

ACCOUNTING STANDARDS AND FINANCIAL TRANSPARENCY FOR PUBLIC ACCOUNTABILITY IN INDONESIA

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Abstract

This study examines the role of accounting standards and financial transparency in strengthening public accountability in Indonesia. Using a descriptive-comparative literature review, this study analyzes six selected journal articles published by Indonesian universities that discuss the implementation of accounting standards, financial reporting quality, accessibility of financial information, accounting information systems, and fraud prevention. The findings reveal that the implementation of accounting standards, including SAK ETAP and PSAK 112, contributes to improving the consistency and reliability of financial reporting. However, differences in reporting capacity, limited accessibility of financial statements, and weaknesses in information systems remain key challenges to achieving transparent and accountable financial governance. The study also highlights the relevance of fraud detection perspectives, particularly the fraud triangle theory, in supporting accountability through early identification of financial reporting risks. These findings indicate that public accountability in Indonesia requires not only compliance with accounting standards, but also stronger financial transparency, accessible reporting, reliable accounting information systems, and improved institutional capacity. The study contributes by positioning accounting standards and financial transparency as an integrated framework for enhancing public accountability in both public and private sector contexts in Indonesia.

Keywords: *Accounting standards; financial transparency; public accountability; financial reporting; Indonesia*

1. INTRODUCTION

Financial statements are one of the important instruments in providing financial information that is relevant to economic decision-making by various parties, both internal and external to the company. The existence of transparent and reliable financial statements not only reflects the financial performance of an entity, but also becomes a tool for management accountability to stakeholders. Along with the development of regulations and

the need for public information, the preparation of financial statements in Indonesia is required to follow applicable accounting standards, including the Financial Accounting Standards for Non-Public Accountable Entities (SAK ETAP) and the Financial Accounting Standard Statement (PSAK) 112 for Islamic entities.

However, the implementation of this accounting standard in Indonesia still faces various challenges. Research by Saputra et al. (2017) shows that PT. Fortuna Inti Alam has not fully implemented SAK ETAP in full, especially in the presentation of cash flow statements and notes on financial statements. Similar things were also found in the research of Pertiwi et al. (2023) on waqf institutions, which were not optimal in implementing PSAK 112. This condition indicates a gap between the provisions of accounting standards and practices in the field, which can affect the quality of financial statements and public trust in the entity.

In addition to the implementation of accounting standards, transparency and accessibility of financial statements are also important factors in increasing financial management accountability, especially in the public sector. Aliyah and Nahar (2012) emphasized the importance of the presentation and accessibility of regional financial reports as factors that affect the transparency and accountability of regional finances. This is relevant to the regional autonomy policy which demands openness and accountability in the financial management of local governments.

On the other hand, fraud in financial statements is still a serious threat that can reduce the reliability of financial information. Research by Ratmono et al. (2017) uses the fraud triangle theory to identify the factors that trigger fraud, namely pressure, opportunity, and rationalization. This theory is an important framework for auditors and related parties in detecting potential fraud in financial statements.

The implementation of the accounting information system is also an important highlight in supporting the quality of financial statements. Saputri et al. (2023) show that the digitization of accounting information systems has a positive effect on the quality of financial statements of service companies. This shows that digital transformation has a great contribution to improving the efficiency and accuracy of financial reports, especially in the current technological era.

Taking into account these findings, this study aims to conduct a comprehensive analysis of the application of accounting standards, transparency, and factors that affect the quality of financial statements in supporting financial accountability in Indonesia. This study is expected to contribute to the development of accounting policies, practices, and literature in Indonesia, especially in facing the challenges of implementing accounting standards, fraud risks, and transparency demands in the digital era.

2. RESEARCH METHOD

This study uses a literature study method with a descriptive-comparative approach. This literature study was conducted by examining six academic journal articles published by universities in Indonesia, which are relevant to the topics of the application of accounting standards, the quality of financial statements, transparency, accountability, and fraud triangle factors. The articles studied discussed the application of accounting standards (SAK ETAP and PSAK 112), accessibility of regional financial statements, the influence of accounting information systems on the quality of financial statements, financial statement fraud, and analysis of company financial performance.

The source of research data is in the form of scientific journal articles accessed through official university repositories and academic journal portals that are open to the public. The data collection technique is carried out through the stage of article identification, selection of relevant articles based on the criteria of topic and year of publication, and downloading the full article. Each article is then carefully read and its content is analyzed with a thematic approach.

The data analysis technique used is comparative analysis, which is by identifying similarities, differences, and relationships between the findings of each study. The analysis was carried out by comparing the methodology, research results, and conclusions of each article, so as to obtain a comprehensive picture of the implementation of accounting standards and transparency of financial statements in Indonesia. In addition, this study also analyzes the implications of the findings on accounting practices and policies in Indonesia, taking into account the relevance of fraud triangle theory, good governance, and other accounting literature.

With this method, the research is expected to provide a strong synthesis of how the implementation of accounting standards and transparency of financial statements supports increasing accountability in Indonesia.

3. RESULTS AND DISCUSSION

The results of the literature review show that the implementation of accounting standards in Indonesia still faces quite complex challenges, having a direct impact on the quality, transparency, and accountability of financial statements. Of the six journal articles analyzed, there are a number of key themes that can be studied in more depth:

1. Implementation of Accounting Standards

Research by Saputra et al. (2017) at PT. Fortuna Inti Alam revealed that the implementation of SAK ETAP has not fully complied with applicable standards, especially related to cash flow statements, equity change reports, and notes on financial statements. This reflects limitations in understanding and human resources, which has an impact on financial statements not complying with the provisions of accounting standards that are supposed to increase transparency and accountability. Pertiwi et al. (2023) also found similar challenges in the implementation of PSAK 112 in waqf institutions. Low technical understanding and limited support for the accounting system cause the financial statements of waqf institutions to not fully meet the mandated standards. This finding strengthens the opinion of Harahap (2014) and Suwardjono (2014) that the implementation of accounting standards requires education, technical assistance, and increased accounting literacy in order to run effectively and consistently.

2. Transparency and Accessibility of Regional Financial Statements

From the results of field observations, it is known that the morphology of the study area is a rolling hilly area with a slope of $\pm 10^\circ$, gully erosion formations are found at the bottom of the slope. It is known that the symptoms of subsidence that occur do not only show symptoms of soil movement due to circular sliding [6]. Aliyah and Nahar (2012) highlighted the importance of the presentation of regional financial statements and the accessibility of financial statements in increasing transparency and accountability in regional financial management. This research shows that public information disclosure, both through print and digital media, is a prerequisite for the creation of good governance in regional financial management. This supports the theory of Steccolini (2002) who emphasizes that fiscal transparency is an essential condition for public accountability. This research is also relevant in the context of fiscal decentralization in Indonesia, where local governments are required to manage finances effectively and accountable.

3. Accounting Information System and Financial Statement Quality

Saputri et al. (2023) revealed that the implementation of the accounting information system (SIA) has made a positive contribution to the quality of financial statements of service companies in North Jakarta. The digitization and automation of accounting processes has been shown to improve the accuracy, reliability, and relevance of financial information, according to the opinion of Wilkinson (2000) and Rommey & Steinbart (2015). The implementation of SIA also helps reduce the risk of manual recording errors and simplifies the reporting process, which ultimately supports increased transparency and accountability of financial statements.

4. Financial Report Fraud and the Fraud Triangle Theory

The research of Ratmono et al. (2017) used the fraud triangle framework (Cressey, 1953) to explain the factors that trigger the occurrence of financial statement fraud. The results of the study showed that pressure and opportunity had a significant influence, while rationalization was not significant. These findings are important for auditors and management in designing effective internal control systems. These findings are also relevant to Section 316 Auditing Standards (PSA No. 70) which requires auditors to consider the risk of fraud in auditing financial statements. In the context of Indonesia, where the level of internal supervision is still weak, these factors pose a serious challenge in maintaining the integrity of financial statements.

5. Analysis of the Company's Financial Performance

Manuhutu et al. (2020) assessed the financial performance of PT. Smartfren Telecom Tbk through the analysis of liquidity, solvency, profitability, and activity ratios. The study showed significant volatility in liquidity and profitability ratios, indicating that companies are facing problems in managing short-term liabilities and the efficiency of using their assets. This supports the view of Harahap (2014) that financial reports are a medium to measure the effectiveness and efficiency of a company's financial management. In addition, quality financial reports will assist stakeholders in strategic decision-making and detect potential corporate financial problems.

6. Synthesis of Findings and Practical Implications

Overall, the results of the study show that the implementation of consistent accounting standards, high transparency of financial statements, and the implementation of an adequate accounting information system are key factors in increasing the accountability of financial statements in Indonesia. The biggest challenge identified is the inconsistency in the implementation of accounting standards with practices in the field, both in the private and public sectors. Limited technical understanding, lack of human resources, and weak internal supervision are obstacles that must be overcome.

This research emphasizes that to optimize the quality of financial statements, a stronger synergy between regulation, education, technology, and internal supervision is needed. The government through accounting regulators needs to increase socialization and training on accounting standards to reporting entities, especially for small and medium entities. In addition, the importance of developing information technology infrastructure that supports accounting information systems needs to be prioritized so that the financial reporting process can be carried out efficiently, accurately, and on time.

By strengthening the regulatory, educational, technological, and internal supervision framework, it is hoped that the quality of financial statements in Indonesia can improve significantly, which will ultimately encourage the creation of more transparent and accountable financial governance in the public and private sectors.

Contains the results of empirical or theoretical studies that are written in a systematic, critical, and informative manner. Use of tables, images, etc. It is only to support or clarify the discussion and is only limited to supporting important information, e.g., statistical test tables, model test results, etc. The discussion of the results should be argumentative regarding the relevance of the results, theories, previous research, and empirical facts, as well as show the novelty of the findings.

4. CONCLUSION

This study concludes that the implementation of accounting standards (SAK ETAP, PSAK 112), transparency of financial statements, and a good accounting information system have an important role in increasing the accountability of financial statements in Indonesia. However, there are still challenges in the implementation of accounting standards, such as limited technical understanding and human resources. The digitization of accounting information systems has been proven to support the quality of financial statements, while the fraud triangle theory is relevant in detecting potential fraud in financial statements. The synergy between strict regulations, continuous education, and strengthening internal supervision is needed to create transparent, reliable, and accountable financial statements. This research contributes to regulators and practitioners to improve the quality of financial reporting and becomes the basis for future research to examine the application of accounting more empirically in various sectors in Indonesia.

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