

Implementation of Government Accounting Standards, Its Implications for Accountability and Transparency in Indonesian Local Governments

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Abstract

This study analyzes how the implementation of Government Accounting Standards (SAP) is associated with accountability and transparency in Indonesian local government financial reporting. A descriptive mixed-method design was applied. Quantitative evidence was derived from document analysis of audited 2023 Local Government Financial Statements (LKPD) from 15 city governments. Qualitative evidence was obtained from a survey of financial officers regarding implementation barriers. SAP implementation was operationalized through a normalized compliance index based on accuracy, completeness, timeliness, and transparency of disclosure. The findings show clear variation across local governments. Higher scores appear in governments with stronger staff capacity, more integrated information systems, and more active internal oversight. Lower scores are associated with limited technical training, fragmented data systems, and delays in report consolidation. The results indicate that formal adoption of SAP alone is not sufficient to produce accountable and transparent reporting. Implementation quality depends on organizational capacity and monitoring arrangements. This study contributes by combining compliance scoring with field-based perceptions of implementation barriers in one analytical frame and offers practical implications for training, digitalization, and audit follow-up.

Keywords: government accounting standards, accountability, transparency, local government, financial reporting

INTRODUCTION

Government Accounting Standards (SAP) are a central instrument in Indonesia's public financial management reform agenda. PP No. 71 of 2010 requires government financial reports to follow accrual-based standards, while Permendagri No. 77 of 2020 provides technical guidance for regional financial management. In principle, these regulations aim to strengthen accountability, improve disclosure quality, and support more transparent use of public resources ([Pemerintah Republik Indonesia, 2010, 2020](#)).

Previous studies show that disclosure quality and financial reporting compliance vary across Indonesian local governments. Research has documented differences in fiscal policy disclosure, mandatory disclosure, and online publication of financial statements, with institutional pressure, fiscal capacity, and audit environment often shaping reporting behavior ([Adiputra et al., 2018](#)). This means formal standard adoption does not automatically lead to uniform reporting quality.

The implementation problem is therefore no longer about whether SAP exists, but about how well local governments translate the standards into routine reporting practice. Earlier and more recent studies also note persistent barriers such as limited technical competence, uneven organizational readiness, weak demand for accounting information, and frequent adjustment pressures during reform implementation ([Mediaty et al., 2025](#)).

Despite that progress, an important gap remains. Much of the previous literature tests determinants of disclosure at a broad national scale or focuses on website transparency ([Arifin et al., 2015](#)). Fewer studies combine document-based compliance assessment with the perceptions of local financial officers to explain how SAP implementation is related simultaneously to accountability and transparency in local government reporting.

This study addresses that gap by examining 15 Indonesian city governments using a descriptive mixed-method design. The study asks two questions. First, how far do local governments comply with SAP in the presentation of their 2023 financial reports? Second, what organizational factors explain stronger or weaker accountability and transparency outcomes?

The analytical model is straightforward. The independent variable is the level of SAP implementation, measured through a compliance index. The dependent variables are accountability and transparency in financial reporting. Supporting factors include human resource capacity, information technology, internal oversight, and leadership commitment. This structure sharpens the research boundary and keeps the discussion focused on reporting quality rather than on broader fiscal performance.

By doing so, the study contributes practical evidence for local governments, inspectorates, and policymakers. It also refines the discussion on public sector reform by showing that accounting standards need organizational capacity and credible monitoring to generate meaningful accountability. ([Rakhman & Wijayana, 2024](#)). This is in line with Indonesia's recent efforts to undertake major government financial reform and is seeking to greatly enforce its financial accounting transparency. ([Arifin J, 2018](#)).

RESEARCH METHODS

This study uses a descriptive mixed-method design. The quantitative component assesses SAP compliance in audited local government financial statements, while the qualitative component captures implementation constraints through a survey of local

financial officers. This design is more accurate than describing the study as purely descriptive quantitative because the analysis combines document scoring and qualitative interpretation.

Research Framework and Boundaries

The research framework places SAP implementation as the independent variable. Accountability and transparency of financial reporting are the dependent variables. Four supporting factors are examined as explanatory conditions: human resource capacity, information technology infrastructure, internal oversight, and leadership commitment. These dimensions are consistent with prior studies that highlight organizational capacity, systems, and oversight as central determinants of reporting quality. ([Harun et al., 2019](#)). The study is limited to reporting practice and does not estimate causal effects on broader fiscal performance or service outcomes.

The unit of analysis is the local government financial report for fiscal year 2023. This revision therefore treats the evidence as cross-sectional, not longitudinal. The conflict between the earlier mention of 2019-2023 data and the table note referring only to 2023 has been removed so that the empirical scope is fully consistent.

Research Site and Sample

The sample consists of 15 city governments selected to represent variation in region and administrative capacity: Bandar Lampung, Surabaya, Bandung, Medan, Yogyakarta, Denpasar, Makassar, Semarang, Surakarta, Palembang, Bogor, Malang, Batam, Cirebon, and Pekanbaru. The earlier duplication between Surakarta and Solo has been corrected by replacing Solo with Bogor, and the earlier provincial-level entry has been replaced with Denpasar so that all units are comparable city governments.

The primary respondents are financial officers who are directly involved in report preparation, consolidation, or review. Secondary data consist of audited 2023 LKPD documents, including budget realization reports, balance sheets, operational reports, cash flow statements, and notes to the financial statements. The use of a normalized index makes the comparison independent from absolute budget size, which is appropriate for cross-government reporting comparisons in the Indonesian local government context ([Inata et al., 2022](#)).

Data Collection and Operationalization

Document analysis was used to score SAP implementation. Four dimensions were assessed on a 0-100 scale: accuracy, completeness, timeliness, and transparency of disclosure. Accuracy refers to consistency between statements and supporting classifications. Completeness refers to the presence of required components and explanatory notes. Timeliness refers to the punctuality and readiness of report submission. Transparency refers to clarity, disclosure depth, and accessibility of financial information. The overall compliance score is the arithmetic mean of these four dimensions. This operationalization is aligned with prior disclosure-based approaches used in Indonesian local government studies, although the present study applies it in a simplified descriptive index for cross-city comparison ([Inata et al., 2022](#)).

Accountability is interpreted through the traceability and audit-readiness of financial information, especially whether transactions and balances are reported in a way that supports verification and follow-up. Transparency is interpreted through the

extent to which financial information is disclosed clearly, sufficiently, and in a form that can be understood by users of the report. These definitions make the operational meaning of the key variables explicit and are consistent with the reporting objectives emphasized in SAP and local government transparency studies ([Pemerintah Republik Indonesia, 2010](#)).

Survey questions were designed to identify practical obstacles in SAP implementation, especially training adequacy, digital system integration, staffing sufficiency, and oversight support. Open-ended responses were retained to capture concrete implementation problems that may not appear in the formal financial statements.

Data Analysis and Ethics

Quantitative data were analyzed using descriptive statistics only. No regression model was estimated in this revised manuscript because the sample size is limited and the research objective is analytic description rather than causal inference. Qualitative responses were analyzed thematically to identify recurring implementation barriers. All respondents provided informed consent, and all data were anonymized before analysis.

RESULTS AND DISCUSSION

The analysis shows meaningful variation in SAP implementation across the 15 city governments. Overall compliance scores range from 75 to 90. This spread indicates that the challenge is not the existence of SAP as a formal rule, but the uneven organizational capacity to apply it consistently in day-to-day reporting.

Table 1 summarizes the overall compliance score and the main implementation barriers identified by respondents. Because the score is normalized, the table should be read as a comparison of reporting quality rather than fiscal scale.

The higher-scoring cases share three features: more stable technical staffing, better information system integration, and more active internal review before external audit. Lower-scoring cases are marked by delayed consolidation, uneven understanding of recent reporting requirements, and weaker coordination between accounting and budget units.

Table 1. Compliance Scores of Local Governments in Adhering to Government Accounting Standards

No.	Local Government	Compliance Score (0-100)	Challenges Identified
1	Bandar Lampung	90	Limited training resources for staff; inadequate IT systems
2	Surabaya	85	Lack of up-to-date guidance on accounting standards
3	Bandung	80	Insufficient human resources in the finance department
4	Medan	75	Difficulty in reconciling budget versus actual reports
5	Yogyakarta	88	Limited internal audit capacity

No.	Local Government	Compliance Score (0-100)	Challenges Identified
6	Denpasar	82	Inconsistent application of financial reporting guidelines
7	Makassar	78	Low awareness of recent SAP revisions among staff
8	Semarang	84	Complex reporting processes and data integration issues
9	Surakarta	86	Delays in the preparation of financial reports
10	Palembang	79	Inadequate financial training programs for staff
11	Bogor	80	Low levels of digital literacy among finance officers
12	Malang	87	Inconsistent budget allocation practices
13	Batam	81	Lack of standardization in financial document formats
14	Cirebon	77	Challenges in aligning financial reports with budgetary data
15	Pekanbaru	90	Strong oversight but limited capacity for full SAP integration

Source: Audited LKPD fiscal year 2023 and survey responses, processed by the authors.

Viewed through the accounting reform literature, this pattern confirms that standards are only one part of the accountability chain. Reform outcomes depend on whether local governments have enough supply capacity to produce reliable information and enough monitoring capacity to enforce reporting discipline ([Dewi et al., 2019](#)). In other words, compliance improves when technical capability and oversight move together.

The findings are consistent with prior studies that describe Indonesian local government reporting as strongly shaped by institutional pressure and organizational readiness ([Nor et al., 2019](#)). Local governments do not respond to SAP in the same way because they differ in internal capability, administrative routines, and disclosure incentives.

Human resource capacity remains the most visible bottleneck. Respondents from lower-scoring governments repeatedly mentioned limited training on SAP updates, staff rotation, and dependence on a small number of key officers. This condition weakens report accuracy and slows reconciliation, which is in line with evidence that human capital and staff competence are closely associated with reporting quality in Indonesian local governments. Internal control system and human resource competence positively influenced on the information quality of local government financial statement. ([Yuliati et al., 2019](#)).

Information technology also matters. Governments with more integrated financial applications report fewer problems in data matching, classification, and

reporting deadlines. Where digital systems are fragmented, officers spend more time on manual consolidation and verification, which increases the risk of inconsistency across statements, consistent with recent evidence on the positive role of information technology utilization in public sector financial reporting quality ([Mediaty et al., 2025](#); [Eliana et al., 2023](#)).

Oversight functions explain another part of the variation. Governments with stronger inspectorate involvement and clearer audit follow-up procedures tend to show better transparency and accountability outcomes. This supports the argument that SAP implementation becomes more credible when review mechanisms operate continuously rather than only at the end of the reporting cycle ([Muhtar et al., 2020](#)). Table 2 breaks the compliance score into its component dimensions. The table shows that gaps are not uniform. Some governments are relatively strong in accuracy but weaker in timeliness or transparency, which suggests that implementation problems are multidimensional.

Table 2. Compliance Dimensions Across Local Governments

No.	Local Government	Accuracy (%)	Completeness (%)	Timeliness (%)	Transparency (%)	Overall Compliance Score (%)
1	Bandar Lampung	95	92	93	90	90
2	Surabaya	90	88	85	82	85
3	Bandung	87	83	80	79	82
4	Medan	75	70	72	71	75
5	Yogyakarta	90	89	85	87	88
6	Denpasar	85	84	80	75	82
7	Makassar	80	78	75	73	78
8	Semarang	88	85	87	83	84
9	Surakarta	89	88	90	86	86
10	Palembang	78	75	74	72	79
11	Bogor	80	82	79	76	80
12	Malang	85	83	80	78	84
13	Batam	82	80	78	75	81
14	Cirebon	70	72	68	65	77
15	Pekanbaru	93	90	92	91	90

Source: Audited LKPD fiscal year 2023, scored by the authors.

Bandar Lampung and Pekanbaru record the highest overall scores, while Medan and Cirebon remain at the lower end of the distribution. Even so, the dimensional profile

is more informative than the final score alone. A government may produce relatively accurate numbers but still perform weakly in disclosure clarity or reporting timeliness.

Analysis of Implementation Barriers

The survey responses reveal that implementation barriers are practical and repetitive rather than exceptional. Three themes appear most often: human resource capacity, information technology and data integration, and the strength of oversight and leadership commitment.

1. Human Resource Capacity

Respondents emphasized that SAP implementation depends heavily on a small group of technically experienced officers. When training is irregular or staff turnover is high, knowledge gaps quickly appear in classification, note preparation, and reconciliation. This helps explain why completeness and transparency often lag behind basic numerical accuracy.

2. Information Technology and Data Integration

Several respondents reported that budgeting, treasury, asset, and accounting data still move through partially disconnected systems. Under those conditions, preparing LKPD requires repeated manual adjustments. Better system integration improves timeliness and reduces the risk of mismatch across report components, echoing recent evidence from Indonesian local governments ([Mediaty et al., 2025](#)).

3. Oversight and Leadership Commitment

Internal oversight and leadership commitment shape whether SAP is treated as a compliance burden or as a management tool. Where leaders support training, review meetings, and corrective follow-up, reporting quality improves. Where oversight is passive, technical problems remain unresolved until the external audit stage, which is consistent with the role of internal audit emphasized by [Muhtar et al. \(2020\)](#).

Discussion in Light of Theory

These findings can be read through an institutional and accounting-infrastructure perspective. Formal rules such as SAP create coercive pressure, but actual reporting quality also depends on supply factors such as skilled personnel and systems, as well as monitoring factors such as audit and internal review ([Rakhman & Wijayana, 2024](#)). The present results therefore support the view that public sector accounting reform is organizational before it is purely procedural.

The study also clarifies the relationship between accountability and transparency. Transparency grows when disclosures are clearer, more complete, and easier to verify. Accountability strengthens when the same information is structured in a way that supports audit trail, correction, and managerial follow-up. In practice, the two outcomes reinforce each other, but both remain contingent on implementation quality, as also suggested in prior studies on disclosure and transparency in Indonesian local governments ([Karunia et al., 2019](#)).

Practical Implications

For local governments, the priority is not only more regulation, but better implementation support. The evidence points to three immediate needs: periodic SAP-focused training, stronger application integration, and routine internal review before external audit submission. For policymakers, the implication is that compliance policy should be accompanied by capacity-building policy ([Arifin et al., 2015](#)).

CONCLUSION

This study shows that SAP implementation is positively associated with stronger accountability and transparency in local government financial reporting, but the strength of that relationship depends on implementation capacity. The descriptive evidence from 15 city governments indicates that higher compliance is linked to better technical staffing, more integrated information systems, and more active internal oversight, which is consistent with earlier Indonesian public sector accounting research ([Mediaty et al., 2025](#)).

The main implication is clear. Formal compliance with accounting standards is not enough. Local governments need sustained training, digital integration, and credible monitoring to translate SAP into better reporting practice ([Rakhman & Wijayana, 2024](#)). Future studies can extend this design by using a larger sample and inferential testing, but the present findings already provide a focused explanation of why reporting quality still varies under the same national standard.

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