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Innovations in Public Financial Reporting Systems to Increase Accountability and Transparency

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ABSTRACT
This journal discusses the innovation in the public financial reporting system to enhance accountability and transparency. In the digital era, technological innovations such as Fintech, e-procurement, e-budgeting, and e-audit have influenced the public financial reporting system, making it more accessible and understandable. The journal emphasizes the importance of transparency and accountability in the public financial reporting system, and how innovation can help achieve these goals. This research uses a qualitative approach and collects data from various credible online sources.

Keywords: Innovation, Public Financial Reporting System, Accountability, Transparency.

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INTRODUCTION

The government, which is the highest authority, especially in Indonesia, always tries to regulate the course of government properly and harmoniously so that there are minimal conflicts and divisions. One way the government stays alive is by collecting dues to its citizens from various aspects such as buildings, food, to education. As good citizens, people will obey and pay the dues so that they too will be labeled good people. As obedient and good citizens, they are eager to see where their money is allocated so that they will remain obedient to the government.

One problem also arises where the financial reporting system to the public is sometimes not so easy to access. This is why sometimes many people do not want to pay these dues because they do not understand where their money "runs". On this basis, the public financial reporting system is finally required to make innovation for innovation so that the wider community can access information related to financial reporting more easily and quickly. The impact of this convenience is to increase public trust in this financial management institution. This is why they need to be accountable and transparent.

RESEARCH METHOD

The research published in this journal uses a qualitative approach. If studied in detail, qualitative research is a type of research where the focus of this research is to explain new perspectives (perspectives) which can certainly provide a new understanding with new points of view as well (Creswell et al., 2014). By using this research, the author hopes to examine how financial reporting systems innovate to

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increase accountability and transparency so that they are more easily known by the public at large.

The study was based on a literature review. Literature review or what is often called literature study is a type of research methodology that requires examination, assessment, and synthesis of previous research related to the research subject (Jesson et al., 2014). Data for this study will be collected from various credible online sources, including leading national media (if any) as well as online academic journals.

The selection of journals and information from national media will be based on the reliability of the academic field and the relevance of the material to the topic of study. To understand the conclusions and arguments made, any information obtained will be examined and studied in more depth. Any information from national media will be carefully investigated to ensure accuracy. After ascertaining about the information, then the data will be the basis for answering questions and advancing the objectives of this research.

This study aims to explain the innovations that occur in the public financial reporting system in order to increase accountability and transparency.

RESULTS AND DISCUSSION

Innovation

Innovation is the introduction of new, more useful concepts, products, services and methods. The word "innovation" comes from the verb "innovation", which means to change or introduce something new (Suyatno, 2010). Although innovation and invention are sometimes used interchangeably, innovation differs from inventor because it refers to invention.

Innovation consists of positive as well as negative innovations. Positive innovation is the process of providing something new that offers more value to the client while making changes to an existing product or service. Customers who experience negative innovation are less likely to take advantage of the product because they believe it degrades taste, provides no added value, and betrays their confidence.

Innovation can be divided into 5 categories, which are as follows (Suyatno, 2010):

1. Product innovation, which is the introduction of new, much better products and services involves making things easier to use, more technically capable, and more functional. For example: cars, laptops, cell phones, etc.
2. Process innovation, which includes the introduction of new product quality improvements or improved delivery methods.
3. Marketing innovation, which creates strategies to seize new market share by improving advertising, packaging, and design standards.
4. Organizational innovation, which refers to the development of new business models, organizational structures, organizational behavior, or business practices.
5. Business model innovation, that is, modifying operations in accordance with the principles adhered to.

There are 5 types of innovation according to experts, namely:

1. Product innovation; which involves the introduction of new goods, substantially improved new services. Involves improving the characteristics of the functions as well, the capabilities of technicians, easy to use. For example: mobile phones, computers, motor vehicles, etc.;
2. Process innovation; involves the implementation of new product quality improvement or delivery of goods;

3. Marketing innovation; develop methods of finding new market share by improving the quality of design, packaging, promotion;
4. Organizational innovation; creation of new organizations, business practices, ways of running organizations or organizational behavior;
5. Business model innovation; change the way you do business based on your values.

Even with innovation, a company needs to create communication to "tell" their latest product as well as promote it so that people will be more familiar with it and understand the innovation (Lestari et al., 2024).

System

A system can be defined as a collection of small things that are interconnected and create a form of synergy from that Collection. Based on the Big Dictionary Indonesian, the system has the following meanings:

1. "a set of elements that are regularly interrelated so as to form a totality"
2. "organized arrangement of views, theories, foundations, etc."

Based on the definition of KBBI above, it is very clear that this system is certainly in the form of several things that become one where each of these things is related to each other so as to form a strong and solid system.

The system has a number of inputs that go through several processes to produce different outputs, all of which work together to achieve the overall system goals (Namara, 2017). Therefore, a system often consists of many smaller systems, often called subsystems. An organization, for example, consists of various groups, individuals, goods, services, as well as administrative and management tasks. The nature of the system as a whole changes when one of its components is changed.

There are many different types of systems. Some examples of such systems are as follows: biological (such as the heart), mechanical (such as a thermostat), human/mechanical (such as riding a bicycle), ecological (such as predators/prey), and social (such as friendships, groups, and supply and demand).

Many subsystems form a complex system, including social systems. The overall goal of the system is achieved through the integration and hierarchical arrangement of these components. Each subsystem has a set of constraints and consists of various inputs, processes, outputs, and outcomes that are all intended to help the subsystem achieve its ultimate goal. Because complex systems usually interact with their environment, they are open systems. A well-functioning system will continuously provide input to all its components to ensure they are all focused on the same thing achieving system goals.

Public Finance

Public finance is a combination of two words, namely finance and public. Finance has the meaning of "intricacies of money, money affairs" while the public itself has the meaning of "many (general)". Thus, public finance means that it is a financial affair that is related to a lot of people so that access is not only private, but becomes public.

Autonomous regions require financial support from the public sector to fulfill their authority and duty to serve the public interest. In more detail, public finance is defined as funding originating from the general public, obtained using authority given by the general public, and used either directly or indirectly to promote general welfare (Wasistiono, 2002). In general, there are two perspectives on public finance:

1. Income or income
2. Leverage or buy

Government spending, infrastructure funding, and allocating funds to initiatives such as poverty alleviation, healthcare, and education are examples of public sector activities related to public finance. PP. Number 12 of 2019 concerning Regional Financial Management has many regulations governing these financial transactions. Regional financial management is defined as the culmination of all operations related to planning, budgeting, implementation, administration, reporting, accountability, and supervision of regional finances in PP. Number 12 of 2019 Article 1 Paragraph 2 The regional head as an element of regional government administration is a person who supervises the implementation of government affairs which are the authority of the autonomous region, based on Law Number 23 of 2014, Article 1 Paragraph 3 (Ma'ani, 2009).

Accountability

Accountability is things related to responsibility to the public or the public for things done where the public can see the activity.

Accountability is viewed by the American Accounting Association as an entity that can be categorized into four distinct divisions based on its accounting approach. These groups include accountability for (Arja, n.d):

1. Monetary assets
2. Compliance with laws and administrative guidelines
3. Economy and efficiency of an activity
4. Achievement of goals, benefits that are indicators of the results of government initiatives and actions.

But functionally, accountability is seen as a five-step process that starts with a stage that requires more objective action (legal compliance) and ends with a stage that requires more subjective metrics. The phases consist of (Arja, n.d):

1. Probity and legality accountability Relating to the acumen of the use of funds in accordance with applicable legal regulations as well as approved estimates.
2. In this case, certain tasks are implemented using processes, procedures, or actions (planning, allocating, and managing).
3. Performance accountability can determine whether the operation is effective at this level (effective and economical).
4. Program accountability emphasis is on persistence and achievement of predefined goals (results and effectiveness).
5. Policy accountability, the policy is selected at this time, whether to apply or not (value).

The accountability system has various main features, which are viewed from its point of view, which are as follows:

1. Emphasis on outcomes
2. Measure performance using a variety of carefully selected indicators
3. Produce data that helps in decision making regarding a policy or program.
4. Generate data continuously over time.
5. Publish and report findings periodically.

Transparency

When all aspects of the service delivery process are visible and easily accessible to consumers, the public and/or stakeholders who need it, it is called transparent. High transparency can be applied to service delivery practices if all elements of the process including requirements, costs and time required, service methods, and rights and obligations of service providers and users are publicly available and easily understood by the public. However, service delivery does not comply with transparency standards if one or all process doors are closed and information is difficult to obtain by users and other stakeholders.

Public service transparency can be measured using three different indicators:

1. Measure the transparency of the process of delivering public services. This level of openness evaluation covers all aspects of the public service process, including the time, cost, and resources required, as well as any service methods or procedures to be followed.
2. Ease of users and other stakeholders in understanding the rules and procedures of the service. Understanding in this context not only refers to taking rules and procedures literally but also understanding all things.
3. Service, is how simple it is to get information on various aspects of public service provision. Transparency correlates with how easily users access information about various aspects of public service delivery. For example, a public service is said to have high transparency if users can easily obtain information regarding the cost and time required to complete the service.

Public Financial Reporting System Innovation in Increasing Accountability and Transparency

Public finance is something that should be accessible to the wider community, because this is related to the community itself. In addition, anything that has a relationship with money is usually sensitive. If it is not conveyed properly, sometimes it is very vulnerable to KKN practices where this is not monitored by the community or office holders. Two points that should exist and should not be lost in the financial reporting system are accountability and transparency.

Accountability in relation to financial management includes various interconnected dimensions related to internal control, such as fiscal responsibility, where local governments are required to provide reports on the use of public funds to the public and other stakeholders with the aim of preventing financial misappropriation (Arni et al., 2023).

Accountability depends on the capacity to respond to questions from various stakeholders, and this capacity also depends on the effectiveness of internal control in facilitating easy and fast access to related data and information (Darin &; Abdul, 2023). There are so many things done by several institutions related to finance and the public, one of which is to make infrastructure in the form of the right roads and can be enjoyed by every community. The budget related to making this infrastructure must be accountable for its value on paper accurately and not just written down.

In addition, transparency here refers to how the wider public can access information related to spending from these financial institutions anywhere and anytime. This must be done so that people can understand and understand the money they spend, such as which sector tax money will go to and be used for what things. If the public financial media cannot show its transparency then surely the public will stop paying taxes.

Activities related to financial reporting are getting easier along with the development of science and technology. One of the innovations applied in the public financial reporting system is the use of information technology that allows the collection, processing, and reporting of financial data so that it becomes faster and more precise. In addition, the possibility of human error in the reporting process is reduced by the use of sophisticated accounting software (Darin &; Abdul, 2023).

The trend of digitalization is encouraging public financial reporting systems and changing them to be more accessible. Fintech, e-procurement, e-budgeting, and e-audit are some of the changes that have occurred in the public financial reporting system. The efficiency, accountability, and transparency of public financial systems have improved as a result of the effective implementation of these technologies in a number of countries, including Indonesia.

The above has actually proven effective in providing financial reporting information for the wider community so that these innovations directly help humans, especially humans in the 2000s. As the name suggests, innovation itself demands an original update where maybe in the next 10 to 20 years the financial reporting system itself will be more transparent where humans can access it like using Google Glass (if you look at Elon Musk's ambition to create an E-ID card in the form of a chip).

CONCLUSION

The financial reporting system is a very crucial system, because this system is related to finance where matters related to finance must be transparent and accountable. If these two things do not exist, bad things can happen in the financial reporting system. Technological advances encourage digitalization so that this financial reporting system also changes to be more digital. Some of the products of digital reporting systems that are useful to this day are Fintech, e-procurement, e-budgeting, and e-audit. Innovations related to reporting will continue to grow as the digitization process continues to develop so that in the future, financial reporting will be more transparent and accountable.

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