) and Sicilia and Grossi (2017) emphasized the importance of accounting reform in supporting the implementation of good governance to ensure that public accounting and reporting mechanisms are transparent, accountable, and effective.

The link between the efficacy of public sector accounting and the application of good governance is demonstrated by this conceptual framework. The efficacy of public sector accounting is a dependent variable in this model, and the application of good governance serves as an independent variable that affects it. The aspects of public financial management efficiency, accountability, and openness are used to gauge how well public sector accounting is working. Applying good governance concepts, such as accountability, openness, participation, justice, and effectiveness in public financial management, is part of the implementation of good governance.

Policies and procedures put in place by local governments to guarantee responsible and effective financial management serve as a gauge of good governance.

The effectiveness of public sector accounting is measured based on three main dimensions. Transparency reflects the level of openness in presenting financial information that allows users of the report to understand the financial condition of the local government clearly and accurately. Accountability relates to the responsibility of local governments in managing public resources and reporting their performance to stakeholders. Financial management efficiency refers to the ability of local governments to manage public resources effectively and efficiently, minimizing waste and optimizing the use of public funds.

Theoretical Model



This model shows that the implementation of good governance principles helps improve the quality of financial information, strengthens local government accountability, and ensures optimal use of public resources. By testing this relationship, this study aims to evaluate the impact of good governance implementation on the effectiveness of public sector accounting and provide empirical evidence supporting the importance of good governance implementation in the context of public sector accounting.

Research Method

To get a thorough grasp of how good governance is being implemented in public sector accounting in local governments, this study employs a mixed-methods approach that blends qualitative and quantitative techniques. The mixed approach was chosen because it allows researchers to integrate the strengths of both methods and provide a more complete picture of the phenomenon being studied. Quantitative methods are used to measure key variables and analyze numerical data, while qualitative methods are used to gain in-depth insights through interviews and thematic analysis.

The data sources used in this study include government documents, surveys, and interviews. The government documents used include financial reports, audit reports, and policy documents relevant to the implementation of good governance. Surveys were conducted to collect quantitative data from government officials, public accountants, and other stakeholders. In-depth interviews were conducted with government officials, internal auditors, and governance experts to gain qualitative insights into the implementation of good governance.

Data collection was carried out through several structured steps. The first step is the collection of quantitative data through a survey. The questionnaire was carefully designed including closed-ended questions designed to measure variables such as transparency, accountability, and efficiency of financial management. This questionnaire uses a Likert scale to allow respondents to provide assessments of the various aspects being studied. The survey was distributed online to government officials, public accountants, and other stakeholders. The second step was qualitative data collection through in-depth interviews. A structured interview guide was prepared to ensure that all relevant topics were covered during the interviews. Depending on the respondents' preferences and availability, interviews were done in-person or over a video conferencing platform. With the respondents' permission, each interview was videotaped for transcription and further analysis. For quantitative data, statistical analysis was employed, and for qualitative data, theme analysis. Quantitative data from the survey were analyzed using statistical techniques such as linear regression and analysis of variance (ANOVA) to identify relationships between the variables studied. These statistical techniques help test the research hypotheses and evaluate the statistical significance of the results obtained. Qualitative data from the interviews were analyzed using thematic analysis methods. The thematic analysis process involves transcribing interviews, coding the data, and grouping similar codes into larger themes. Thematic analysis provides in-depth insights into the experiences and perceptions of government officials, internal auditors, and governance experts in implementing good governance. The conclusions from the primary data are reinforced and supported by data from government papers, which also offer a more comprehensive perspective on the application of good governance in public sector accounting. The study is anticipated to offer a more thorough grasp of how the application of good governance impacts the efficiency of public sector accounting in local governments by employing this hybrid methodology. This multi-source approach ensures that the data collected reflects diverse perspectives and provides richer insights for analysis.

Results and Discussion

The study's data analysis produced a number of important conclusions about how local governments are implementing good governance in public sector accounting. First, the results demonstrate that effective governance greatly increases public financial management's openness. Following the implementation of good governance principles, quantitative statistics show an improvement in the caliber and transparency of financial information displayed in local government financial reports. The findings of in-depth interviews with public accountants and government officials corroborate this conclusion, emphasizing that more thorough and transparent disclosures have improved financial information transparency. Second, this study found that the implementation of good governance improves the accountability of local governments in public financial management. Data from the survey showed an increase in the responsibility and performance of government officials in managing public resources. Interviews with internal auditors and governance experts revealed that internal audit and monitoring mechanisms became more effective with the implementation of good governance principles. Increased accountability and public confidence in local government were two benefits of this. Third, the study's findings demonstrated that putting good governance into practice increased the effectiveness of public financial management. Quantitative data demonstrated a decrease in waste and an increase in resource efficiency. According to in-depth interviews with financial authorities, the application of good governance promoted the adoption of improved information and technology systems in financial management, which boosted productivity. Therefore, this study offers empirical proof that the efficacy of public sector accounting in local governments is positively impacted by the application of good governance. The study's conclusions have significant ramifications for public sector accounting theory and practice. From a theoretical standpoint, the findings of this study provide credence to the idea that improving accountability, transparency, and the effectiveness of public financial management requires strong governance. Users of financial statements can get a more accurate and clearer view of local governments' financial situation when good governance concepts are applied to increase transparency. This result is in line with earlier research that shown how putting good governance into practice may enhance financial information quality and increase public accountability.

Practically speaking, the study's conclusions give policymakers and local governments important information about the significance of applying good governance principles to public sector accounting. Local governments may boost public trust and guarantee the best possible use of public resources by implementing good governance, which increases financial management's accountability, openness, and efficiency. This research also emphasizes how crucial human resources and capable leaders are to the implementation of good governance concepts. The study's overall findings support the notion that the efficacy of public sector accounting in local governments is significantly enhanced by the use of good governance. Local governments may enhance accountability, guarantee resource efficiency, and improve the quality of public financial management by embracing and putting good governance concepts into practice. These findings give local governments useful advice for enhancing their financial management performance and empirical support for the significance of good governance in the context of public sector accounting.

Conclusion

The purpose of this study is to assess how the application of good governance affects local governments' public sector accounting performance. Data analysis findings demonstrate that the use of good governance greatly improves public finance management's accountability, transparency, and efficiency. This research demonstrates that local governments may enhance accountability, maximize the use of public resources, and increase the quality of financial information provided by implementing good governance principles. Additionally, the effectiveness of internal auditing and monitoring systems improves, which helps to boost public confidence in local government. As a result, this study offers factual proof of the significance of incorporating good governance into public sector accounting.

Recommendation

Based on the study's results, local governments in Indonesia may implement good governance and increase the efficacy of public sector accounting by following a number of useful recommendations. First, local governments should invest resources in training and development of accounting and finance staff to ensure proper understanding and application of good governance principles. Second, the use of appropriate technology and information systems should be adopted to facilitate the financial management process and increase transparency.

Third, improving the quality of information disclosure in financial reports is essential to increase openness and public trust. Fourth, local governments need to ensure that internal monitoring and audit mechanisms function well to strengthen accountability. Finally, full support from leaders and active participation from stakeholders are essential for the successful implementation of good governance. By implementing these recommendations, local governments can improve the quality of public financial management and meet the demands of the community for clean, transparent, and accountable governance.

Research Limitations

It is important to take into account the many limitations of this study. First off, the findings may not be entirely generalizable to other areas or nations because this study only looks at a sample of specific local administrations in Indonesia. Second, the study's primary sources of data—annual financial reports and interviews—may not fully capture all facets of the caliber of financial management. Among these restrictions is the potential for unknown outside variables to affect the study's findings. Third, bias in data collection and analysis may be introduced when qualitative approaches are used in interviews. It is advised that the study sample be increased for further studies by encompassing other locations and taking into account outside variables like governmental and economic shifts. Broader data, such quarterly or semi-annual data, can also be used in future studies to spot patterns and shifts in the caliber of financial management. Future studies are anticipated to offer deeper and more thorough insights into the use of good governance in public sector accounting by tackling these constraints.

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