

Budget Transparency and Accountability in Local Government

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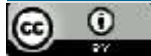
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ABSTRACT

This study aims to evaluate the effect of budget transparency and accountability on local government performance, especially in public financial management. This study uses a literature review method by analyzing articles published in the last five years related to the topic of transparency and accountability in the public sector. The results of the study indicate that transparency and accountability play an important role in improving the effectiveness of budget management and the performance of local government employees. Performance-based budgeting has been shown to increase the efficiency of public resource utilization. However, there are challenges in budget absorption, especially at the end of the budget period.

INTRODUCTION

Budget transparency and accountability are important issues in local governance. As public attention to the use of public funds increases, the government is expected to be able to present accurate, open, and accountable financial reports. In Indonesia, the implementation of Regional Autonomy and Fiscal Decentralization policies since the reform era has required local governments to be more independent in managing their finances. The public is increasingly demanding that local governments not only be transparent in financial reporting, but also accountable in every budget decision taken. This phenomenon drives the urgent need to evaluate how budget transparency and accountability contribute to local government performance, especially in terms of public financial management.

In this context, transparency is considered a prerequisite in ensuring that government budgets are managed effectively, while accountability is needed to ensure that public funds are used in accordance with their intended purpose. However, many regions still face challenges in achieving optimal transparency and accountability. Inconsistent regulations, lack of human resource competency, and weak project management are often the main obstacles in this process. This is further exacerbated by the low level of public participation in regional financial supervision, which should be an important element in creating good governance.

This study contributes to the enrichment of knowledge by presenting a literature review on the impact of budget transparency and accountability on local government performance. Unlike previous studies that only focused on one aspect of governance, this study brings together various perspectives and identifies challenges and opportunities for improvement in public budget management. By using a literature review approach, this study not only highlights the relationship between transparency and accountability and local government performance but also explores how financial governance reform can improve the efficiency of public resource use.

This study aims to explore the relationship between transparency, accountability, and financial management performance at the local government level. Specifically, this study will highlight the role of performance-based budgeting and how its implementation can strengthen transparency and accountability mechanisms. In addition, this study is expected to be able to identify challenges faced in the implementation of this policy and offer practical recommendations to improve financial management performance in local governments.

LITERATURE REVIEW

Budget Transparency and Accountability in Regional Financial Management Understanding the Implementation of Government Accounting Standards

Government Regulation Number 71 of 2010 concerning Government Accounting Standards, which replaces Government Regulation Number 24 of 2005 concerning Government Accounting Standards, must be considered when implementing Government Accounting Standards (SAP). Government Regulation Number 24 of 2005 concerning Government Accounting Standards

requires local governments to use SAP until the 2013 budget year. One of the main differences between Government Regulation Number 71 of 2010 and Government Regulation Number 24 of 2005 is the type of financial statements used and the way transactions are recorded. Government Accounting Standards regulate the presentation of financial statements for general purposes. This is done to improve the comparability of financial reports against budgets, periods, and entities. For general purposes, financial statements are financial statements designed to meet the needs of most people. Government Accounting Standards establish all considerations necessary for the presentation of financial statements, as well as guidelines for the structure of financial statements and the minimum content of financial statements (Zeyn, 2011).

The addition of Government Accounting Standards (SAP) at the local government level is an important step towards increasing transparency, accountability, and quality of local financial management. Financial reports created using accrual-based SAP provide clearer insight into actual financial conditions, provide a clearer picture of asset management, and aid decision making. However, local governments must address current issues, such as improving human resource capabilities, providing adequate technological infrastructure, and increasing the commitment of local leaders to implement SAP effectively. As a result, the possibility of regional financial management will be better and in accordance with good governance standards.

Each reporting entity, including local governments, must report on the steps taken and results achieved during the reporting period. This is done for accountability, management, transparency, balance between generations, and performance evaluation. By using SAP, you can create useful financial reports. The usefulness of financial reports depends on the information presented in them. If the financial statements do not contain useful information, then the financial statements must be created using SAP.

Performance Based Budgeting

A budget is not the same as budgeting; it is a process or technique for creating a budget. A budget is a statement about the performance to be achieved over a certain period of time described in financial measures. Budgeting of public sector organizations is a rather difficult step and involves many political considerations. The public sector budget functions as a tool to monitor how public funds are used and how programs funded by these funds are implemented (Ayu, Askandar, & Junaidi, 2020). The regional revenue and expenditure budget, according to Adisasmita (2011), is a clear and comprehensive financial plan for the regional government. It links the revenue and expenditure of local governments and is expressed in monetary terms to achieve certain goals or objectives within a certain period of time in one budget year.

Performance-oriented budgeting, also referred to as performance-oriented budgeting, is a budgeting system that is closely linked to an organization's vision, mission, and strategic plan. Performance-oriented

budgeting allocates resources to programs rather than organizational units alone, and uses output measurements as indicators of organizational performance. Performance-based budgeting is a management budgeting method that focuses on the organization's output and is closely linked to the organization's vision, mission, and strategic plan. This method allows management to link funding allocated to activities to expected outputs and outcomes, as well as the efficiency in achieving those outputs (Utami & Machpudin, 2017).

There are several components that influence the success of implementing performance-based budgeting in local government. These include (1) leadership and commitment from the entire organization, (2) continued emphasis on administrative improvement, (3) availability of sufficient resources, such as money, time, and people, (4) clear rewards and intended sanctions, and (5) a strong desire to succeed.

Transparency

Transparency is one of the main characteristics of Good Governance. Transparency is based on the principle of openness in providing information that is relevant to the public interest and can be accessed by those who need it. According to Government Accounting Standards regulated in Government Regulation Number 24 of 2005, transparency means presenting financial information openly and honestly to the public. This is based on the assumption that the public has the right to know in full and openly how the government is accountable for the management of the resources entrusted to it, as well as the government's compliance with the law. Another opinion states that transparency includes openness in the decision-making process and disclosure of relevant material information.

Transparency is a principle that ensures that everyone has access or freedom to obtain information about the administration of government, including information about policies, the process of making and implementing them, and their results. Transparency means that policies are available for public scrutiny, and the information in question is information about every aspect of government policy that is accessible to the public. Transparency means real, comprehensive openness, and provides space for all levels of society to actively participate in the process of managing public resources. It is hoped that openness of information will result in healthy, tolerant political competition, and policies made based on public preferences (Ulya & Astuti, 2020).

In addition, Lalolo (2003:13) defines transparency as a principle that ensures freedom of access for every individual to obtain information related to the implementation of government, including policies, decision-making processes, and results achieved. Transparency can be measured through three aspects: policies that are open to scrutiny, access to information that allows the public to understand every government policy, and the application of the principle of checks and balances between the executive and legislative branches. The purpose of transparency is to build trust between the

government and the public, with the government providing accurate information to the public who need it.

When viewed from the existing definitions and criteria, there are no specific guidelines regarding what form of financial report is considered transparent. The existing definitions and criteria only cover aspects of transparency in financial management, not in the financial reports themselves. Nevertheless, financial reports are a form of transparency and accountability in public financial management. Therefore, financial reports must meet transparency requirements, which include openness, accessibility, and publication that allows the public to know the audit results and performance information.

In order for financial reporting to be more effective and not misleading, all relevant information must be presented in an impartial, understandable and timely manner. This is called the full disclosure principle. All important facts must be disclosed openly so that financial reports can provide useful information for stakeholders. This disclosure aims to avoid misleading financial reports. In addition to the main report, sometimes additional notes are needed that provide further explanation. This disclosure principle aims to ensure that investors with average knowledge do not misunderstand the contents of financial reports. Therefore, no important information should be omitted or hidden.

Accountability

Accountability is a relational concept, where an individual or organization is responsible to another party. Therefore, when considering accountability in a particular context, it is important to distinguish between the agent (the individual or organization that makes the decision) and the principal (the individual, organization, or group that oversees it). In an accountability relationship, the principal has the authority to supervise the agent, ask questions, and impose sanctions if the agent's actions or responses are inadequate.

Accountability has certain levels. For a relationship to be considered accountability, there must be a mechanism for checking, providing information, and the principal's ability to sanction the agent. However, there is no guarantee that the principal knows all the information that needs to be asked, that the agent will provide all the information requested, or that the sanctions imposed by the principal will be effective in changing the agent's behavior. On the other hand, the sanctions imposed can also have a negative impact on the principal, so the scope of sanctions is also limited.

Accountability of government agency performance means that government agencies must be responsible for the success and failure of implementing the organization's mission in achieving the goals and objectives that have been set through a system of accountability that is carried out periodically. Accountability can also mean that a person or organizational unit is responsible for managing the resources that have been given and controlled

in order to achieve the goals that have been set (Utami & Machpudin, 2017).

METHODOLOGY

This study uses a literature review approach to examine budget transparency and accountability in local governments. Literature review is a systematic method in identifying, evaluating, and interpreting relevant research results to answer certain research questions (Snyder 2019). In the context of this study, the literature review focuses on scientific articles published in the last five years that discuss the topic of budget transparency and accountability in local governments, especially related to financial accountability and transparency in government. The data in this study were collected through literature searches from various academic databases. The articles used in this study were selected based on the following criteria:

- Articles published within the last five years.
- Focus on research on Transparency and Accountability in the public sector, particularly related to budget accountability and transparency.
- Articles that present empirical or theoretical studies on budgets in government.

The focus of this study is to examine the accountability and transparency of the government budget. The literature search process in this study was carried out through stages to ensure the completeness and relevance of the sources studied. The author uses academic database searches, such as Google Scholar. After searching on Google Scholar with keywords according to the topic discussed, there were 27,300 articles, after filtering there were 5 articles to be analyzed according to the topic to be discussed.

RESEARCH RESULT

Table 1 Previous Research

No.	Writer	Title	Results
1	Aldi Septian Putra, Afrah Junita & Iglima Azhar	Systematic Literature Review: The Influence of Budget Performance Based, Transparency and Accountability On the Performance of Skpk Employees	Based on the results of the research and discussion carried out, it can be concluded that the results of this systematic literature review are 1) the budget performance-based has an impact on the performance of SKPK employees; 2) transparency influence on the performance of SKPK employees; 3)

			accountability influences the performance of SKPK employees.
2	Chris Kuntadi & Muhammad Irvan Zakaria	Factors Influencing Budget Preparation: Resources Humans, Rewards and Sanctions (Literature Review)	The results of this literature review article are: 1) Human resources influence budget preparation; 2) Awards have an impact on budget preparation; and 3) sanctions affect budget preparation.
3	Wiwi Prapti Wulandari, Cris Kuntadi & R. Luki Karunia	Literature Review: Analysis of Factors Affecting Budget Absorption Accumulation at the End of the Year	The results of the article's analysis show that the accumulation of budget absorption at the end of the year in government agencies is caused by a combination of ineffective regulatory and policy factors, inadequate budget planning, and weak project management. These three factors significantly affect the rate of budget absorption, which often accumulates at the end of the year, causing waste and inefficient use of public funds.
4	Habib Muhammad Shahib, Muhammad Ridwan Hasanuddin, Yasmi Nurdin, Siprianus Palette, Fenny Mika & Reski	Accountability and Transparency of Government Budget in the Era Covid-19 On Regional Government Websites Throughout	This study found that the level of accountability and transparency of local government budgets in Indonesia is still low, especially in terms of budget allocation for handling Covid-19. This study found several causes, such as social, educational, and technological inequality in various regions of Indonesia; lack of public pressure on the

	Rahayu Saputri	Indonesia	government; and the absence of legal standards governing local government accountability on the official website.
5	Revelation Miftahani & Annie Mustika Putri	Quality of Financial Reports of Pekanbaru City Regional Government (Literature Review)	This study, several factors affect the quality of Pekanbaru local government financial reports, including human resource (HR) competence, information technology, accountability, transparency, audit quality, accounting systems, accounting procedures, accounting standards, and internal control. This study also emphasizes the importance of accountability and transparency in financial reporting, both at the local and national levels.

In the discussion on budget transparency and accountability in local government, where the table presented summarizes five studies related to the topic. The table provides a comprehensive view of the relationship between performance-based budgets, transparency, and accountability with local government performance, as well as factors that influence budget management.

The first research reviewed was conducted by Aldi Septian Putra, Afrah Junita, and Iglima Azhar. They conducted a systematic review to evaluate the impact of performance-based budgets, transparency, and accountability on the performance of Regional Work Unit (SKPK) employees. The results of the study show that these three elements have a positive impact on improving employee performance. This indicates that budget implementation that is measured based on performance, adequate transparency, and strong accountability, can increase the efficiency and productivity of local government employees.

The second study by Cris Kuntadi and Muhammad Irvan Zakaria focused on factors that influence the budgeting process, with an emphasis on the role of human resources (HR), rewards, and sanctions. Their research results show that competent HR, a fair reward system, and strict sanctions are important factors in producing an effective budget. This emphasizes the importance of HR quality and motivation in the government financial management process.

The third study, conducted by Wiwi Prapti Wulandari, Cris Kuntadi, and R. Luki Karunia, highlighted the causes of the end-of-year budget

absorption backlog in government agencies. They identified that ineffective regulations and policies, weak planning, and poor project management contributed significantly to the problem, leading to waste and inefficiency in the use of public budgets. These findings underscore the importance of reforms in government budget planning and management.

The fourth study by Habib Muhammad Shahib and his colleagues examined the level of transparency and accountability in local government budget management during the Covid-19 pandemic. They found that there is still a lack of transparency and accountability related to social, educational and technological inequality, as well as a lack of public pressure and an absence of clear legal standards. These barriers limit efforts to improve accountability, particularly regarding budget allocation for handling the pandemic.

The fifth study by Wahyu Miftahani and Annie Mustika Putri focused on the quality of local government financial reports in Pekanbaru City. They found that the quality of financial reports is influenced by factors such as HR competence, application of information technology, accountability, transparency, audit quality, and accounting procedures applied. This study shows the importance of improvements in these aspects to improve the quality of financial reporting and build public trust in the government.

Overall, this table presents a summary of research that confirms that performance-based budgeting, transparency, accountability, as well as the quality of human resources and the application of information technology, greatly influence financial management in local governments. The results of this study emphasize the importance of public financial management reform to ensure efficiency, effectiveness, and increase public trust in local government.

DISCUSSION

This study explores the impact of budget transparency and accountability on local government performance in public financial management. The results of the literature review conducted indicate that transparency and accountability are key elements in improving financial management performance in the public sector. This finding is in line with the theory of Good Governance which emphasizes the importance of openness and responsibility in public financial management to build public trust and ensure more efficient use of funds.

Transparency, in this context, does not only include the presentation of financial reports openly, but also the accessibility of budget information to the public. Local governments that implement transparency well tend to get a positive response from the public and related parties, because the information presented is easier to access and understand. This supports the findings of Lalolo (2003) which states that transparency allows the public to know in detail the process of managing public resources, thereby increasing the accountability of its management. However, this study also found that although transparency is important, there are still many regions that have not been optimal in implementing it, especially in areas facing technological and educational challenges, as found in the research of Shahib et al. (2021).

In addition, accountability plays an important role in ensuring that local governments are responsible for their budget use. This study revealed that good accountability is closely related to the implementation of fair sanctions and rewards for government employees. This is supported by research by Wulandari et al. (2020) which shows that appropriate sanctions and rewards can encourage improved government performance, especially in budget management. Unfortunately, the main challenge faced is the ineffectiveness of several regulations and policies, which often leads to a buildup of budget absorption at the end of the year. Suboptimal budget planning and project management are also factors that hinder the implementation of better accountability.

The findings of this study also strengthen the argument that performance-based budgeting can be an effective tool in improving budget transparency and accountability. Performance-based budgeting allows for more targeted allocation of funds, where budget use is based on the results achieved. This not only strengthens the efficiency of public resource use but also encourages increased employee productivity. The study by Putra et al. (2023) supports this by showing that the implementation of performance-based budgeting is directly related to increased employee performance in the public sector. However, this study also notes that the implementation of performance-based budgeting requires full support from the entire organization, including leadership commitment, competent human resources, and adequate technological infrastructure.

The implications of this research for public policy are clear. Local governments need to adopt a more comprehensive strategy to improve the transparency and accountability of their budgets, particularly by implementing performance-based budgeting that can improve the efficiency and effectiveness of financial management. In addition, reforms are needed in supporting regulations and policies so that budget management is not hampered by ineffective regulations. The government's commitment to improving human resource competencies and providing adequate technological infrastructure is also critical to the successful implementation of this policy.

This study makes an important contribution to the literature on budget transparency and accountability in local governments. However, there are still some limitations that must be acknowledged, especially in terms of the complexity of implementing financial governance reforms in various regions. Further research is needed to explore how local factors, such as organizational culture and political dynamics, influence the implementation of transparency and accountability at the local level.

CONCLUSIONS AND RECOMMENDATIONS

The results of research on budget transparency and accountability in local governments show that both factors play an important role in creating good financial governance. Transparency and accountability contribute positively to improving employee performance, more effective budget management, and the quality of local government financial reports. The

implementation of performance-based budgets, which are measured through the output produced, allows local governments to increase the efficiency of resource use and support increased productivity. In addition, performance-based budgets strengthen accountability because the allocation of funds becomes more transparent and in accordance with the objectives that have been set.

Factors such as human resource (HR) competence, reward systems, and the application of appropriate sanctions also play an important role in ensuring the effectiveness of budget preparation. Quality HR, supported by performance rewards and strict sanctions, can strengthen government financial management. However, the accumulation of budgets at the end of the year remains a major challenge, which is often caused by ineffective regulations, weak planning, and suboptimal project management.

During the Covid-19 pandemic, research also shows that transparency and accountability in local government budget management are still low. This is influenced by inequality in access to education, technology, lack of public pressure, and the absence of clear legal standards to regulate transparency. The quality of local government financial reports is greatly influenced by HR competence, use of information technology, audit quality, and good accounting systems. Improving the quality of financial reports is expected to increase public trust in local governments.

Overall, to achieve efficiency and effectiveness in local government financial management, reforms are needed that include increasing transparency, accountability, performance-based budgeting, as well as improving the quality of human resources and the application of information technology. These reforms will not only improve public financial management, but will also strengthen public trust in local government governance .

ADVANCED RESEARCH

This study has several limitations that need to be acknowledged. First, this study uses a literature review approach that primarily focuses on articles published in the last five years. Although this approach provides in-depth insights into the relationship between transparency, accountability, and performance-based budget management, this study does not conduct direct empirical investigations in the field. This limitation may impact the contextual understanding of the specific challenges faced by local governments in different regions.

Second, this study focuses on transparency and accountability factors in local government budget management, but does not further explore the influence of local factors such as organizational culture, political dynamics, or different regional policies. These factors can greatly influence how transparency and accountability are implemented in different regions, and this study cannot capture the diversity of local contexts.

For further research, it is recommended that empirical studies be conducted by collecting primary data through surveys or in-depth interviews with policy makers and budget implementers in local governments. Such

research can provide deeper insights into the practical obstacles and opportunities for implementing transparency and accountability in the field. In addition, further exploration of the influence of political dynamics, organizational culture, and technological support on performance-based budget management can also enrich the existing findings.

Future research could also shed more light on how public participation can be strengthened in the process of local budget oversight, as well as how improving human resource competencies can play a significant role in creating better financial governance. Policy reforms that support the implementation of transparency and accountability at various levels of government also require more attention in further research.

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