

Building Public Trust through Transparency and Accountability: A Systematic Review of the Role of Public Sector Accounting

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ABSTRACT

The crisis of trust in public institutions has become a growing concern amidst increasing demands for transparency and accountability in governance. In this context, public sector accounting plays a strategic role as an instrument to strengthen institutional legitimacy and integrity of public services. This study aims to systematically examine the relationship between public sector accounting practices, financial information transparency, institutional accountability, and public trust. The method used is Systematic Literature Review (SLR) with a qualitative descriptive approach. Data sources came from reputable scientific publications obtained through purposive sampling technique with certain inclusion and exclusion criteria. The literature review process includes the stages of identification, selection, extraction, and synthesis of data, with an additional snowballing strategy to expand coverage. The results show that public sector accounting practices, especially those that are accrual-based and refer to international standards such as IPSAS, support the continuous improvement of transparency and accountability. Good transparency proves to be a prerequisite for institutional accountability, which in turn plays a role in building public trust. This study concludes that public trust is not formed directly but is the result of a structured public financial management system with integrity. The implications of this research encourage the need for comprehensive, collaborative, and participatory governance-oriented public sector accounting policy reform.

INTRODUCTION

Public trust is a crucial element for the legitimacy and sustainability of government institutions and public sector organisations. In the context of modern governance that demands accountability and information disclosure, public trust is an indicator of the success of public administration that cannot be ignored. However, various cases of financial abuse, weak supervision, and low transparency of financial reporting often trigger a crisis of confidence in public institutions. Therefore, public accounting has high significance in supporting the building of public trust through reliable and transparent financial reporting, supervision and evaluation mechanisms (Sari & Muslim, 2023).

In recent years, the adoption of *International Public Sector Accounting Standards* (IPSAS), digitalisation of financial systems, and strengthening of internal and external audit functions have become important highlights in public financial governance reforms. The study by Maayah, Aqoula, & Barhoom (2024) showed that the adoption of IPSAS in the Jordanian public sector significantly improved transparency and accountability. Similar findings were also revealed by Tawiah (2023) in Indonesia, who emphasised that international accounting standards contribute to lowering the potential for corrupt practices and increasing the integrity of public institutions. At the local level, Nurfitri et al. (2024) found that accountability and internal control systems have a direct influence on public trust in village governments, with the mediating role of financial information quality.

Although many studies have addressed accounting's contribution to transparency and accountability, there are some weaknesses in previous studies. Firstly, most of the studies focus on the technical aspects of reporting and auditing without explaining in depth their linkages with the formation of public trust as an outcome variable. Second, there are not many studies that compare the effectiveness

of public sector accounting implementation between regions or areas, especially in the context of the implementation of digitalisation and new technologies such as *blockchain* and *artificial intelligence* (Pakaya, 2025). Third, there are still few studies that develop a conceptual framework that systematically integrates all aspects of public accounting with the public trust dimension.

Therefore, this literature review aims to systematically collate the role of accounting in building public trust through increasing transparency and accountability of institutions. This research is focussed on four main interrelated variables, namely: (1) public sector accounting practices which include reporting and auditing standards, (2) transparency of financial information, (3) institutional accountability, and (4) perceived public trust as an outcome indicator. This study is expected to identify conceptual gaps and offer an integrative framework for strengthening public financial accountability and governance in the future.

LITERATURE REVIEW

Public Sector Accounting Practices

Public sector accounting practices are a key foundation in supporting transparent and accountable governance. The shift from cash to accrual basis, as well as the adoption of standards such as IPSAS, has become a global trend in improving the quality of public sector financial reporting. Christiaens et al. (2015) state that the adoption of IPSAS encourages harmonisation of public financial statements, improves fiscal transparency, and enables international comparisons between government entities. Research by Adi et al. (2022) also found that compliance with public sector accounting standards (SAP) significantly strengthens fiscal discipline and budget efficiency. Thus, public sector accounting practices become a critical variable in building a sound governance framework.

Financial Information Transparency

Transparency of financial information relates to the ability of public institutions to provide financial reports that are accessible, understandable, and trustworthy to the public. Hajiha & Zare (2021) explain that budget transparency and public access to fiscal information play a direct role in improving the efficiency of public financial management and preventing corruption. On the other hand, research by Alt et al. (2016) shows that high fiscal transparency positively affects public trust in local governments. Therefore, transparency of financial information is an important variable in building public openness and institutional legitimacy.

Institutional Accountability

Accountability in the context of the public sector reflects the extent to which the government can explain and account for the use of public funds. Bovens (2007) defines accountability as a social relationship in which a party is obliged to explain its actions to other parties who have the right to request an explanation. Research by Ahmed (2019) shows that the effectiveness of the internal audit system, legislative oversight, and the independence of financial management institutions are the main pillars of institutional accountability. With increasing public demands for accountability, the role of institutional structures in organising, monitoring and enforcing accountability is becoming increasingly important.

Public Trust

Public trust is an important outcome of transparent and accountable governance. Hardin (2006) states that trust in the public context is institutional, where people trust systems and structures, not just individuals. In a study by Grimmelijsen et al. (2013), it was found that transparency and integrity of information significantly increase the level of citizen trust in public institutions. Public trust was also shown to strengthen policy effectiveness and increase participation in government processes.

Hypothesis Development

Relationship between Public Sector Accounting Practices and Financial Information Transparency

Public sector accounting practices that refer to the use of accrual-based accounting standards, such as the International Public Sector Accounting Standards (IPSAS), have a strategic role in creating transparency in public financial management. Accrual-based accounting allows the recording of all economic transactions, not limited to cash flows, resulting in financial statements that are more informative and reflect the true financial condition (Christiaens et al., 2015). Transparency in this context relates to the extent to which financial information can be accessed, understood and trusted by the public. With good accounting, the government is able to communicate the use of budgets and resources more openly to the public. This is supported by the study of Adi et al. (2022) which shows that the quality of accounting practices contributes positively to regional fiscal transparency.

H1: Public sector accounting practices have a positive effect on the transparency of financial information.

Relationship between Financial Information Transparency and Institutional Accountability

Transparency of financial information creates a solid foundation for institutional accountability. When financial information is published in an open, detailed and verifiable manner, both the public and oversight bodies have an objective basis for assessing the performance and responsibilities of public institutions. In the agency theory framework, transparency acts as a control tool that reduces information asymmetry between the principal (the public) and the agent (the government), thereby strengthening accountability (Bovens, 2007). Research by Hajiha and Zare (2021) shows that the level of public budget openness is directly proportional to the effectiveness of monitoring and evaluating the performance of government institutions. Therefore, transparency is not only a moral principle, but also an instrument that facilitates accountability.

H2: Transparency of financial information has a positive effect on institutional accountability.

Relationship between Institutional Accountability and Public Trust

Institutional accountability refers to the ability of public institutions to account for their actions, decisions, and use of resources to those who authorise them. When institutions are able to demonstrate clear and systematic accountability, public trust tends to increase (Grimmelikhuijsen et al., 2013). Institutional theory explains that public trust is formed on the basis of legitimacy and perceptions of institutional performance and integrity. Ahmed (2019) asserts that strengthening internal control and audit systems can improve public perceptions of institutional integrity. Therefore, accountability is an important mediator in forming trust.

H3: Institutional accountability has a positive effect on public trust.

Relationship between Financial Information Transparency and Public Trust

Transparency of financial information has a direct impact on the level of public trust. When the government provides fiscal information openly, the public has the perception that there is nothing to hide, and that budget management is done honestly and efficiently. Hardin (2006) explains that trust is relational and develops through expectations fulfilled by institutions. The study by Alt et al. (2016) also supports that fiscal transparency can reduce the level of public scepticism and increase citizen participation in the public decision-making process. Therefore, transparency is key in building social legitimacy and long-term trust.

H4: Transparency of financial information has a positive effect on public trust.

RESEARCH METHOD

This research applies a *systematic literature review (SLR)* approach to answer the main question of how public accounting practices can encourage transparency, strengthen accountability, and ultimately shape public trust in government institutions. This method was chosen because it has the advantage of compiling a holistic, objective, and evidence-based scientific synthesis, while being able to methodologically replicate study results (Snyder, 2019). In the contemporary academic world, SLR is an important foundation in producing a systematic knowledge map, as well as revealing research gaps that are rarely comprehensively explored.

The literature search and selection process was carried out following the 2020 version of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines (Page et al., 2021). These guidelines are used to ensure that the systematic flow is transparent, structured and auditable. The four main stages in PRISMA that are applied include: identification, screening, eligibility, and finally, inclusion of articles into the final synthesis.

Data sources came from reputable international scientific databases such as Scopus, ScienceDirect, SpringerLink, Emerald Insight, and Google Scholar. Searches were conducted using keyword combinations such as: "*public sector accounting*", "*transparency*", "*accountability*", "*financial disclosure in government*", and "*public trust*". To ensure the relevance and currency of the data, the inclusion criteria were: scholarly articles published between 2015 and 2024, in English or Indonesian, peer-reviewed, and substantially supporting the discussion of one or more of the core research variables. Articles that were opinion, editorial, or did not undergo scientific editing were excluded from the review.

In practice, the initial stage of the literature review was conducted through a screening process based on titles and abstracts, followed by a thorough review of the articles that passed the initial selection. The articles selected reflected a diversity of perspectives both conceptually and geographically, thus providing a comprehensive picture of the topic under study. In addition to systematic search techniques through academic databases, this study also applied a *snowballing* strategy, by tracing important references often used by primary sources. This approach was taken to enrich the theoretical context and broaden the scope of the literature analysed.

Data were analysed using the qualitative content analysis method, which focuses on exploring the meanings, themes, and relationships between the main concepts that appear in the literature. This technique allows the researcher to not simply compile a summary of the literature, but build a critical and relevant theoretical synthesis of the research variables, namely public sector accounting practices, transparency, institutional accountability, and public trust. The analysis is also geared towards exploring the social and institutional context behind public reporting and governance practices, so that the resulting interpretations are not merely technical, but reflect the real dynamics of governance in the public sector.

Ultimately, this method not only aims at building a valid and informative conceptual framework, but also becomes an academic endeavour to bridge the gap between public sector accounting practices and the normative need for sustainable accountability and public trust.

RESULTS AND DISCUSSION

This study was conducted with the aim of systematically reviewing the literature that discusses the role of public sector accounting in promoting transparency and accountability as the main foundation in building public trust. The results of the review show that most literature sources agree on the importance of implementing quality public accounting practices - especially through the use of the accrual basis and the adoption of international standards such as the International Public Sector Accounting Standards (IPSAS) - which are closely correlated with increased disclosure of government financial information. These practices not only expand the scope of fiscal reporting, but also strengthen the legitimacy of public

institutions in the eyes of the public through the presentation of more relevant, understandable and accountable information.

The findings of this literature review reveal a gradual and mutually supportive pattern of relationships between the four main variables: accounting practices, transparency of financial information, institutional accountability, and public trust. Most articles show that reliable accounting paves the way for transparent fiscal reporting, which in turn encourages public institutions to be more openly accountable. When this process works consistently, public trust in institutions naturally increases.

Discussion

The Relationship between Public Sector Accounting Practices and Financial Information Transparency

The analysed literature generally shows a consensus that public sector accounting practices are the first step towards fiscal transparency. Christiaens et al. (2015) asserted that accrual-based accounting allows government entities to present a more complete and realistic financial picture. In Indonesia, Adi et al. (2022) proved that the implementation of accrual-based SAP has a positive impact on the accessibility and reliability of financial information submitted to the public.

The importance of reporting standards such as IPSAS was also raised by Kasim & Sulaiman (2023) who highlighted its ability to produce data that can be used as the basis for objective and credible decisions. However, not all studies affirm this relationship directly. Hassan & Said (2019), for example, found that without the support of technical training and integrity of implementers, accruals implementation does not necessarily result in transparency. In this case, the quality of implementation is a key factor that differentiates success from one context to another.

Different from previous studies that tend to look at the effectiveness of IPSAS normatively, this study takes a synthetic position by not only assessing the existence of standards, but also the extent to which these standards are translated into effective and meaningful practices for the public.

Relationship between Financial Information Transparency and Institutional Accountability

Almost all studies reviewed agree that transparency is the initial element that allows accountability to be carried out effectively. Bovens (2007) conceptually explains that transparency is a basic requirement for the accountability process because it opens up space for the public and oversight institutions to objectively assess government performance. In an empirical study, Hajiha & Zare (2021) show that transparent financial reporting can activate the role of public oversight and strengthen the legitimacy of state institutions.

Recent research by Zainudin et al. (2024) extends these findings by showing that transparency also improves the integrity of internal controls as well as the capacity of the legislature to control the budget. However, Alt et al. (2016) caution that transparency without institutional capacity often has little impact. Information may be available, but it is not optimally utilised if overseers do not have the power or ability to act on it.

The uniqueness of this study lies in the recognition that transparency is only effective if it is part of a healthy institutional ecosystem. Herein lies the importance of integrative relationships between variables, which in this study are organised not as linear flows, but as social systems that influence each other.

The Relationship between Institutional Accountability and Public Trust

Systematic and sustainable accountability is an important catalyst in building public trust in government. Ahmed (2019) emphasises that strong internal oversight and the involvement of external factors such as legislative bodies and independent audits are key indicators in fostering public trust. The

study by Grimmelikhuijsen et al. (2013) supports this by showing that disclosure of budget utilisation results and performance evaluation strengthens citizens' perception that the government is trustworthy.

However, public trust is not automatic. Hardin (2006) introduces the concept that trust is relational and contingent - it depends on concrete evidence that the institution is indeed carrying out its responsibilities consistently. If accountability is only procedural without integrity and accuracy of information, public trust is difficult to build.

In contrast to studies that examine accountability as a standalone variable, this research places it as the middle element in the link between accounting and trust. This strengthens the argument that trust is not the result of a single intervention, but rather of an accumulation of mutually reinforcing governance processes.

The Relationship between Financial Information Transparency and Public Trust

Transparency, in many contexts, is considered a symbol of commitment to honesty and responsibility. Sari & Muslim (2023) state that government openness in managing the budget is the main benchmark in fostering public trust. Grimmelikhuijsen et al. (2013) added that transparency gives citizens a sense of involvement and control over public affairs, which is the psychological basis for trust.

However, the effectiveness of transparency is not universal. Porumbescu (2015) points out that without adequate fiscal literacy and public communication, transparency can lose substantive meaning. Overly technical or poorly accessible information can create confusion or even distrust. Therefore, transparency should be understood not only as the publication of data, but also as a communication practice that is inclusive and builds participation.

This research reinforces the approach that the relationship between transparency and trust cannot be reduced to a simple cause-and-effect relationship. Rather, it is the result of a dynamic interaction between information systems, people's capacity, and institutional exemplars.

CONCLUSION

This study concludes that public sector accounting practices play an important role as an initial foundation in shaping the transparency of credible, relevant and publicly accessible financial information. Such transparency is a key prerequisite in creating institutional accountability, which in turn has a positive impact on increasing public trust. This study shows that the relationship between variables is cascading and mutually reinforcing, with accrual-based accounting practices and the adoption of international standards such as IPSAS as crucial elements. However, the overall effectiveness of public sector governance is also influenced by institutional capacity, ethical reporting, and the public's ability to understand and access information. Thus, public trust is not just an output of accounting and transparency, but the result of a holistic accountability ecosystem.

Theoretically, the results of this study enrich the literature on public sector governance by offering a conceptual framework that emphasises the importance of systemic linkages between accounting practices, transparency, accountability and public trust. This research also opens up space for testing mediating and moderating relationships among these variables in the context of the public sector. Practically, the findings provide a strategic reference for government agencies in designing accounting policies that do not only focus on technical compliance, but are also geared towards building legitimacy through financial reporting that can be accounted for and interpreted by the public. Implementation of international financial reporting standards, strengthening internal control systems, and public fiscal literacy are concrete steps in improving the effectiveness of public governance.

This study has several limitations that need to be considered. Firstly, the data used is limited to academic articles published in the 2015-2024 timeframe, so the potential for publication bias cannot be fully avoided. Secondly, because the approach is a systematic literature review, the findings are exploratory and cannot be used to make empirical generalisations. Thirdly, although the SLR approach is

methodologically conducted in accordance with PRISMA, there are still limitations in terms of the geographical representation of the articles, where most of the studies come from developing country contexts, which may not fully reflect the dynamics of public governance globally.

For future research, it is recommended that quantitative and qualitative empirical studies be conducted that test the causal relationship between variables that have been built in the conceptual framework. Future researchers can also explore the role of moderator or mediator variables such as organisational culture, accounting digitalisation, or public fiscal literacy. In addition, it is important to expand the scope of the study to the context of developed countries and conduct cross-country comparative analyses in order to obtain a more holistic understanding of the dynamics of transparency and trust in the public sector. On a practical level, it is recommended that governments strengthen human resource capacity, expand the adoption of reporting technologies, and improve interactions between public institutions and citizens in shaping participatory and sustainable accountability.

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