

THE ACCOUNTING ROLE OF PUBLIC SECTOR MANAGEMENT IN SUPPORTING GOOD GOVERNANCE

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Abstract: Public sector organizations are synonymous with government or business entities to perform public services. Management accounting is a field of accounting whose focus is to help management make plans for logical economic goals and make decisions. This research aims to find out how public sector management accounting plays a supporting role *good governance*. This research is a qualitative descriptive research, with research methods whose data sources come from literature studies, namely from various references. The research results obtained are based on various studies that public sector management accounting, with its various tasks in terms of planning, budgeting, control and evaluation, plays an important role in realizing good governance (*good governance*), which includes the principles of accountability, transparency, effectiveness and efficiency.

Keywords: management accounting, *good governance*, public sector.

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1. Introduction

Public sector organizations can be understood as an entity whose activities are related to efforts to produce public goods and services in order to meet public needs and rights. Public sector organizations that are identical to governments or business entities whose ownership is largely in the hands of the government are responsible for performing public services to fulfill *public welfare* in various areas of life, namely the economy, health, education, security, religious freedom and others.

In the current era of advances in information technology and bureaucratic reform in various aspects, people's demands for a government that is responsible, honest and performs well are basic and important. The main focus for all governments from the center to the regions which are public sector organizations is for achieve good governance (*good governance*), which includes the principles of accountability, transparency, responsibility, efficiency and effectiveness.

According to Nasution in Maolani (2023), accountability is the ability to provide accountability for the management of public resources, including state money, by ensuring that their use is in accordance with established regulations and goals. The monetary crisis that has occurred in various countries, including Indonesia, is the impact of unaccountable and trustworthy government. This makes Indonesian people increasingly selective and actively participate in the running of government. Society becomes *trust issue*, lose trust, and become even more responsive to the government, always demanding perfection due to concerns about

a recurrence of the monetary crisis. Therefore, the public wants clear and transparent accountability from the government to prevent violations that result in a national crisis. This is in line with Maolani's (2023) research which states challenges remain considerable in improving public accountability systems and *good governance* in Indonesia. In some government agencies it is observed that the level of transparency and accountability is still low, there are many corrupt practices and nepotism within government officials, and there is still a low desire among the public to participate in the policy-making process. So efforts must continue to be made to improve the public accountability system and *good governance*.

One of the main obstacles to implementation *good governance* is the complexity of an inefficient bureaucratic system. This will be a barrier to realizing a fast and appropriate public service. According to Yasa et al. in Putri Inka (2025), bureaucratic unpreparedness in responding to community needs is a significant factor that hinders service quality. Too long an administrative procedure and complex can slow down the distribution of information and service processes, thereby causing dissatisfaction among the public.

Antwi et al in Ratnasari (2020), the public sector is often perceived as inefficient and effective in carrying out its operations, even though the public sector has an important role in the economy. Various changes to public sector organizations must continue to be made to provide better public services in an effective and efficient manner.

Accountants as one of the professions involved in managing an organization are one part of management to carry out their function as providers of financial information presented in the organization's financial reports. Two different areas of accounting are financial accounting which focuses on collecting accounting data to create financial reports, and management accounting which focuses on helping management make plans for logical economic goals and make decisions, as well as maximizing profits and minimizing losses. Organizational management accounting processes seek to provide managers with information for control, coordination, and planning. Management Accounting provides accurate, relevant and timely information, which assists public managers in creating strategic plans, controlling finances, evaluating performance and making informed decisions (Muna & Lautania, 2022).

According to (Putri Inka et al., 2025) Public Sector Accounting has developed from an administrative tool into an important system that supports transparency and accountability in an ideal government system. More specifically, public sector management accounting plays a very important role. Public sector organizations aim to provide services to the public, unlike the profit-focused private sector. Therefore, management accounting must be changed to improve transparency, effectiveness and efficiency of the management of State resources. Yafizham (2022) proves that in the research that has been carried out and states that the role of accounting in realizing accountability at the North Sumatra Social Service is very important.

From the various previous studies that have been described and explained above, through this research we will further examine the role of public sector management accounting in supporting *good governance*?

2. Research Methods

This study is qualitatively descriptive. The aim of this research is to provide a deeper view regarding the role of management accounting in supporting *good governance* or good governance in the public sector.

The research methodology used is in the form of literature studies. Data collection comes from various libraries, namely scientific journals of previous research that are relevant and

similar to those studied, books about accounting and the public sector, as well as other references.

3. Results and Discussion

The Role of Public Sector Management Accounting

Public sector management accounting activities cannot be separated from activity planning and control activities. The organization definitely has goals to achieve so planning activities are needed. So that the activities carried out are in accordance with planning and do not deviate, other activities are needed, namely control. So planning and control are the most crucial activities to carry out because: Planning without control is of course something that has been determined in planning that is impossible to achieve either. The planning and control process includes:

- a. Goal planning and fundamental goals
- b. Operational planning
- c. Budgeting
- d. Control and Measurement
- e. Analysis reporting and Feedback

Mardiasmo (2018) states that the duties and responsibilities of public sector management accounting include:

a. Strategic planning

Activities carried out in various programs use existing resources and priorities. The allocation of funds is anticipated to be economical, efficient and effective, so management information is needed to determine the total cost of the program (*cost of the program*) and determine the costs of an activity (*cost of the activity*). The reliability of accounting information system management will reduce the possibility of waste, leakage of funds, and can identify programs that are not commercially viable.

b. Providing Cost Information

Costs that can be identified in public sector accounting are:

- 1) Input expenditures, such as labor and raw materials, are more important when budgeting finances and making decisions.
- 2) Process costs, in the form of cost sharing in accordance with organizational objectives in the public sector, include costs for the health service, education department SKPD, regional costs.
- 3) Output costs, or prices incurred to obtain goods to be delivered to customers. What is important in this case is optimal perception of service from the following factors: delivery time, delivery quality, cost, location, distribution, and service method.

c. Investment valuation.

An assessment of investments in the public sector can be made by identifying the costs, risks and returns of an investment and its benefits. The purpose of investment assessment is to determine the improvement in public welfare from an investment. Some other elements considered are the discount rate, the inflation rate, the risk rate, the absence of guarantees and the sources of funding.

d. Budgeting

The role of management accounting in the public sector is effective and efficient budgeting. Purpose of budget preparation:

- 1) As a planning tool,
- 2) To carry out control,

- 3) As a policy instrument,
 - 4) As a political instrument,
 - 5) To facilitate coordination and communication,
 - 6) As a work assessment tool.
- e. Calculating Service Fees
Services must be accessible, of high quality, delivered quickly and accurately. Public sector management accounting can identify the various costs that need to be recorded for offering services to the general public using a variety of approaches
- f. Performance Evaluation.
Comparison actual and planned results in the planning function, public sector management accounting can evaluate the performance of all employees, related units or public institutions. Another method that can be used for performance assessment with financial ratio analysis, *balanced scorecard*, and other measurement methods.

Concept Good Governance

According to Dwiyanto in Andini (2025), *good governance* refers to the implementation of strong and responsible development management, running in accordance with the principles of democracy and market efficiency. *Good governance* also highlights the importance of preventing errors in the distribution of investment funds, combating corrupt practices in both the political and administrative domains, imposing strict budgetary discipline and establishing a legal and political framework that supports the growth of business activity.

Good governance it is an effective, efficient and responsible government administration while maintaining the synergy of positive interaction between the state, private sector and society. As stated by Nguyen et al in Usman, et al (2022), effective public services, a reliable justice system, and government that is accountable to the people are examples of good governance.

Good governance, or good governance, refers to the principles of government administration that uphold transparency, accountability, community participation, the rule of law, effectiveness, efficiency and fairness in serving the public.

The Role of Management Accounting in Supporting Good Governance

Management accounting has a key role to play in supporting the application of the principles of good governance in the public sector. Management accounting helps government agencies achieve transparency and accountability in public resource management by providing appropriate, relevant and accountable financial information,. Good governance principles such as openness, responsibility, fairness and integrity can be applied more effectively if reports and decision-making are based on measurable and verified data.

The implementation of good governance requires that public organizations not only report the results of activities, but also provide adequate information to explain the basis for decision making, measurement methods, and responsibilities of each party involved. Management accounting acts as a tool that links operational activities with organizational goals through creating open financial reports and performance reports. This is in accordance with Andini's research (2025).

According to Utami and Berliani (2024), the implementation of management accounting that is integrated with good governance principles has a significant impact on improving the quality of financial reports in local government. This is reinforced by Santoso et al., in Andini

(2025) who state that public accounting practices are transparent and applicable *good governance* can increase public trust in government institutions.

The implementation of management accounting in line with the principles of good governance also helps build a more transparent and accountable organizational culture, with each activity and budget use that can be monitored and evaluated through financial reports and performance reports that can be accounted for. This step not only increases public trust in government institutions but also strengthens the organization's commitment to implementing clean, honest and professional governance.

Management accounting also strengthens the internal control system by focusing on the importance of the evaluation and accountability process which is carried out continuously. Through this mechanism, public institutions can ensure that budget use and program implementation are truly regulated and provide real benefits to society. Therefore, collaboration between management accounting and implementation *good governance* become the main foundation in forming a government that is transparent, efficient and focuses on quality public services.

Sianipar N, et al in Andini (2025) stated that the role of Management Accounting in decision making is becoming increasingly important, due to the demand to use data in decision making (*data driven decision making*) and improve cost efficiency. Quality information from Management Accounting can improve decision quality, efficiency and organizational transparency. With respect to transparency, accounting ensures that information provided to the public is accurate and honest.

When linked to accountability, accounting serves as a tool for measuring the performance of public sector organizations. So the quality of public manager decisions depends largely on the level of clarity and reliability of the information obtained from the management accounting system used.

Apart from all this, there have been positive developments regarding public awareness and active participation in the decision-making process. This is in line with increasing demands for transparency, accountability and integrity in government management.

Public sector management accounting also plays a role in increasing the efficiency and effectiveness of government organizational performance. The application of a carefully designed management accounting information system can be used by each work unit to evaluate whether resources have been used optimally and contributed to achieving the strategic objectives of the institution. Public sector management accounting supports the principle *value for money* by ensuring maximum results are achieved through efficient cost management.

4. Conclusion

Based on the results of the discussion, as a whole, it can be concluded that:

- a. Synergy between management accounting and good governance (*good governance*) not only strengthen reporting and supervision but also encourage the creation of a transparent, accountable and integrity government. Consistent application of these two aspects will improve the quality of managerial decision making and strengthen public trust in government institutions.
- b. Public sector management accounting also acts as a policy analysis tool, which is crucial in the evaluation of public programmes and activities. Presenting cost, benefit, as well as potential risk information from various policy alternatives, public sector management

accounting assists decision makers in assessing the feasibility and impact of policies in an objective and measurable manner.

- c. Management accounting plays a key role in public sector financial management to make it more transparent, accountable and efficient. Through the implementation of a well-organized management accounting system, government institutions can improve the functions of planning, budget supervision and organizational performance assessment. This means that management accounting is a major element in implementing good governance principles (*good governance*) in a government environment.
- d. Conceptually, public sector management accounting emphasizes that accounting is not limited to financial recording activities, but as a strategic instrument in the governance system that focuses on the integration of financial and managerial aspects to achieve this *good governance*.

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