

## Management Accounting Practices and Good Governance: Evidence from Indonesian Provincial Governments

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### Abstract

*This study closely examines how Management Accounting Practices (MAP) shape the quality of governance within Indonesia's provincial governments by looking at several key components such as internal control, internal audit, audit opinions, capital spending, budget transparency, the adoption of Government Accounting Standards, and the competency of government personnel. Using data sourced from provincial financial reports, internal audit surveys, and published audit findings, the analysis reveals that stronger internal controls and more effective internal audits significantly reduce corruption, while greater transparency in budgeting and consistent SAP implementation improve the clarity of financial reporting and reinforce public accountability. Among all the MAP elements, human resource competency emerges as the most decisive factor in enhancing the quality of public accounting information. Altogether, the results highlight that MAP serves as a vital foundation for building governance systems that are not only effective but also transparent and trustworthy, offering valuable direction for ongoing public sector accounting reforms and the strengthening of regional oversight mechanism.*

**Keywords:** Management Accounting Practices, Good Governance, Internal Control, Internal Audit, Budget Transparency, Public Sector Accounting

## INTRODUCTION

Provincial governments in Indonesia continue to grapple with serious challenges in maintaining governance integrity, particularly in ensuring budget transparency, strengthening internal control systems, and improving the quality of internal audits. Audit reports issued by the Supreme Audit Agency (BPK) repeatedly reveal substantial weaknesses in asset management, capital expenditure practices, and the accuracy of financial reporting. These ongoing issues highlight how crucial it is for provincial governments to adopt robust Management Accounting Practices (MAP) as a performance based financial management approach that enhances information quality and reinforces oversight mechanisms (Suryanto & Kurniati, 2025).

The restructured Indonesian government post reformatio introduced a fiscal decentralization model that gave more autonomy to sub national governments in managing public funds. This devolution of power makes every province responsible for efficient, transparent and accountable budget management following the principles of good governance. Yet this extension of roles has not been uniformly underpinned by strong accountability mechanisms or adequate institutional capabilities. Therefore many evaluations actually show unsuccessful results such as financial imbalances, inadequate public transparency, and deficiencies in internal audit mechanisms within several provincial administrations (Setyawan, 2025).

In this context, Management Accounting Practices (MAP) are a strategic way to improve the quality of financial governance in the region. MAP serve more purposes than just recording and reporting; they also help with important management tasks like planning, monitoring,

control, and performance evaluation (Hamzah et al., 2024). The fundamental elements of MAP, encompassing internal control, internal auditing, the adoption of Government Accounting Standards (SAP), budget transparency, and human resource proficiency, are broadly acknowledged as essential factors influencing the integrity of local government financial management (Santoso & Sulisnaningrum, 2024).

Conversely, areas with inadequate human resource capabilities and insufficient control mechanisms persistently encounter recurring audit challenges as reported by the Supreme Audit Agency (BPK), face delays in the preparation of financial statements, and exhibit heightened susceptibility to corrupt practices (Shidqi & Arfiansyah, 2025).

Provincial governments in Indonesia continue to face major hurdles in achieving strong public governance. Although regional financial reforms particularly the shift to accrual based accounting have been in place for more than a decade, the adoption of Management Accounting Practices (MAP) still differs widely from one province to another. These uneven practices often lead to disparities in the quality of financial statements, the effectiveness of internal oversight, and even the prevalence of regional corruption, illustrating how inconsistent MAP implementation can shape the broader landscape of governance performance across Indonesia (Halim & Abdullah, 2016).

Previous studies have shown a close relationship between MAP and the achievement of good governance. For example, the effectiveness of internal audits has been proven to reduce the likelihood of fraud and improve the quality of budget utilisation (Shidqi & Arfiansyah, 2025). Similarly, the implementation of SAP and budget transparency has a positive impact on the quality of regional financial reports (Suryanto & Kurniati, 2025), while human resource competence plays an important role in maintaining the reliability of accounting information (Marhamah & Indriastuti, 2024).

In the public sector, Management Accounting Practices (MAP) encompass a range of instruments, including government accounting systems, internal control mechanisms, internal audits, budget transparency initiatives, and the competencies of financial management personnel. Beyond producing reliable accounting information, MAP serves as a crucial foundation that enables governments to carry out key functions such as planning, controlling, budgeting, and accountability in a more coherent and effective manner. These practices form the backbone of how public institutions manage resources and uphold responsible governance (Mardiasmo, 2018).

Considering these conditions, this study aims to analyse the extent to which MAP contributes to strengthening good governance at the provincial government level in Indonesia through a synthesis of the latest empirical evidence.

## RESEARCH METHODS

This study uses a *Systematic Literature Review* (SLR) approach to examine the relationship between *Management Accounting Practices* (MAP) and *good governance* in provincial governments in Indonesia. This approach was chosen because research on MAP integration and the quality of regional governance is still limited and scattered across various national and international journals, so a structured and transparent synthesis method is needed (Setyawan, 2025).

### Research Design

The research design is descriptive explanatory, namely providing a comprehensive picture of the pattern of relationships between variables based on previous empirical findings. SLR also allows researchers to identify research gaps, consistency of findings, and contextual factors that influence MAP implementation in the public sector (Hamzah et al., 2024).

### Data Analysis Techniques

The analysis procedure is carried out in four stages:

1. **Literature Identification and Selection**

All relevant articles were collected, then selected based on title, abstract, and topic suitability.

2. **Data Extraction**

Key information such as MAP variables, governance indicators, analysis methods, and main findings are recorded in a matrix table .

3. **Synthesis of Findings (Narrative Synthesis )**

Research results are compared to find similarities in patterns, differences in context, and strengthening of theory.

**Validation and Triangulation** Validity is strengthened by comparing results between articles and evaluating method consistency and data quality.

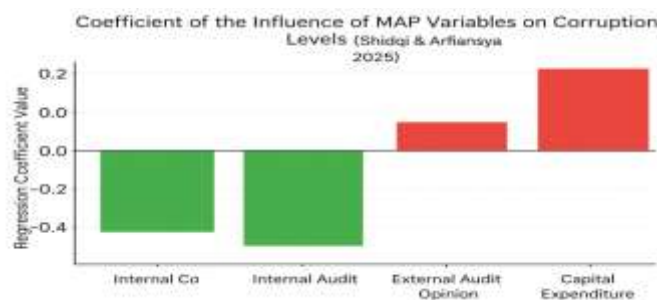
## RESULTS AND DISCUSSION

### The Influence of Internal Control and Internal Audit

Research by Shidqi & Arfiansyah (2025) shows a significant negative relationship between the effectiveness of internal control and the level of regional corruption. The panel regression model shows that the higher the SPIP maturity level, the lower the level of budget deviation.

Regression Results of the Effect of MAP on Corruption Levels

Independent Variables	Coefficient	t-Statistic	Sig.	Direction of Relationship
Internal Control	-0.268	-4.23	0.000	Significant negative
Internal Audit	-0.311	-3.97	0.000	Significant negative
Audit Opinion	+0.047	0.88	0.378	Not significant
Capital Expenditure	+0.192	2.91	0.004	Significant positive



The results show that strong internal control systems substantially limit opportunities for

budget manipulation and strengthen monitoring effectiveness. A well-established control environment helps close potential loopholes for fraudulent behavior, aligning with the framework, which emphasizes that an effective control environment is essential for minimizing fraud risks and preventing irregularities.

Competent internal auditors (APIP) act as a deterrent mechanism that heightens the vigilance of government officials. This finding is consistent with local studies showing that stronger APIP capacity directly contributes to fewer audit findings reported by the Supreme Audit Agency (BPK) (Indriani & Harahap, 2021).

Many provincial governments continue to receive unqualified opinions (WTP) despite ongoing budget irregularities. This situation reflects long-standing criticisms that government audit systems tend to emphasize administrative compliance rather than evaluating behavioral integrity and the overall quality of governance (Nugroho & Prabowo, 2020).

This sector remains highly vulnerable because physical projects and procurement activities provide ample room for manipulation. International literature likewise identifies infrastructure spending as particularly prone to rent-seeking behaviors and corruption risks (Rose, 2017).

**Graph of the Influence Coefficient of the MAP Variable on the Level of Corruption**

The graph above shows that internal control and internal audit have a significant negative effect on corruption levels, while capital expenditures show a positive effect. This means that strengthening internal control and internal audit systems is effective in reducing the potential for financial irregularities, while increasing capital expenditures requires strict oversight.

**Transparency and Quality of Financial Reports**

Suryanto & Kurniati (2025) examined 34 provinces in Indonesia and found that budget transparency and SAP implementation positively impacted the quality of regional financial reports ( $R^2 = 0.682$ ,  $p < 0.01$ ). These results confirm that financial transparency is a crucial component for improving public accountability, particularly when financial reports are managed using *e-budgeting* and *open data systems*.

Variables	Coefficient	Sig.	Interpretation
Public Accounting System	0.421	0.000	Improve reporting reliability
Budget Transparency	0.376	0.002	Strengthening public accountability
Control Factors	0.058	0.173	Not significant

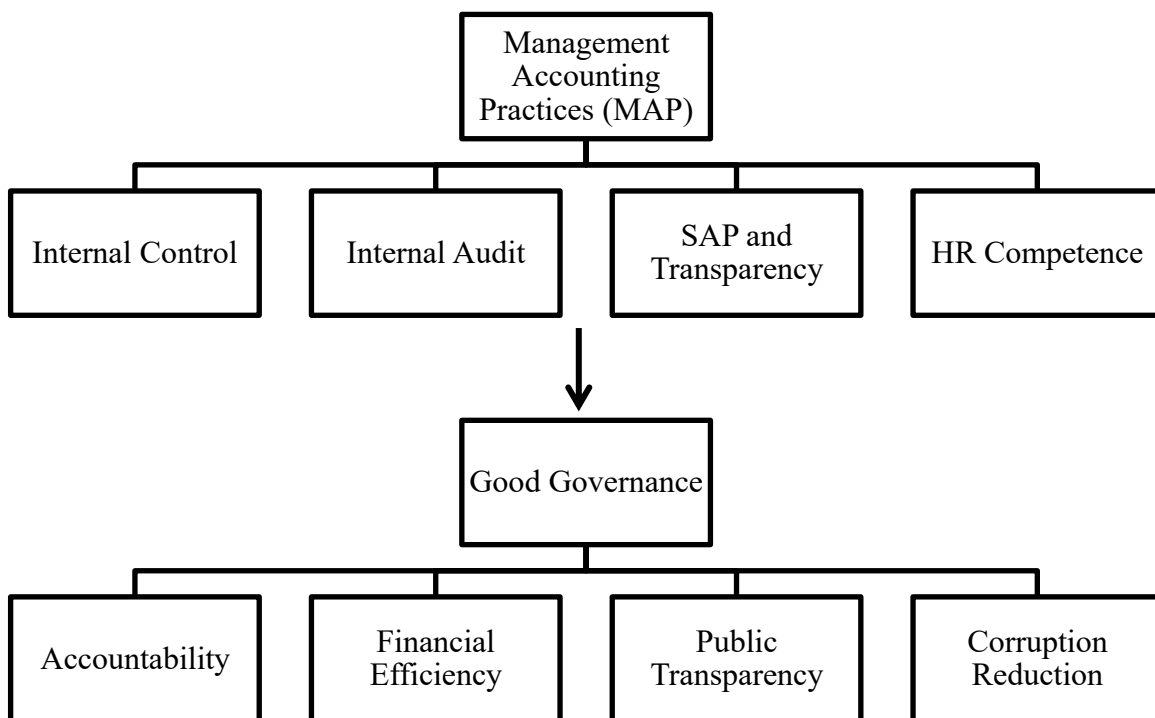
The findings emphasize that implementing accrual-based Government Accounting Standards (SAP) is essential for enhancing the reliability and usefulness of financial statements, while the adoption of e-budgeting systems and open-data platforms helps curb information manipulation and opens wider opportunities for the public to monitor the use of government funds. These insights align with Indonesian research indicating that greater transparency in budget information strengthens government accountability and significantly reduces the potential for fraudulent practices (Putri & Hardi, 2022).

**HR Competence and Internal Audit**

Variables	Beta Coefficient	Sig.	Influence
HR Competence	0.524	0.000	Significant positive
SAP Implementation	0.308	0.004	Significant positive
Internal Audit	0.247	0.012	Significant positive

The competence of government officials and the implementation of SAP have a significant positive influence on the quality of public accounting information. In other words, the success of MAP is determined not only by a good system, but also by the ability of human resources to manage and interpret financial information.

The competence of human resources emerges as the most influential factor, indicating that the success of Management Accounting Practices (MAP) is heavily dependent on the capabilities of government personnel. Accrual based accounting reforms require staff who understand accounting standards, account classifications, asset valuation, and the handling of complex governmental transactions. Consistent implementation of SAP further strengthens the quality of financial information, as a solid grasp of these standards helps reduce the errors that were common under cash-based systems. Internal audits also play a key role in reinforcing oversight functions and improving the reliability of financial reporting, with internal auditors (APIP) serving not only as examiners but also as providers of quality assurance and advisory support.



This chart illustrates that MAP acts as a basis for establishing good governance through a combination of internal control systems, professionalism of the apparatus, and transparent and consistent implementation of SAP.

The diagram illustrates that Management Accounting Practices (MAP) operate as an integrated system forming the core foundation of good public governance.

When MAP functions effectively, it leads to several key improvements:

- Greater accountability within government institutions
- Stronger public transparency in financial and administrative processes
- More efficient budgeting procedures and resource allocation

- Reduced opportunities for corruption and misuse of funds

MAP is not merely a technical accounting tool it serves as a strategic mechanism that shapes the quality of decision-making, strengthens the integrity of the public sector, and builds greater public trust in government performance.

### **Implementation of Accrual Accounting in Provincial Governments**

The transition from a cash-based system to an accrual accounting framework marks a significant leap for regional bureaucracies, and although many provinces have experienced improvements in the quality of their financial reporting, these gains have not always translated into better financial analysis. Ashari (2025) highlights that the adoption of accrual accounting provides more detailed information on assets, liabilities, and costs, allowing governments to plan more effectively for long-term needs such as asset maintenance and debt management. Despite these benefits, the level of understanding among government employees remains uneven, particularly among those who have not received adequate technical training.

Adiputra (2020) emphasizes that provincial governments with strong accounting units tend to be better prepared for the transition to accrual-based systems. Provinces such as DKI Jakarta and West Java, for example, benefit from more developed organizational structures and established cost-analysis units. In contrast, provinces with more complex institutional arrangements often struggle with coordination across regional offices (OPD), leading to delays and inconsistencies in transaction data.

In several regions, the adoption of accrual accounting remains largely compliance based implemented mainly to satisfy regulatory requirements rather than out of a genuine understanding of its benefits. As a result, accrual information is often used solely for preparing financial statements and not for evaluating program efficiency or supporting managerial decisions. This limited utilization creates a significant barrier to improving overall governance quality.

### **Management Accounting Practices and Improvements in Budget Planning**

Management accounting plays a crucial role in producing cost information that supports the development of government budgets. Fitriati (2019) found that integrating performance-based budgeting with management accounting can significantly improve the effectiveness of planning processes. However, many provinces still underutilize cost analysis when preparing their budget proposals (RKA), resulting in budget structures that remain heavily influenced by incremental patterns rather than evidence-based financial planning.

Ahyaruddin & Akbar (2018) highlight that cost information is essential for assessing the efficiency of government units, yet many provincial governments still lack adequate cost accounting systems. In practice, the allocation of personnel and operational expenditures often fails to accurately reflect program activities, making it difficult to conduct meaningful program evaluations. Another persistent issue is the weak integration between planning units and financial management units; in several provinces, these two functions operate separately, resulting in accounting information not being fully utilized to support decision-making.

### **Internal Control and the Quality of Financial Reporting**

Internal control serves as a central pillar of good governance, shows that strong control mechanisms significantly reinforce the link between accounting practices and the quality of financial reporting. Provinces with well-functioning inspectorates and competent internal auditors are more likely to consistently obtain unqualified audit opinions (WTP), reflecting the reliability and integrity of their financial statements.

Haryanto (2020) found that provinces with higher levels of administrative integrity are better at minimizing the risk of recording errors and transaction manipulation. Further emphasize that high-quality internal audits generate concrete improvement recommendations for government agencies (OPD), leading to gradual improvements in financial reporting. However, common issues persist, including infrequent internal audit activities and weak follow up actions on audit recommendations. In many regions, audits are still viewed merely as a formality, which prevents meaningful system improvements and limits the overall effectiveness of governance reforms.

### **Human Resource Competence as a Key Determinant of Success**

Many provincial governments continue to struggle with the issue of personnel competence, which often becomes the deciding factor in whether accounting reforms succeed or fall short. Shows that mastery of technical skills especially accounting principles is one of the strongest indicators that a province will manage the shift to accrual accounting effectively. Complementing this, Lestari (2021) observes that regions investing heavily in continuous training tend to produce financial reports that are far more precise and dependable. Yet competence is not shaped by technical ability alone; it also depends on broader capabilities such as analytical reasoning and an understanding of public policy. In practice, many staff members can prepare financial statements but struggle to interpret the numbers in a way that supports policy decisions. Another issue that frequently disrupts progress is the rapid rotation of personnel, which drains institutional memory. When experienced accounting officers are reassigned, units lose hard earned expertise and are forced to rebuild capacity from the ground up, slowing the momentum of reform.

### **The Relationship Between Accounting Practices and Good Governance**

At its core, good governance thrives on transparency, accountability, and effectiveness. Abdullah (2018) highlights that a robust accounting system can illuminate fiscal flows, giving the public and stakeholders a clearer view of government finances. Meanwhile, emphasize that strong internal controls do more than prevent mismanagement they actively enhance government performance. This shows that accounting practices are far more than record keeping, they serve as strategic tools that shape the quality and integrity of public governance.

International research by Benzine (2024) reinforces the idea that modern accounting standards only reach their full potential when backed by a strong organizational culture. Fahlevi (2022) adds that in Indonesia, the shift to accrual accounting has yet to fully influence decision making processes, largely because bureaucratic practices remain predominantly administrative rather than strategic.

That leadership commitment is the most decisive factor in successful accounting modernization. Provinces led by visionary leaders tend to align management accounting with evidence based policy, turning accounting practices into more than just technical tools. In these contexts, accounting becomes an institutional mechanism that reinforces both integrity and the overall quality of governance.

## **CONCLUSION**

The implementation of *Management Accounting Practices* has been proven to significantly improve the quality of governance in Indonesia. Effective internal controls and

internal audits can reduce the risk of financial irregularities, while transparency and the implementation of SAP contribute to increased accountability in financial reporting. Provincial governments need to strengthen the inspectorate's function, optimize the digitalization of public accounting, and improve human resource competency to ensure the sustainable implementation of good governance principles.

This study demonstrates that Management Accounting Practices (MAP) play a pivotal role in enhancing the quality of governance in Indonesian provincial governments. Internal controls, internal audits, budget transparency, staff competence, and the implementation of accrual-based accounting standards all contribute to higher accountability, greater transparency, and reduced corruption. Capital expenditures, on the other hand, remain a high-risk area that requires stringent oversight. Overall, MAP serves as the cornerstone of good governance and stands out as a key element that must be strengthened within the agenda of regional financial reform.

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