

## Evaluation of Transparency and Accountability of Regional Government Financial Reports in the Digitalization Era

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**Abstract:** *The research findings indicate that the most frequently studied variables over the past decade, Transparency and accountability are associated with participation, good governance, and corruption. Transparency and accountability are the most important principles in achieving good governance and preventing bad governance. Public participation plays a crucial role as a mechanism to review and monitor government performance, particularly in the context of corruption prevention. The consistent development of these topics, as demonstrated by the research, suggests that transparency and accountability remain relevant and evolving areas of study. This continuous evolution makes these themes highly intriguing for future research, especially in examining how they interrelate with governance practices, public participation, and efforts to combat corruption. The dynamic nature of these topics provides opportunities to explore new frameworks and approaches in addressing challenges within public governance systems*

**Keywords:** *Local Government Financial Statements, Transparency and Accountability*

### INTRODUCTION

Governance, especially at the local and village government levels, is often in the spotlight because of its important role in public services and regional development. Based on World Governance Indicators (WGI) in 2021, Indonesia scored 65.38 out of a maximum of 100 in terms of government effectiveness. This score indicates that despite efforts made, governance has not been running optimally. WGI assesses government effectiveness using several important indicators, including: Perception of the quality of public services, Covers the extent to which the public feels the quality of services provided by the government. The quality of civil services and their independence from political pressure, Measures whether the bureaucracy functions professionally and is not easily influenced by political interests. The quality of policy formulation and implementation, Assesses the government's ability to design good policies and ensure that these policies are implemented effectively. The credibility of the government's commitment to policy, Measures the extent to which the government holds fast to promises or commitments made in implementing policies.

This score, which is still not optimal, shows that there is room for improvement,

especially in improving the quality of public services and ensuring that designed policies can be implemented properly without being disturbed by political pressure or other interests.

The public sector today faces major challenges related to providing accurate and timely information. performance reporting to the public, especially in the form of financial reports, is one form of responsibility and transparency that is important for an organization, has an important role in strengthening the accountability of local and village governments. Good and transparent financial reports allow the public and related parties to monitor how the government manages and allocates the public budget.

According to Iyoha (2012), there are three main criteria that must be met to ensure quality financial reports, namely:

- 1) Punctuality, Financial reports must be delivered on time so that the data is up-to-date and useful for making quick decisions.
- 2) Reliability, Financial reports must provide accurate information that accurately describes the state of the economy.
- 3) Comparability, Financial reports should allow for comparisons between periods or between entities so that financial performance can be evaluated effectively.

Azahari et al. (2021) stated that the challenges in the timeliness of financial reporting in the public sector, especially in Indonesia, are still quite large. Many reports are presented late, and most of them also contain inconsistencies in their results. This inconsistency disrupts the reliability and comparability of financial reports, thereby reducing public trust in government accountability.

With these challenges, improving the quality of disclosure and presentation of financial reports is very important to ensure that there is no information bias or misinterpretation from the public. The government needs to make efforts to improve reporting procedures and systems, as well as increase the capacity of human resources involved in preparing financial reports so that the criteria of timeliness, reliability, and comparability can be achieved.

According to the guidelines in several regulations, including the Regulation of the Minister of Home Affairs (Permendagri) no. 113 of 2014, Permendagri No. 77 of 2020, Law No. 23 of 2014 concerning regional government, and Law no. 6 of 2014 concerning Villages that already exist to regulate financial management and regional government, Indonesia currently implements a decentralized government system that gives autonomy to each region to manage its own territory. However, in practice, there are still frequent deviations in its implementation. This lack of transparency has an impact on public trust in local governments in addition to administrative issues. According to Sutaryo & Amanu (2020), regional leaders in power often use public information to win the hearts of the people, especially ahead of re-elections. This shows that rather than functioning as a means of open and responsible accountability, the information conveyed by local governments is often more political in nature. This problem is also reflected in Indonesia's corruption rate in 2022. Indonesia's score on Transparency International's corruption perception index fell from 38 in 2021 to 34 in 2022. This study shows that even though certain regulations have been implemented, transparency in financial and government transactions is still a serious concern. This transparency has the potential to increase corruption in government, especially at the regional level.

This situation indicates the need for deeper reform in the local government oversight and transparency system. The government must develop a more effective mechanism to monitor and enforce the implementation of established regulations, and strengthen the public accountability system to reduce the risk of corruption and increase public trust in the government. Two important and interrelated components of effective governance are transparency and accountability. The government uses accountability as a way to answer for financial management and justify actions that follow a predetermined plan. However, as expressed by Gayatri et al. (2017), even though accountability mechanisms have been

established, program implementers often do not fully comply with them, thereby reducing public trust in the government. Application of the principles of good governance aims to ensure that development and implementation are effective, hygienic, accountable, and free from nepotism, collusion, and corruption. By implementing changes that encourage regional autonomy, it is increasingly urgent to be implemented by various government institutions. The principles of accountability and transparency are two main pillars in good governance. Governance that is often agreed upon and recognized by various institutions as a basic characteristic of good governance. According to CUI-ITB (2004), these two principles are closely related and influence each other. Transparency allows the public to access relevant information, making it easier for the public to assess the extent to which the government has carried out its duties and responsibilities. Conversely, accountability forces the government to be openly responsible for their decisions and actions, which ultimately strengthens transparency.

The use of Information Systems (IS) in local government financial reports also improves data accuracy and consistency. By relying on technology, IS can reduce the risk of inaccuracy that often occurs in manual data processing. Data stored in a structured system allows auditors to conduct more precise analysis and draw conclusions. IS facilitates better tracking and documentation of the entire audit process. Each step in the audit can be documented digitally, making it easier for auditors to monitor the progress of the audit and provide evidence to support their findings. This documentation is also important for subsequent audits, allowing for clear references to the audit process that has been carried out previously.

The use of IS also increases transparency and accountability. With a system that is more widely accessible and user-friendly, stakeholders, including the public, can obtain information about the audit process and results. This can increase public trust in local government financial reporting.

IS provides the ability to perform deeper data analysis. Auditors can use advanced data analysis techniques to identify patterns, trends, and potential risks in financial statements, which may not be visible with manual audit processes. Thus, the use of IS not only supports the efficiency and effectiveness of audits, but also improves the quality of findings and recommendations produced. In this context, the application of Information Systems (IS) in local government financial statement audits provides several significant benefits in strengthening internal controls. First, IS is able to provide dashboards and analysis tools that facilitate real time monitoring of financial activities. Current data makes it easier for management and auditors to see concerns early and take action before they become more serious problems. In addition, IS supports training and capacity building for financial management staff. With a more sophisticated system, staff can be trained to recognize potential risks and better understand internal control processes, so they are better prepared to carry out their responsibilities effectively.

## **METHOD**

Review literature systematic, frequent known as an SLR, used in methodology qualitative study this. SLR is technique study important to try serve description comprehensive about subject certain. The methodological procedures described are systematic steps that are important in conducting research to ensure the validity and relevance of the data collected. Here is a further explanation of each step:

### 1) Initial Search in Scopus

The search process in the Scopus database that you mentioned is an important step in research, especially to collect literature that is relevant to the topic you want to explore. Using keywords such as "transparency", "accountability", and "Indonesia" can help to find articles

that will provide in-depth insights into the issue in the context of local governance or financial reporting with a total of 207 articles.

2) Time Range Restrictions

Next, the researcher limited the search for articles to the time period 2013 to 2024. This process resulted in the filtering of 207 initial articles, leaving 189 articles. This time limitation is important to ensure that the data analyzed is relevant and up-to-date, considering that the dynamics of transparency and accountability issues can change over time.

3) Filtering By Subject Area

Articles that have been filtered in the previous stage are then further filtered based on relevant subject areas, Fields such as Sociology, Economics, Econometrics and Finance, and Management and Accounting have many interesting aspects to explore. After applying this filter, the number of articles was reduced to 135. This step aims to ensure that the articles considered are truly in line with the established research focus.

4) Inclusion Based on Document Type

In the final stage, the researcher selected the types of documents to be used in the study, by including only scientific articles. After applying the criteria for document types, the number of remaining articles continued to 114. This process is important to ensure that the sources used are strong and reliable, considering that this will be the basis for analysis and argumentation in the study.

By following this methodological procedure, researchers not only obtain relevant and up-to-date articles, but also ensure the accuracy and quality of the data used in the analysis. This process will greatly support the integrity of the research results and provide a meaningful contribution to the development of knowledge in the field of transparency and accountability in Indonesia.

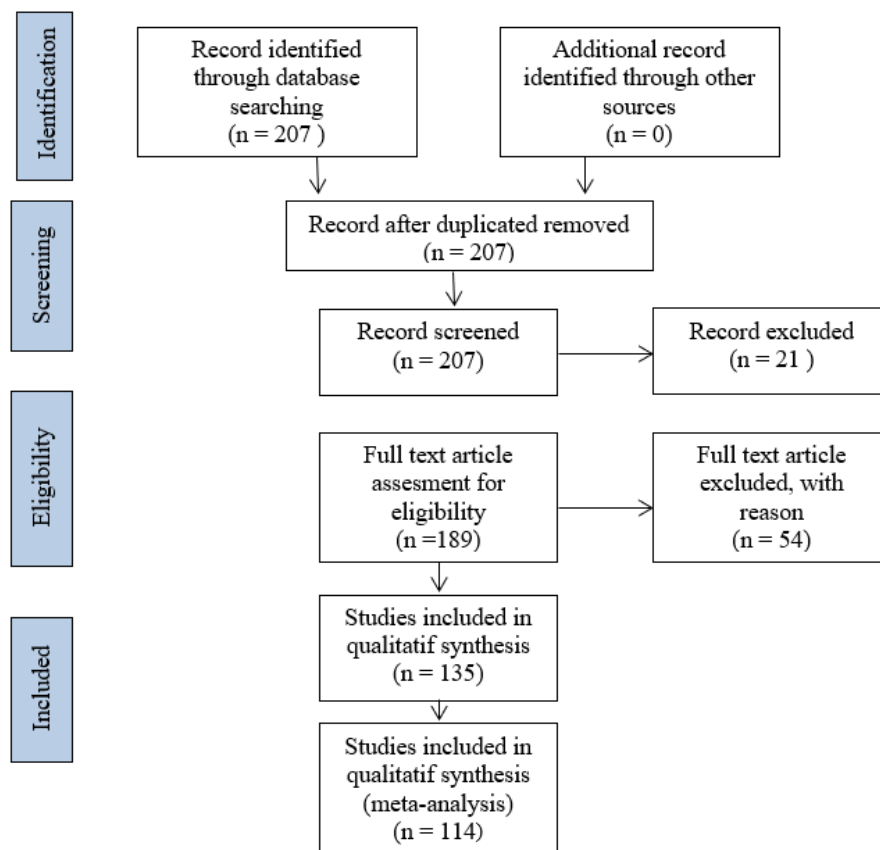


Figure 1. Prisma image

## RESULTS AND DISCUSSION

The development of economy, politics, and information technology in Indonesia. First, as expressed by Harun et al. (2015), Indonesia has taken significant steps in reform to strengthen democracy and improve openness and accountability in the public sector. Public financial management is expected to improve and become more accountable through the use of accrual accounting, independent audits, and the sharing of information required by the central and local governments. A study conducted by Sofyani et al. (2020) examined the relationship between improving service quality, accountability, and transparency in local governments and fostering a culture of IT compliance. These findings indicate that effective implementation of information technology is a key element in the success of e-government development in local governments. This indicates that information technology is not just a tool, but can also encourage improvements in government accountability and transparency.

The importance of efforts to eradicate corruption in post-Soeharto Indonesia and its impact on governance. According to Umam et al. (2020), after the Soeharto era, eradicating corruption became one of the main priorities through various approaches, including democratization, market liberalization, and strengthening the anti-corruption institutional framework. The establishment of the Corruption Eradication Commission (KPK) is one of the significant steps in this effort, focused on increasing transparency and accountability in government. Furthermore, Hartanto et al. (2021) highlights how attitudes and actions Policymakers play a critical role in shaping public expectations and trust in government. When the policies they create or implement are not accompanied by transparency and accountability, public trust in government can decline. This has an impact on public participation in development, where low trust can hinder public collaboration and support for government programs. Both studies emphasize the importance of eradicating corruption in order to improve accountability and transparency and encourage good governance and active community involvement. To restore public trust and increase public participation in the development process, policymakers need to immediately adopt a comprehensive strategy and take a positive view.

The competence of village financial management and administration authority is directly related to the accountability of financial reporting at the village level. According to Savitri et al. (2022), improving staff skills in village fund management can help reduce a number of potential obstacles in management procedures. This shows that the accountability and transparency of the resulting financial reports increase along with the level of expertise and understanding of individual financial management. According to Purnawati and Hatane (2020), financial reports function as a form of accountability to the public in addition to being administrative records. Operational operations, cash flow, financial status, and disclosure of items in the financial statements are all reflected in the financial statements. Therefore, the importance of preparing accurate and timely financial reports greatly influences public perception of the village government. In this context, accountability of financial reports is key to building public trust in the management of village funds. An informative and transparent financial report will help the public understand how village funds are used and their impact on village development. Thus, conducting training and capacity building for village money management officials is a strategic step to improve the quality of financial reports and their accountability.

The importance of good principles governance, such as transparency and accountability, in the implementation of government and development. According to Prasetya et al. (2013), the application of these principles can help create more effective and efficient governance conditions, and can contribute to efforts to eradicate corruption and nepotism. Transparency in

the management of government finances plays an important role in building public trust. When the public can see and understand how funds are managed, they are more likely to trust the government and participate in the governance process. The principle of good governance has a good influence on the implementation of village finances, according to the statement of Budiati et al. (2019) on the role of transparency, accountability, participation, and apparatus capabilities in village fund management. This shows that community involvement and the quality of resource management can be improved if the government applies the principles of good governance. In addition, Government Regulation Number 71 of 2010 concerning government accounting standards (sap) provides guidelines for government entities in preparing financial reports, in order to meet transparent, accountable, and reliable standards. Characteristics such as relevance, reliability, comparability, and ease of understanding are very important in presenting financial information. If the financial report meets these criteria, the information provided will be more useful for users, including the public and other stakeholders. In general, the use of the concept of good governance in the implementation of government finances is not only aimed at increasing government effectiveness, but also at strengthening public trust and encouraging community participation in development.

The importance of transparency and accountability in the context of government financial management and how this contributes to the quality of financial reporting, and leads to sustainable development. Here are some key points related to the statement:

1) Research Contribution

Research focused on transparency and accountability can provide insights and best practices that help improve the quality of government financial reporting.

2) Sustainable Development

The emphasis on transparency and accountability not only improves the quality of financial reporting, but also supports the achievement of a sustainable economic and social order.

3) Community Involvement

Involving communities at every stage, from project and program evaluation to planning, fosters a sense of accountability and ownership.

4) Increase Trust

When transparency and accountability are well-established, public trust in government will increase. This is essential to create an atmosphere conducive to collaboration between the public and the government, and to encourage active involvement in the development process.

5) Positive Impact

As public trust increases, more individuals and groups will be willing to participate in financial management and other government activities.

## CONCLUSION

The close relationship between transparency, accountability, and the implementation of good governance in Indonesia. Here is a further analysis and some key points from the context presented in this article:

1) The Importance of Transparency and Accountability

Both of these ideas are essential to the success of government. In order for the public to be informed about government policies and spending, transparency ensures that the decision-making process and the administration of public resources are transparent.

2) Influence on Corruption

Research shows that the implementation of transparency and accountability in the public sector has a significant impact on reducing corruption cases. When the public has access to information and can assess government performance, corrupt practices can be minimized.

### 3) Contribution to Literature

This study makes an important contribution to the existing literature on transparency and accountability by analyzing a number of relevant articles. By identifying 24 keywords in 7 clusters, this study enriches the understanding of the main themes raised in academic discussions and practices in the field.

### 4) Dominant Topic

Visualization with VOSViewer showing dominant topics such as corruption, good governance, and participation provides a clear picture of the main focus of research and discussion in this context.

### 5) The Importance of Community Participation

To achieve effective transparency and accountability, public participation is essential. Involving the public in monitoring government performance not only increases accountability but also creates space for dialogue and collaboration that can strengthen the quality of public policy.

### 6) Good Governance

Ultimately, the implementation of transparency and accountability through public participation will contribute to the creation of better governance. This will not only reduce corruption cases, but also improve the quality of public services and public trust in the government.

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