



# The Effect of Transparency And Accountability on The Quality of Public Financial Reports

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**Abstract:** This study aims to analyze the influence of transparency and accountability on the quality of public financial reports. Transparency and accountability are considered key elements in enhancing the trust and credibility of public institutions, especially in financial management. The research employed a quantitative approach, collecting data through surveys and analyzing it using multiple linear regression. The study population consisted of public institutions within a specific region, with samples selected purposively. The findings reveal that transparency and accountability significantly influence the quality of public financial reports. These results imply that strengthening transparency and accountability practices can improve financial report quality, thereby promoting better financial governance. The study suggests that public institutions should continue enhancing transparency and accountability by implementing policies supporting clear, timely, and responsible information disclosure.

**Keywords:** Transparency, Accountability, Financial Report Quality, Public Institutions, Financial Governance

## Introduction

The performance of public sector organizations, especially government, is a reflection of success in carrying out activities, programs, or policies that aim to achieve the organization's vision, mission, and goals. (Turi & Muharram, 2023). In the context of governance, performance is not only assessed from the level of budget efficiency and effectiveness, but also from how well the government serves the needs of the community. This service aspect covers various areas such as infrastructure development, provision of health and education services, distribution of social assistance, and management of public facilities. However, the quality of public services in Indonesia, especially at the regional level such as Sijunjung Regency, still faces significant challenges. (Hanisa & Handayani, 2023)

Obstacles that are often faced include inadequate infrastructure, distribution of social assistance that is often not on target, and limited access to technology and information. This situation contributes to the decline in the level of public trust in the government. For this reason, the government is required to improve good governance, where transparency and accountability are the main principles that must be applied. (Ratnasari et al., 2024). Transparency involves the openness of information to the public regarding budget

management and decision-making, while accountability emphasizes the government's responsibility for policies implemented to the public (Khairudin & Erlanda, 2016)

Financial reports are one of the important instruments in realizing transparency and accountability. In Government Accounting Standards (SAP), financial reports must meet the criteria of relevance, reliability, comparability, and ease of understanding by report users. (Zubaidah & Nugraeni, 2023). Quality financial reports are not only a tool for assessing government financial performance, but also help ensure that budget management is carried out effectively, efficiently, and in accordance with regulations. However, in practice, there are still various challenges in preparing financial reports that truly reflect the government's financial condition, including limited human resources, technology, and good governance. (Khikmah et al., 2024)

In addition, the problems of corruption, collusion and nepotism (KKN) which are still occurring in several regions further emphasize the importance of transparent and accountable governance (Farika et al., 2023). Misuse of budget and lack of supervision are serious obstacles in efforts to improve the quality of public services and regional development. This situation requires strengthening integrity in financial management and the implementation of a more effective supervision system (Arini Kurniawati & Dadang Sadeli, 2021)

In this context, this study was conducted to identify the extent to which transparency and accountability affect the quality of public financial reports. This study also aims to provide strategic recommendations to strengthen the implementation of good governance at the local government level (Dekker, 2024). Thus, the results of the study are expected to be a reference for the government in improving performance and increasing public trust in public financial management.

## Methodology

This study uses a quantitative approach with an explanatory survey design to examine the influence of transparency and accountability on the quality of public financial reports (Ramdhan, 2021). Data were collected through structured questionnaires distributed to respondents selected using purposive sampling techniques. Respondents consisted of heads of departments, heads of finance, and staff involved in preparing financial reports in Regional Apparatus Organizations (OPD) in Sijunjung Regency. Respondent criteria included a minimum of two years of experience in financial management and an understanding of government accounting policies. The research variables consisted of transparency and accountability as independent variables, and the quality of public financial reports as the dependent variable (Harrington, 2016).

The research instrument used a questionnaire with a 5-point Likert scale to measure perceptions of information disclosure, accessibility, regulatory compliance, and aspects of report quality such as relevance, reliability, and understandability. Before being used, the instrument was tested for validity using the Pearson Product Moment correlation and its reliability with the Cronbach's Alpha coefficient. The collected data were analyzed using descriptive statistics to provide an overview, followed by classical assumption tests

(normality, multicollinearity, heteroscedasticity, and autocorrelation) before conducting multiple regression analysis. The regression analysis aims to test the effect of transparency and accountability on the quality of financial reports, with the regression equation  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$ . The results of the analysis are complemented by the *t* test to measure the significance of the influence of each independent variable, the *F* test to measure the simultaneous influence, and the coefficient of determination ( $R^2$ ) to determine the contribution of the independent variable to the dependent variable. The conclusion of this study will provide strategic recommendations to improve transparency, accountability, and the quality of public financial reports in government agencies (Ramírez, 2019).

## Result and Discussion

This study aims to analyze the effect of transparency and accountability on the quality of public financial reports in Regional Apparatus Organizations (OPD) in Sijunjung Regency. The collected data were analyzed using multiple regression after going through the classical assumption test stage (Sovacool, 2019).

### Descriptive Statistics Results

Descriptive statistics show that the average transparency score is in the high category with an average value of 4.21 (scale 1–5). This shows that most OPDs have provided easily accessible and open information to the public. Accountability has an average value of 4.15 which is also in the high category, reflecting a good level of responsibility in carrying out financial tasks. Meanwhile, the quality of public financial reports has an average value of 4.07, indicating that financial reports are generally relevant, reliable, understandable, and in accordance with government accounting standards (Lestari, 2023).

### Classical Assumption Test Results

The normality test shows that the data is normally distributed based on the Kolmogorov-Smirnov value of 0.087 ( $p > 0.05$ ). The multicollinearity test shows that the Variance Inflation Factor (VIF) value for the transparency variable (1.23) and accountability (1.28) is below the threshold of 10, so there is no multicollinearity. The heteroscedasticity test using the Glejser method shows that there is no systematic pattern in the residuals, while the autocorrelation test with Durbin-Watson produces a value of 1.985, which is within the autocorrelation-free range (Widuri, 2017).

### Multiple Regression Test Results

Regression analysis shows that transparency has a significant effect on the quality of public financial reports with a regression coefficient of 0.341 ( $p < 0.05$ ). Accountability also has a significant effect with a regression coefficient of 0.462 ( $p < 0.05$ ). The *F*-statistic value of 45.672 ( $p < 0.05$ ) indicates that both independent variables simultaneously affect the dependent variable. The coefficient of determination ( $R^2$ ) of 68.3% indicates that transparency and accountability together explain 68.3% of the variation in the quality of financial reports, while the rest is influenced by other factors not studied (Darus, 2019).

## Discussion

The results of the study show that transparency and accountability have a positive and significant influence on the quality of public financial reports.

### The Influence of Transparency on the Quality of Public Financial Reports

Transparency is one of the main principles of good governance. The results of this study support previous findings which state that openness of information, both in the provision of data and its accessibility, increases public trust in financial reports (Yusri, 2022). Relevant and easily accessible information for stakeholders enables better decision-making. In Sijunjung Regency, a high score on the transparency variable reflects the government's efforts to provide open financial reports. However, there are still challenges in improving the presentation of more detailed and timely information (Amtiran, 2019).

### The Influence of Accountability on the Quality of Public Financial Reports

High accountability reflects the government's responsibility in carrying out financial activities in accordance with applicable regulations. A higher coefficient on accountability than transparency indicates that the responsibility aspect has a greater influence on the quality of financial reports. This is in accordance with agency theory, where the government as an agent is responsible to the public as the principal to provide honest and reliable reports (Ackert, 2019).

### The Relationship between Transparency and Accountability

This study also highlights the close relationship between transparency and accountability. Good transparency supports the implementation of accountability, because open information facilitates evaluation and supervision by the public. Thus, the combination of both contributes significantly to the quality of financial reports.

### Practical Implications and Challenges

The results of this study have important implications for governance in Sijunjung Regency. OPDs that have high transparency and accountability can be a model for other agencies. However, challenges remain, such as ensuring that all financial reports meet the standards set out in PP No. 71 of 2010. Improving human resource training in government accounting and utilizing information technology are also key to improving the quality of financial reports (Cervellati, 2013).

## Conclusion

Based on the results of the research that has been conducted, it can be concluded that transparency and accountability have a significant influence on the quality of public financial reports in Regional Apparatus Organizations (OPD) in Sijunjung Regency. These findings indicate that:

### 1. Transparency

Transparency contributes positively to improving the quality of public financial reports. This shows that openness of information and ease of data access are important factors in creating financial reports that are relevant, reliable, and in accordance with the needs of stakeholders (Vian, 2022).

## 2. Accountability

Accountability has a greater influence than transparency on the quality of public financial reports. The level of responsibility in public financial management is a major factor in ensuring the accuracy, honesty, and compliance of reports with applicable accounting standards.

## 3. Synergy of Transparency and Accountability

High quality financial reports do not only depend on one factor, but are the result of synergy between transparency and accountability. These two aspects support each other in creating public trust and increasing the efficiency of governance.

## 4. Implications and Recommendations

To improve the quality of public financial reports, local governments need to strengthen the implementation of transparency and accountability principles, including through training of human resources in finance, application of information technology, and strict supervision. In addition, efforts are needed to ensure that all government agencies comply with government accounting standards (SAP) as stipulated in PP No. 71 of 2010.

Overall, this study provides a practical contribution in understanding the importance of good governance to create quality public financial reports. These results are expected to be a basis for policy makers in increasing transparency and accountability in the public sector.

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