

ANALYSIS OF THE IMPLEMENTATION OF TRANSPARENCY, ACCOUNTABILITY, AND INTERNAL CONTROL PRINCIPLES IN FINANCIAL MANAGEMENT

Betha Ursula Siallagan^{1*}, Nanu Hasanuh²

^{1,2}Universitas Singaperbangsa Karawang
bethasiallagan@gmail.com^{1*}, nanu.hasanuh@fe.unsika.ac.id²

ABSTRAK

Penelitian ini bertujuan untuk menganalisis implementasi prinsip transparansi, akuntabilitas, dan pengendalian internal dalam pengelolaan keuangan melalui metode kualitatif dengan pendekatan studi literatur. Data dikumpulkan dari berbagai literatur ilmiah, regulasi, serta laporan audit yang relevan guna mengkaji kesenjangan antara teori tata kelola dan praktik yang terjadi di lapangan. Hasil analisis menunjukkan bahwa meskipun organisasi telah berupaya memenuhi standar pelaporan secara administratif, implementasinya sering kali terjebak pada formalitas birokratis yang mengabaikan aspek substantif. Transparansi masih terhambat oleh keterbatasan aksesibilitas data, sementara akuntabilitas cenderung berfokus pada kepatuhan hukum dibandingkan penciptaan nilai. Penelitian ini menyimpulkan bahwa penguatan sistem pengendalian internal serta komitmen etis dari pimpinan merupakan faktor kunci dalam mentransformasi budaya organisasi menuju tata kelola keuangan yang berintegritas dan kredibel.

Kata Kunci: Transparansi, Akuntabilitas, Pengendalian Internal, Pengelolaan Keuangan, Studi Literatur

ABSTRACT

This study aims to analyze the implementation of the principles of transparency, accountability, and internal control in financial management through qualitative methods with a literature review approach. Data were collected from various scientific literature, regulations, and related audit reports to explore the gap between governance theory and practice in the field. The analysis results show that although organizations have attempted to meet reporting standards administratively, implementation often gets bogged down in bureaucratic formalities that neglect substantive aspects. Transparency is still hampered by data accessibility, while accountability tends to focus on legal compliance rather than value. The study concludes that strengthening internal control systems and ethical commitment from leaders are key to transforming organizational culture toward financial governance that is truly integrity and credible.

Keywords: Transparency, Accountability, Internal Control, Financial Management, Literature Study

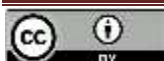
INTRODUCTION

Financial management that works well is the most important thing for any firm, whether it's public or private. As the global economy becomes more complicated, excellent organizational governance is no longer merely a trend; it is necessary for keeping things stable. Bad financial management can lead to losses of money and damage the institution's credibility and trust with the public or stakeholders (Raspati & Simanjuntak, 2024).

Being accountable is one of the most fundamental things for excellent or institutions. Someone has to notify the person or group that has the right and power to ask about it what they did

or how they did it in order to be accountable. Simanungkalit et al. (2023) thinks that being accountable implies being able to show that public money has been used wisely, efficiently, and effectively. Being accountable means being in charge of whether or not the organization fulfills its goals and objectives by utilizing the same way to hold people accountable.

The notion of transparency is one of the most important things that makes good governance possible. For transparency, the decision-making process needs to be open, and financial information needs to be accurate and up-to-date. If there isn't any transparency, there will be dark areas in fund management that will cause



information asymmetry and deception. So, one of the most important ways to judge how well the system is working is how easy it is for the right people to get and understand financial information (BARTH et al., 2008)

Financial reports are an important way to show that an organization or institution is financially stable and able to stay in business. Accountability, transparency, and internal control procedures are vital for maintaining the accuracy and reliability of financial reports in intricate organizational settings. This study aims to investigate the impact of accountability, openness, and internal control systems on the quality of financial reporting. In this case, the quality of financial reports is important not just as a way to keep track of money, but also as a sign of how well and efficiently financial resources are being managed (Abbott et al., 2004).

Internal control systems are very important for making sure that financial reports are correct and trustworthy. To make sure that financial reports are correct, trustworthy, and safe, you need an internal control system. If the system isn't working right, it could make more mistakes or bad things happen, which would make the reports less accurate.

Karim & Mursalim (2019) found that the effectiveness of internal control has a somewhat favorable and significant effect on the performance accountability of government entities. Internal control also helps government entities do their jobs better Astuti & Yulianto (2016). Gibsi Ompusunggu & Valiant Salomo (2019) research shows that internal control has a good effect on performance accountability. Napan et al. (2025) study found that internal control variables improve the accountability of government entities in Pekanbaru City. If an agency has solid internal controls but government officials don't work together, the agency won't be able to meet its goals. Not only is internal control crucial, but getting people involved in the community can also help a government institution be more accountable for its actions. The government makes events and programs that the community must take part in.

The author is interested in exploring how to put the principles of transparency, accountability, and internal control into practice in financial management based on the background information above. The primary aim of this research is to examine the execution of internal control in the application of the concepts of transparency, accountability, and internal control

in financial management.

LITERATURE REVIEW

Agency Theory

Agency theory is a vital part of managing money. This theory elucidates the link between resource proprietors (principals) and financial administrators (agents). When agents know more than principals (information asymmetry), problems might occur, and agents may behave in their own best interest. Transparency and accountability are ways to make sure that both sides have the same goals and that managers do what is best for the company. (Dechow & Dichev, 2002).

Agency theory offers a compelling framework for analyzing the relationship between performance monitoring and good governance. Agency theory clarifies the contractual relationship between society (the principal) and government (the agent). Jensen and Meckling (1976) asserted that agency theory defines an agency relationship wherein one or more principals appoint another party (the agent) to manage the organization, hence delegating decision-making responsibility to the agent. Palalangan (2020) posits that agency theory represents a relationship or contract between the principal and the agent. Agency theory supports performance responsibility as a dependent variable. If agency theory is connected to an economic perspective, each person is seen as a rational actor motivated solely by the pursuit of their own interests, limited by considerations such as the knowledge at hand and the supervision of each participant.

Transparency

The principle of transparency mandates that organizations furnish significant and pertinent information in a manner that is accessible and comprehensible to stakeholders during their business operations. Empirical research from Healy & Palepu (2001) demonstrates that openness underscores the accountability of managers to stakeholders. Companies should take the lead in sharing information that is required by laws and regulations to help stakeholders make decisions. They also need to make sure that stakeholders can get information that is timely, complete, clear, accurate, comparable, and easy to find (Nurhayati et al. (2021)). Transparency means making sure that financial reporting and disclosure are of the best quality by following accounting rules and best practices.

Transparency means offering the public



clear, honest, and fair financial information and admitting that the public has the right to know how the law holds the company's management accountable. Deumes & Knechel (2008) the following signs of transparency: (1) community involvement in discussions; (2) straightforward access to information regarding planning and execution; and (3) uncomplicated access to information pertaining to accountability. Firmansyah & Dede (2022) lists more signs of transparency: (1) being open about budgeting, especially during the budgeting process; (2) making budget policies public; (3) keeping detailed records of budgets that include fiscal indicators; (4) making actual spending data easy to find; (5) being open about the budget formulation process; and (6) giving the public a chance to get involved in budgeting procedures.

Accountability

According to Juliani & Siregar (2019) accountability means having to explain or justify how well an organization is doing to people or groups who have the right to know what actions were taken. Thohari et al. (2017) posits that responsibility may be assessed by various metrics, including (1) achieving objectives in public sector financial management; (2) the government's function in public sector financial management; (3) supervision by an implementation team; and (4) accountability reports in public sector financial management. Krina (2003) lists several signs of accountability: (1) written decision-making processes that are open to the public, follow ethical standards and values, and follow good administrative practices; (2) accuracy and completeness of information about program goals; (3) clear communication of policy goals; (4) operational targets and priorities that are realistic and consistent; (5) decisions that are shared with the public through mass media; (6) public access to information about decisions after they are made, as well as ways to file complaints; and (7) effective management information systems and monitoring results.

The principle of accountability requires the company to report on its performance in a responsible and open way, making sure that each corporate body and employee knows what their role is and what their responsibilities are in line with the company's vision, mission, corporate values, and strategies. Companies need to make sure that their management has good internal controls (Karunia & Zurrahma, 2021). Accountability can be put into action in a number of ways, such as: (1) creating an audit team to

improve supervisory oversight; (2) making and approving internal audit functions as part of the company's strategic system; (3) creating policies for performance evaluation through good accounting information systems; (4) improving policies through rewards and punishments; (5) keeping an accountable management system and settling disputes; and (6) choosing external auditors who are experts in their field.

Internal Control

PP No. 60 of 2008 says that internal control is a group of tasks that all government workers, including leaders and employees, conduct all the time. The goal is to make sure that the regulations are followed by government officials, that the state's property is safe, and that the right activities help the organization reach its goals and objectives. Businesses in both the public and private sectors need to have rules and procedures in place for their work. The purpose of establishing internal control is to ensure compliance with established laws and regulations in both governmental and non-governmental activities, the accuracy of financial reporting, and the alignment of actions with predetermined goals and objectives. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2002) also claimed that good internal control has five signs: (1) Control Environment, (2) Control Activities, (3) Risk Assessment, (4) Information and Communication, and (5) Monitoring.

Financial Management

The authors define Financial Management System (FMS) as an interconnected, scientifically-based framework of methodologies and instruments for the planning, execution, oversight, evaluation, prompt rectification, and modification of strategic and operational financial objectives, as well as the planning systems and activities of an organization.

Based on the structure of the FMS, we can separate it into two levels: strategic and operational. The authors identify three primary parts of the FMS as a balanced management system: the managing sub-system, the managed sub-system, and the influencing sub-system. The interaction among these three sub-systems occurs as follows: the managing system employs FM techniques and procedures (the influencing sub-system) to directly impact the managed sub-system in order to attain the primary objectives. The company's FM's mission is to raise the company's market value and keep it growing steadily. It is clear that the FM mechanism's



effectiveness is largely contingent upon the efficacy of the employed approaches and tools. When these strategies are used together in a well-functioning system, they can create a synergy effect that makes the FM more efficient at a low cost.

METHODOLOGY

This study utilized a qualitative methodology, namely a library research method, wherein data was exclusively gathered through the examination and analysis of literature pertinent to the subject of financial management (Sugiyono, 2016). The data gathering process involved examining multiple secondary sources, including scientific publications, textbooks, published audit reports, and government rules pertaining to the principles of openness, accountability, and internal control systems. After that, the data was analyzed using content analysis and comparative analysis methods to bring together different theories and previous research results. This led to thorough conclusions about how these principles are used in financial management and the problems that come up without needing to be in the field Firmansyah & Dede (2022)

RESULT AND DISCUSSION

Implementation of the Transparency Principle in Financial Reporting

The principle of transparency in money management shows that everyone who have a stake in the money should know how it is used and given away. A look at a lot of sources indicates that being open means more than just making financial records available. It also means making sure that the public or other interested parties can easily find and obtain all the information they need. In the literature study, transparency is assessed by how well an organization can share accurate information about its finances, budgeting, and the results of each resource allocation without hiding anything.

The most important component of being open is sharing information. The most crucial part of being open is having rules for sharing information. Past studies have shown that businesses that constantly follow accounting regulations are usually more open. Both financial and non-financial information should be made public. For instance, notes to the financial accounts should explain some budget items in great detail. If there isn't enough information, financial statements will just be a bunch of statistics that are hard to

understand, which goes against the principle of being open.

The second crucial component of transparency analysis is how easy it is to access information, which is something that has been studied in the past. A lot of research shows that in today's digital age, using information technology, including e-reporting and sharing information through government websites, is an important way to make information more accessible. The literature suggests that the availability of financial reports for public or auditor download and independent examination is positively correlated with increased public trust. Information that is only available offline or is hard to find, on the other hand, is considered as a barrier to the principle of openness.e standards. Studies have shown that companies that always follow accounting regulations are usually more open about their finances. The information that is shared with the public should comprise both financial and non-financial facts. For instance, notes to the financial statements should explain particular budget items in great detail. If there isn't enough information, financial statements will just be a bunch of numbers that are hard to grasp. This goes against the principle of being open.

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Accountability in Budget Use and Responsibility

In finance, accountability means that every manager has to do what their boss tells them to do. From a theoretical perspective, accountability extends beyond basic numerical reporting; it encompasses the logical justification for each financial decision made and the resulting implications of budgetary allocation. In literature studies, accountability is usually broken down into two main parts: administrative accountability, which focuses on following rules, and substantive responsibility, which focuses on reaching goals and using resources wisely.



People typically talk about compliance or legal accountability as the first thing that comes to mind in the literature. A look at numerous audit reports and research journals shows that businesses typically brag about how effectively they keep to their budgets. The literature review demonstrates that mere adherence to regulations does not guarantee organizational efficiency. There are many times when budgets are lawfully used up, yet they don't help the firm or society in any way. People typically term this "bad value for money."

In modern talks about financial management, being responsible for results or performance has been a major focus. Different sources of information stress that it should be possible to measure the value of every rupiah spent using unambiguous performance indicators. A textual examination of different performance evaluation documents showed that the main problem with this accountability is that it is hard to set clear standards for success. Without the right performance indicators, financial accountability becomes something that happens every year and doesn't help future managers learn or fix things. The literature research also found that a culture of responsibility is very important in an organization. You can't hold someone accountable on your own without clear consequences and rewards. Previous research indicates that in contexts where budgetary infractions incur minimal repercussions, accountability principles tend to diminish and devolve into simple formalities. The literature indicates the necessity of enhancing personal integrity and group commitment to guarantee that accountability is integral to every financial policy-making process.

Conclusions

It is evident from the conversation that putting the ideas of accountability and transparency into practice is more than just an administrative duty; it is a strategic instrument for lowering information asymmetry and building stakeholder confidence. Effective transparency necessitates the release of easily comprehensible information, whereas accountability involves substantial responsibility for effective budget usage. The primary issue, according to a review of the literature, is that organizations have a propensity to get mired in "bureaucratic formalities," where reports are presented in a thorough manner but frequently fall short in terms of the accuracy and quality of the data.

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