

ENHANCING GOOD GOVERNANCE TROUGH PUBLIC SECTOR PERFORMANCE AUDITS: THE MEDIATING ROLE OF FINANCIAL MANAGEMENT ACCOUNTABILITY

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Article history		
Received: May 31, 2025	Revised: June 30, 2025	Accepted: June 30, 2025

Abstract

The increasing demand for transparent and accountable public governance has highlighted the strategic role of performance audits in strengthening public financial management. While previous studies have extensively discussed either performance auditing or financial accountability, limited attention has been given to how financial management accountability functions as a mechanism through which performance audits contribute to the realization of good governance. This study aims to examine the effectiveness of public sector performance audits in promoting good governance through financial management accountability in Indonesia. A qualitative descriptive approach was employed using documentary research and non-participant observation. The data consisted of government financial statements, performance audit reports issued by the Audit Board of the Republic of Indonesia (BPK), fiscal regulations, government policy documents, and relevant academic literature. Data were analyzed using qualitative content analysis involving data organization, reduction, interpretation, and source triangulation to ensure the credibility of the findings. The results indicate that performance audits significantly strengthen financial management accountability by improving transparency, internal control systems, and outcome-based public financial reporting. The implementation of Government Accounting Standards (SAP) further enhances the quality and reliability of financial reporting, thereby supporting the realization of good governance. Nevertheless, the effectiveness of accountability remains constrained by disparities in human resource capacity, limited digital financial management systems, and organizational resistance to transparency. The study contributes to the public governance literature by emphasizing the mediating role of financial management accountability in linking performance audits with good governance. Practically, the findings highlight the importance of strengthening auditor competencies, digital governance, institutional commitment, and integrated oversight systems to promote sustainable and accountable public sector governance.

Keywords: Public Sector Performance Audit; Financial Management Accountability; Good Governance; Public Financial Management; Public Sector Governance.



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INTRODUCTION

Good governance constitutes a fundamental pillar in establishing a public administration system that is transparent, accountable, and responsive to societal needs. Within the public sector, the existence of an effective oversight and evaluation mechanism is essential to ensure that public resources are utilized optimally, efficiently, and responsibly. Among the most important instruments for achieving this objective is the implementation of performance audits (Puspanugroho & Susilo, 2022).

Unlike financial audits, which primarily assess the fairness of financial statement presentation, performance audits evaluate the extent to which government programs and activities are implemented in accordance with the principles of economy, efficiency, and effectiveness (the 3E principles). Consequently, performance audits extend beyond financial compliance by examining managerial performance and the achievement of intended policy outcomes. In Indonesia, the implementation of performance audits has gained increasing prominence in response to growing public demands for transparency and accountability.

Institutions such as the Audit Board of the Republic of Indonesia (BPK) and the Government Internal Supervisory Apparatus (APIP) play a pivotal role in conducting performance audits. The results of these audits not only provide an evaluation of public resource utilization but also serve as an essential basis for managerial decision-making and institutional governance improvement. Nevertheless, the effectiveness of performance audits continues to face several challenges, including variations in auditors' competencies, limited availability and quality of audit evidence, and the relatively low rate of follow-up implementation of audit recommendations. Therefore, strengthening institutional capacity, accelerating the digitalization of audit systems, and enhancing internal control mechanisms are imperative to maximize the contribution of performance audits to the realization of good governance in Indonesia (BPKP-RI, 2018).

The post-reform and decentralization era has marked a significant transformation in Indonesia's governance system, intensifying demands for a government that is transparent, accountable, and free from corruption. Institutional reforms implemented after the Reformasi period have created greater opportunities for strengthening democratic values, with good governance emerging as a fundamental framework for achieving sustainable, equitable, and citizen-oriented national development. In this context, effective governance is increasingly recognized as a prerequisite for enhancing public trust, improving public service delivery, and ensuring responsible management of state resources (Ummah, 2019).

Among the core dimensions of good governance, accountability occupies a particularly strategic position. In the context of public financial management, accountability functions as a mechanism to ensure that public funds are administered

responsibly, transparently, and in accordance with the principles of fairness and efficient resource allocation (Makalikis et al., 2022). Public financial accountability should not merely be regarded as an administrative obligation; rather, it represents a moral and political contract between government institutions, as custodians of public resources, and citizens, as the ultimate holders of sovereignty.

Normatively, public financial accountability encompasses the obligation of public entities to prepare, present, and disclose financial information concerning the use of public budgets through reporting mechanisms that are transparent, accurate, and publicly accessible. Such obligations reflect the indispensable role of transparency and openness as integral components of accountability. As the principal stakeholders, citizens possess not only the right to be informed about how public resources are allocated and utilized but also the right to monitor, evaluate, and demand accountability for governmental decisions and public expenditures.

In practice, strengthening public financial accountability has proven to be instrumental in reducing irregularities, enhancing public confidence in governmental institutions, and reinforcing the legitimacy of public administration. When accountability mechanisms function effectively, public financial management becomes increasingly results-oriented, promotes greater efficiency in budget utilization, and establishes oversight systems that foster a culture of integrity. Accordingly, accountability should be understood not only as an internal control mechanism but also as both a normative and practical foundation for the effective realization of good governance (Adi, 2011).

Building upon this perspective, the present study aims to examine the effectiveness of public sector performance audits in promoting good governance through the mediating role of public financial management accountability in Indonesia. Specifically, this study investigates how performance audits contribute to strengthening accountability mechanisms and, consequently, improving governance quality within public institutions. By integrating the concepts of performance auditing, financial accountability, and good governance, this research seeks to enrich the theoretical understanding of governance mechanisms in the public sector while offering practical implications for policymakers and public institutions in designing governance reforms that foster transparency, accountability, institutional effectiveness, and citizen-oriented public administration.

LITERATURE REVIEW

Theoretical Framework

Good Governance

Good governance has become one of the most influential paradigms in contemporary public administration, emphasizing the importance of transparent, accountable, effective, efficient, and participatory governance systems. The concept reflects the capacity of public institutions to manage public resources responsibly while ensuring that governmental policies and services address societal needs in an equitable and sustainable manner. The implementation of good governance principles is expected to improve public service quality, prevent corruption, strengthen the rule of law, and

safeguard human rights, thereby enhancing citizens' trust in government institutions (Rosela et al., n.d.2020).

The growing significance of good governance is closely associated with public sector reforms that seek to improve institutional performance, strengthen democratic governance, and increase government legitimacy. Rather than focusing solely on administrative efficiency, good governance emphasizes a governance model in which public institutions operate transparently, are accountable for their actions, encourage stakeholder participation, and deliver measurable public value. Consequently, the concept has become a fundamental framework for evaluating the quality and effectiveness of public administration across both developed and developing countries.

According to the United Nations Development Programme (UNDP), good governance is supported by eight interrelated principles that collectively promote effective public administration (Muhajir, 2019a):

- a) Participation, referring to the active involvement of citizens and stakeholders in public decision-making processes, either directly or through legitimate representative institutions.
- b) Rule of Law, emphasizing the existence of a fair, impartial, and consistently enforced legal system that guarantees justice without discrimination.
- c) Transparency, ensuring that governmental decision-making processes and policy implementation are conducted openly, with information that is accessible, understandable, and available to the public.
- d) Responsiveness, requiring public institutions to address citizens' needs, aspirations, and concerns promptly and effectively.
- e) Consensus Orientation, encouraging governments to accommodate diverse interests and achieve decisions that promote the collective welfare of society.
- f) Effectiveness and Efficiency, ensuring that public resources are managed optimally to maximize developmental outcomes while minimizing resource waste.
- Accountability, requiring public officials and institutions to be answerable for their decisions, actions, and the utilization of public resources.
- g) Strategic Vision, emphasizing long-term planning and sustainable policy formulation capable of anticipating future societal challenges.

These principles constitute essential indicators for assessing the quality of governance. Failure to implement them consistently may weaken institutional performance, reduce public trust, and ultimately undermine the achievement of sustainable development objectives. Therefore, good governance should be viewed not merely as a normative aspiration but as an operational framework that guides public institutions toward improved organizational performance and enhanced public value creation.

Public Financial Management Accountability

Accountability represents one of the most fundamental principles of public sector governance. It refers to the obligation of government institutions to explain, justify, and

assume responsibility for their decisions, policies, and utilization of public resources before higher authorities as well as the public, who ultimately delegate governmental authority. Within the context of public financial management, accountability functions as an essential control mechanism to ensure that financial resources are administered in accordance with the principles of efficiency, effectiveness, transparency, legality, and integrity (Adolph, 2016).

Public financial accountability extends beyond the preparation of financial reports. It encompasses the entire cycle of public financial management, including budget planning, allocation, implementation, monitoring, evaluation, and reporting. Consequently, accountability serves as a governance mechanism that enables governments to demonstrate responsible stewardship of public resources while simultaneously strengthening public confidence in governmental institutions.

According to Hopwood and Tomkins (1984) and Ellwood (1993), as cited in Mahmudi (2015), public accountability consists of five complementary dimensions that should be implemented within public sector organizations:

- a) Legal and Honesty Accountability, referring to compliance with applicable laws, regulations, ethical standards, and principles of integrity.
- b) Managerial Accountability, concerning the responsibility of public managers to ensure organizational efficiency, effectiveness, and sound administrative performance.
- c) Program Accountability, requiring public institutions to demonstrate the effectiveness, outcomes, and societal impacts of government programs.
- d) Policy Accountability, emphasizing the responsibility of policymakers to justify policy choices and explain the rationale underlying public decisions.
- e) Financial Accountability, focusing on the lawful, appropriate, transparent, and economical use of public funds.

These dimensions demonstrate that accountability is multidimensional and cannot be evaluated solely through financial reporting. Instead, effective accountability requires the integration of legal compliance, managerial performance, policy justification, program effectiveness, and responsible financial management.

At the national level, Law Number 17 of 2003 concerning State Finance establishes accountability as one of the fundamental principles governing Indonesia's public financial management system. The Law stipulates that state financial management should be based on results-oriented accountability, proportionality, professionalism, transparency in budgeting and financial reporting, and independent external oversight. These principles provide the normative foundation that guides all public institutions in managing state finances responsibly and sustainably.

The Relationship between Good Governance and Public Financial Accountability

Public financial accountability constitutes one of the most critical determinants of successful good governance implementation. A governance system cannot function effectively without accountability mechanisms capable of ensuring that public officials are answerable for their decisions and the utilization of public resources. Weak

accountability systems increase the likelihood of corruption, abuse of authority, budget inefficiency, and poor public service delivery, ultimately undermining public trust in government institutions. Conversely, robust accountability enables governmental activities to be monitored, evaluated, and assessed by citizens and authorized oversight bodies, thereby strengthening transparency and institutional legitimacy (Aryani, 2021).

The implementation of effective public financial accountability contributes significantly to fiscal transparency, institutional integrity, and responsible public financial management. Transparent financial reporting and effective oversight mechanisms reduce information asymmetry between government and citizens while encouraging greater compliance with legal and ethical standards. These conditions create a governance environment characterized by openness, integrity, and public participation, which collectively enhance the quality of government performance.

Furthermore, accountability serves not only as one of the core indicators of good governance but also as a strategic governance instrument that supports democratic administration, institutional effectiveness, and sustainable public sector reform. Governments that consistently demonstrate accountability are more likely to gain public confidence, improve organizational performance, and allocate public resources more efficiently. Consequently, accountability should be regarded as both a normative principle and a practical governance mechanism that reinforces transparency, responsiveness, and institutional credibility.

In this regard, the relationship between good governance and public financial management accountability is inherently interdependent. Strong accountability systems reinforce the implementation of good governance principles, while effective governance institutions create an enabling environment for accountability to function successfully. This reciprocal relationship highlights the importance of strengthening accountability mechanisms as a strategic priority for achieving transparent, accountable, ethical, and sustainable public governance.

RESEARCH METHOD

Research Design

This study employs a qualitative descriptive research design to examine the effectiveness of public sector performance audits in promoting good governance through financial management accountability. A qualitative approach was selected because it provides a comprehensive understanding of complex governance phenomena by exploring meanings, institutional contexts, and administrative dynamics that cannot be adequately explained using quantitative methods. Rather than measuring causal relationships statistically, this approach seeks to generate an in-depth interpretation of governance practices based on documented evidence and observable institutional processes.

Unlike conventional qualitative studies that primarily rely on interviews, the present study utilizes documentary research and non-participant observation as its principal data collection techniques. This methodological choice enables the researcher to obtain

information from official, credible, and verifiable sources while minimizing researcher intervention in the phenomena under investigation (Ayuntamara Sekar & Choirul Anam, 2021).

Documentary Study Data Collection Techniques

Documentary research was conducted through the systematic collection, examination, and analysis of relevant and credible documents related to public financial management and governance practices. The documents analyzed include:

- a) Central and local government financial statements;
- b) Performance and financial audit reports issued by the Audit Board of the Republic of Indonesia (BPK);
- c) Laws, government regulations, and fiscal policy documents concerning public financial management;
- d) Academic literature, peer-reviewed journal articles, books, and previous studies addressing the concepts of good governance, public sector performance audits, and public financial accountability.

These documentary sources serve as both primary and secondary data depending on their relevance and proximity to the research objectives (Zeyn, 2011). Documentary analysis provides comprehensive evidence regarding governance practices, accountability mechanisms, and institutional performance while ensuring consistency and reliability of the collected information.

Non-Participant Observation

This study also employs non-participant observation, whereby the researcher observes governance practices without directly participating in or influencing the activities being examined. This method allows the researcher to investigate naturally occurring administrative processes while maintaining objectivity throughout the research process. The observation focuses on several aspects, including:

- a) Public financial reporting and disclosure practices available through official online platforms;
- b) Budget management activities documented in government websites, publicly accessible institutional reports, and audit findings;
- c) Public evaluations, institutional reports, and media coverage concerning transparency and accountability in public financial management.

Through non-participant observation, the study captures empirical evidence of governance implementation without disrupting ongoing governmental activities, thereby strengthening the credibility of the research findings.

Data Analysis

The collected data were analyzed using qualitative content analysis, which is considered appropriate for identifying patterns, themes, and relationships within documentary and observational data. This analytical approach facilitates a systematic interpretation of governance practices while linking empirical findings with existing theoretical perspectives. The analysis was conducted through the following stages:

- a) Data Organization

All collected data were systematically classified according to major analytical themes, including financial accountability, fiscal transparency, public participation, performance auditing, and the core principles of good governance (Hanyfah et al., 2022).

b) Data Reduction

Relevant information was selected, condensed, and synthesized to address the research objectives and answer the research questions. Irrelevant or repetitive information was excluded to improve analytical clarity while preserving the integrity of the data.

c) Data Display

The analyzed data were organized into a coherent and systematic narrative that illustrates the relationship between public financial management accountability, performance audit implementation, and the realization of good governance. The presentation emphasizes logical sequencing and thematic consistency to facilitate comprehensive interpretation.

d) Conclusion Drawing and Interpretation

The final stage involved interpreting the research findings by integrating empirical evidence with relevant theoretical frameworks and previous studies. This process enabled the researcher to formulate conclusions regarding the contribution of public sector performance audits and financial accountability to strengthening good governance practices (Fajar et al., 2023).

Trustworthiness of the Data

To enhance the credibility, dependability, and trustworthiness of the findings, this study applies source triangulation as the primary validation strategy. Source triangulation was conducted by:

- a) Comparing and evaluating information obtained from multiple documentary sources, including government financial reports, audit reports, legislation, public policy documents, and academic literature;
- b) Cross-checking evidence across different documents to minimize interpretative errors and researcher bias;
- c) Examining the consistency between empirical findings and established theoretical perspectives to strengthen analytical validity and ensure conceptual coherence.

The application of source triangulation enhances the robustness of the research by ensuring that conclusions are supported by multiple credible sources rather than relying on a single source of evidence. Consequently, although this study does not employ interviews or direct participant involvement, the adopted methodology provides a comprehensive, objective, and credible understanding of the effectiveness of public sector performance audits in fostering good governance through financial management accountability.

RESULTS AND DISCUSSION

Public Sector Performance Audits

Public sector performance auditing is a systematic and objective evaluation of government programs, activities, and institutions designed to assess organizational

performance based on the principles of economy, efficiency, and effectiveness (3E). Unlike financial audits, which primarily examine the fairness and reliability of financial statements, performance audits focus on whether public programs achieve their intended objectives, whether available resources are utilized optimally, and whether public funds are acquired and managed economically. In Indonesia, performance audits are conducted by institutions such as the Audit Board of the Republic of Indonesia (BPK) and the Government Internal Supervisory Apparatus (APIP) through a structured process consisting of planning, audit implementation, reporting, and follow-up actions. The recommendations generated from these audits provide valuable guidance for improving organizational performance, strengthening internal control systems, and enhancing public sector governance (BPKP-RI, 2018).

The findings indicate that the implementation of performance audits contributes significantly to strengthening the principles of good governance, particularly in promoting transparency, accountability, and organizational effectiveness. Audit recommendations encourage public institutions to improve financial management practices, reinforce internal control mechanisms, and enhance the accountability of budget implementation. Nevertheless, the effectiveness of performance audits continues to face several institutional challenges, including limited auditor competencies, inadequate access to reliable audit evidence, and insufficient follow-up on audit recommendations. These constraints reduce the potential impact of performance audits on organizational learning and governance improvement.

Accordingly, strengthening the effectiveness of public sector performance audits requires continuous investment in auditor capacity development, the digital transformation of audit processes, and the enhancement of internal supervisory systems. These initiatives are expected to improve audit quality, increase the implementation rate of audit recommendations, and ultimately support the realization of transparent, accountable, and service-oriented public governance.

Implementation of Accountability in Public Financial Management

The findings derived from documentary analysis and non-participant observation indicate that the implementation of accountability in public financial management has shown encouraging progress across various government institutions. Government financial reports demonstrate a gradual transition toward outcome-based reporting, shifting the emphasis from administrative compliance and input-oriented budgeting to the achievement of measurable program outcomes. This development suggests that public institutions increasingly recognize accountability as a substantive responsibility that extends beyond procedural compliance to encompass the effective delivery of publicly funded programs and services (Muhajir, 2019).

Furthermore, the adoption of the Government Accounting Standards (Standar Akuntansi Pemerintahan—SAP) has become a fundamental component of public financial reporting. The implementation of SAP has improved the quality of financial statements by promoting transparency, relevance, comparability, and auditability. Standardized accounting procedures also ensure consistency in financial recording,

reporting, and auditing practices across government institutions, thereby strengthening institutional accountability and enhancing public confidence in financial management systems (Maolani, 2023).

These findings demonstrate that SAP serves not merely as a technical accounting framework but also as a strategic governance instrument that reinforces public financial accountability. By improving the quality and reliability of financial information, SAP supports evidence-based decision-making, facilitates external oversight, and contributes to the broader objectives of good governance.

The Relationship Between Accountability and the Principles of Good Governance

The analysis indicates that accountability occupies a central position within the broader framework of good governance. Documentary evidence reveals that improvements in accountability are closely associated with the strengthening of other governance principles, including transparency, public participation, and the rule of law. Audit reports issued by the Audit Board of the Republic of Indonesia (BPK), for example, function as an important public oversight mechanism by encouraging government institutions to manage public resources more transparently, responsibly, and prudently.

When accountability mechanisms are implemented consistently, citizens gain greater access to public information, participate more actively in evaluating government policies, and become increasingly involved in monitoring public expenditure. Such conditions foster a healthy governance ecosystem that minimizes opportunities for corruption, misuse of authority, financial irregularities, and budgetary inefficiency. Consequently, accountability should not be viewed merely as an administrative requirement but as a governance mechanism that strengthens institutional legitimacy and enhances public trust in government (Darmalaksana, 2020).

The findings further suggest that accountability and good governance exhibit a mutually reinforcing relationship. Effective accountability mechanisms improve transparency and institutional performance, while stronger governance systems create favorable conditions for sustaining accountability practices. This reciprocal relationship highlights the strategic importance of accountability in achieving democratic, transparent, and citizen-oriented governance.

The Role of Organizational Commitment in Strengthening Accountability

The analysis also highlights organizational commitment, particularly the commitment demonstrated by institutional leaders and senior public officials, as a critical determinant of the sustainability of accountability practices. Although this study does not employ interview methods, the reviewed literature consistently indicates that organizational values such as integrity, ethical public service, and a strong culture of accountability significantly influence the effectiveness of governance mechanisms. Leadership commitment encourages the formulation of internal policies that promote transparent financial reporting while simultaneously strengthening internal control systems and internal audit functions as institutional accountability mechanisms (Wayan Wendra, 2015).

Without strong commitment from bureaucratic leaders and public officials, accountability risks becoming merely a procedural or administrative obligation rather than an effective governance practice capable of improving public sector performance. In such circumstances, financial reporting may satisfy regulatory requirements without generating meaningful improvements in transparency, efficiency, or public service delivery.

Therefore, bureaucratic reform should continue to prioritize the development of organizational integrity, ethical leadership, and managerial competence. Strengthening these institutional capacities is essential for cultivating a sustainable culture of accountability that supports effective public financial management and contributes to the realization of good governance. The findings of this study therefore suggest that the effectiveness of public sector performance audits in promoting good governance is significantly reinforced by robust financial management accountability and sustained organizational commitment. Together, these governance mechanisms create a complementary institutional framework that enhances transparency, strengthens public trust, and improves the quality of public sector governance.

Discussion: Challenges and Implications for Public Financial Accountability Practices

The findings of this study indicate that although public sector performance audits have contributed to strengthening financial management accountability, the realization of good governance remains constrained by several structural and institutional challenges. Documentary evidence suggests that the existence of regulatory frameworks and accounting standards alone is insufficient to ensure effective accountability practices. Rather, successful implementation depends on the interaction between institutional capacity, organizational commitment, technological readiness, and the quality of human resources responsible for public financial management.

One of the most prominent challenges identified is the limited accounting competence among public financial management personnel, particularly at the regional government level. Inadequate technical knowledge of government accounting standards, financial reporting procedures, and performance-based budgeting often reduces the quality of financial reports and limits the effectiveness of performance audit recommendations. These findings are consistent with previous sections of this study, which demonstrate that financial accountability serves as the primary mechanism through which performance audits contribute to the achievement of good governance. Consequently, deficiencies in technical competence weaken the mediating role of financial management accountability and reduce the overall effectiveness of governance reforms.

The analysis further reveals that financial management information systems have not yet been implemented uniformly across public institutions. While several government agencies have adopted integrated digital financial reporting systems, others continue to rely on fragmented administrative procedures that limit data accessibility, transparency, and audit efficiency. Such disparities reduce the ability of auditors to obtain timely and

reliable audit evidence and may delay the implementation of corrective actions recommended through performance audits. Therefore, digital transformation should be viewed not merely as technological modernization but as an essential governance strategy that enhances transparency, improves financial reporting quality, and strengthens institutional accountability.

Another significant challenge concerns organizational culture within public institutions. The findings indicate that resistance to transparency remains evident in bureaucratic environments characterized by hierarchical decision-making and limited information disclosure. Under these conditions, accountability tends to be treated as an administrative compliance requirement rather than as an institutional commitment to responsible governance. This situation may reduce the effectiveness of performance audits because audit recommendations cannot generate meaningful organizational improvements without strong managerial commitment and a governance culture that supports openness and continuous learning (Hadi & Afandi, 2021).

Furthermore, the study identifies substantial disparities in human resource capacity between central and regional governments. Local government institutions frequently encounter technical difficulties in preparing financial statements that fully comply with Government Accounting Standards, thereby affecting the consistency and comparability of financial reporting. These differences create unequal levels of accountability implementation across jurisdictions and may increase the likelihood of financial irregularities, inefficient budget utilization, and ineffective public service delivery. Consequently, the effectiveness of public sector performance audits is closely associated with the institutional capacity of audited entities to implement audit recommendations and continuously improve their financial management practices.

From a governance perspective, these findings provide important implications for public sector reform. Strengthening financial accountability cannot rely exclusively on regulatory improvements or the adoption of digital technologies. Instead, sustainable governance reform requires a comprehensive institutional strategy that integrates continuous professional development, organizational learning, effective leadership, and robust internal and external oversight mechanisms. Investments in human resource development should therefore focus not only on improving technical accounting competencies but also on cultivating ethical values, professional integrity, and a results-oriented organizational culture.

The findings also reinforce the theoretical proposition advanced in this study that financial management accountability functions as a mediating mechanism linking public sector performance audits to the realization of good governance. Performance audits generate recommendations that improve governance only when public institutions possess sufficient institutional capacity and organizational commitment to implement those recommendations effectively. Accordingly, accountability should be understood as an enabling governance mechanism that transforms audit findings into measurable improvements in transparency, efficiency, and institutional performance.

Overall, the discussion demonstrates that the research objective has been achieved by confirming that the effectiveness of public sector performance audits in promoting good governance is substantially influenced by the quality of financial management accountability. While Indonesia has established an increasingly comprehensive regulatory and institutional framework for public financial governance, strengthening auditor capacity, improving financial management information systems, enhancing organizational commitment, and fostering a culture of accountability remain essential priorities for achieving sustainable and citizen-oriented good governance.

CONCLUSION

This study examined the effectiveness of public sector performance audits in promoting good governance through the mediating role of financial management accountability. The findings demonstrate that performance audits constitute a strategic governance instrument that extends beyond assessing financial compliance to evaluating the economy, efficiency, and effectiveness of government programs. By generating evidence-based recommendations, performance audits contribute to strengthening internal control systems, improving institutional performance, and enhancing transparency and accountability in public financial management.

The study further reveals that financial management accountability plays a central role in translating audit findings into improvements in governance quality. The increasing adoption of outcome-based financial reporting and the implementation of Government Accounting Standards (SAP) have strengthened the quality, transparency, and reliability of public financial reporting. These developments support more effective oversight, improve institutional credibility, and reinforce the implementation of the core principles of good governance, particularly transparency, accountability, and responsiveness.

Nevertheless, the findings also indicate that the effectiveness of public sector performance audits is influenced by several institutional challenges. Limited accounting competencies among public financial management personnel, disparities in human resource capacity across government institutions, suboptimal financial management information systems, and organizational resistance to transparency continue to constrain the implementation of accountability practices. These findings suggest that regulatory frameworks and accounting standards alone are insufficient to achieve sustainable governance reform without complementary institutional capacity, organizational commitment, and effective leadership.

Overall, this study confirms that financial management accountability serves as an important mechanism through which public sector performance audits contribute to the realization of good governance. The successful implementation of audit recommendations depends not only on the quality of the audit process itself but also on the capacity of public institutions to strengthen accountability systems, foster organizational integrity, and cultivate a governance culture characterized by transparency, professionalism, and continuous improvement. Therefore, sustainable bureaucratic reform, strengthened institutional commitment, and continuous investment

in human resource development remain essential for improving the effectiveness of public financial governance and achieving citizen-oriented good governance.

Suggestions for Future Research

Future research is encouraged to adopt mixed-methods or quantitative approaches to empirically examine the causal relationships among public sector performance audits, financial management accountability, and good governance. Such approaches would provide stronger empirical evidence regarding the mediating role of financial accountability and enable the testing of conceptual models using statistical techniques such as Structural Equation Modeling (SEM) or Partial Least Squares Structural Equation Modeling (PLS-SEM).

Subsequent studies should also broaden the scope of analysis by including multiple levels of government, such as central ministries, provincial governments, and local governments, to compare variations in accountability implementation and audit effectiveness across institutional contexts. Comparative studies would provide a more comprehensive understanding of governance practices and identify factors contributing to institutional differences in public financial management.

In addition, future research may incorporate organizational variables such as leadership commitment, organizational culture, digital governance, internal control effectiveness, auditor competence, and institutional capacity as potential mediating or moderating factors. Examining these variables would contribute to a deeper understanding of the institutional mechanisms through which performance audits influence governance outcomes.

Finally, longitudinal research is recommended to evaluate the long-term impact of audit recommendations on governance quality, financial accountability, and public service performance. Such studies would provide valuable evidence regarding the sustainability of governance reforms and support the development of more effective public policies aimed at strengthening accountability, transparency, and institutional performance in the public sector.

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