

The Effect Of Regional Financial Accounting Systems And Accountability On Financial Performance And Public Transparency Mediated By Management Control Activities In Local Government Agencies (SKPD) In Banjarmasin City, South Kalimantan Province

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ARTICLE INFO

Received: 31 Dec 2024

Revised: 20 Feb 2025

Accepted: 28 Feb 2025

ABSTRACT

Introduction: The Banjarmasin City Government faces persistent financial challenges due to its heavy reliance on central government transfers and the low realization of locally generated revenue. These issues reflect inefficiencies in planning, weak internal controls, and limited public transparency. While the Regional Financial Accounting System (RFAS) and accountability are essential for improving financial governance, their effectiveness depends on the presence of strong management control activities. This study examines how RFAS and accountability influence financial performance and public transparency, with management control activities serving as a mediating factor, offering insights to enhance fiscal sustainability and local governance quality.

Objectives: This study aims to examine the influence of the Regional Financial Accounting System (RFAS) and Accountability on Financial Performance and Public Transparency, with Management Control Activities as a mediating variable, within Local Government Work Units (SKPD) in Banjarmasin City.

Methods: A quantitative approach with a survey method was employed. The population consisted of 4,565 civil servants across 33 SKPDs in Banjarmasin, with a sample size of 368 respondents selected through proportional random sampling. Data were collected via questionnaires and document reviews, and analyzed using Structural Equation Modeling (SEM) with AMOS version 24.

Results: The RFAS and Accountability significantly influence Management Control Activities. The RFAS has a direct significant effect on Financial Performance, but not on Public Transparency. Accountability does not directly influence either Financial Performance or Public Transparency. Management Control Activities have a significant direct effect on both Financial Performance and Public Transparency. Management Control Activities act as a full mediator between Accountability and both outcomes, and between RFAS and Public Transparency; and as a partial mediator between RFAS and Financial Performance.

Conclusions: Management Control Activities play a vital mediating role in enhancing both financial performance and public transparency. Strengthening accounting systems and cultivating an accountability culture must be complemented by robust internal control mechanisms to achieve effective and transparent local financial governance.

Keywords: Regional Financial Accounting System, Accountability, Financial Performance, Public Transparency, Management Control Activities.

INTRODUCTION

The Banjarmasin City Government of South Kalimantan Province continues to rely heavily on the central government to finance its administrative functions, particularly through transfer revenues sourced from the national budget

(APBN). In the absence of such assistance, the city government has yet to demonstrate the fiscal capacity to independently fund its operations. Mohammed, in his research, recommended that local governments utilize their resources prudently, transparently, and accountably in allocating capital and routine expenditures to develop various local economic sectors. This strategy, he argued, would enhance internally generated revenue and reduce reliance on statutory allocations (Abba et al., 2015). Supporting this view, (Sebastiana.V, 2019) emphasize that regional revenue is significantly influenced by the extent to which local financial sources can generate income. The ability of a region to explore and optimize its potential determines the effectiveness of its own-source revenue generation. Generally, locally generated revenue (PAD) includes income from local taxes, user charges, and other legitimate sources, which are allocated for regional funding and development. As the contribution of PAD to the regional budget (APBD) increases, the dependency on central and provincial government support correspondingly decreases.

In fiscal year 2023, the Banjarmasin City Government experienced inefficient budget spending, which hindered financial performance. Expenditures were often misaligned with actual development needs and priorities, lacking both transparency and accountability. These issues reflect a broader pattern consistent with the findings of (Dzomira, 2017), who revealed that public financial governance in South Africa suffered from chronic mismanagement, characterized by irregular, unauthorized, and wasteful expenditures in public institutions.

Regional financial management serves as a key indicator of the quality of local governance. As the capital of South Kalimantan Province, Banjarmasin faces significant challenges in its financial performance, which became particularly evident in the 2023 fiscal year with the emergence of outstanding payments to third parties. This phenomenon indicates persistent weaknesses in planning, implementation, and oversight mechanisms. Moreover, the city's high reliance on central government transfers underscores its limited fiscal autonomy.

In the context of fiscal decentralization, local governments are expected to optimize their internally generated revenue (PAD) as a reflection of financial independence. However, in reality, regional income has not been sufficient to support escalating public expenditures. Contributing factors include weaknesses in the regional financial accounting system, a lack of accountability, and ineffective management control activities all of which negatively impact financial performance and public transparency.

Assessing regional financial performance is essential as a measure of public accountability. According to (Mardiasmo, 2004), strong financial performance is reflected in a local government's ability to manage its income sources and finance expenditures without excessive dependence on central government transfers. Consequently, the implementation of a reliable accounting system and the cultivation of a strong accountability culture are critical for improving financial outcomes and enhancing transparency.

Management control activities play a strategic role in ensuring the effective and efficient achievement of organizational objectives. An adequate internal control system enables local governments to reduce non-compliance risks, improve financial reporting accuracy, and strengthen public trust. Therefore, management control activities serve as crucial mediating variables in the relationship between accounting systems, accountability, and financial performance.

The financial performance of the Banjarmasin City Government over the past five years has shown signs of instability, particularly in terms of PAD and its dependence on transfer revenues. The year 2023 marked the peak of these challenges, with PAD realization reaching only 56.79% of the target, while central government transfer realization dropped to 83.54% of the target. This fiscal imbalance resulted in outstanding third-party obligations amounting to IDR 348.49 billion. These conditions highlight the urgent need to evaluate the regional financial accounting system, strengthen accountability, and enhance management control activities to improve financial performance and public transparency within the city's Local Government Work Units (SKPD).

Table 1: Regional Original Income Data

Tahun	Target PAD (Rp)	Realisasi PAD (Rp)	Target Transfer (Rp)	Realisasi Transfer (Rp)	Capaian PAD (%)	Capaian Transfer (%)	Tunggakan (Rp)
2019	314.481.869.169	330.718.653.036	1.179.956.404.313	1.044.858.915.105	105,16%	88,55%	-
2020	271.752.280.010	297.397.510.339	1.022.946.940.875	1.049.972.496.809	109,44%	102,64%	-
2021	347.629.203.988	398.986.852.673	1.278.389.486.074	1.158.562.308.925	114,78%	90,63%	-
2022	492.658.368.974	398.986.852.673	1.538.846.818.833	1.588.551.217.211	80,99%	103,23%	-
2023	820.706.413.500	446.103.295.809	1.791.847.783.467	1.496.965.670.016	56,79%	83,54%	348.486.803.136

Source : Pemko Banjarmasin, 2024

Over the past five years, the Banjarmasin City Government has faced significant challenges in managing its public finances. As shown in the relevant data, the realization of locally generated revenue (PAD) experienced growth from 2019 to 2021 but began to decline sharply in 2022 and 2023. In 2023, the realization of PAD reached only IDR 446.10 billion or 56.79% of the target of IDR 820.70 billion. At the same time, the city continued to exhibit high dependency on central government transfers and interregional transfers, with the realization of total transfers in 2023 amounting to IDR 1.49 trillion, or just 83.54% of the targeted amount.

The decline in PAD performance, coupled with the continued reliance on central and intergovernmental transfers and other legitimate income sources, has had serious implications for the city's fiscal health. This was marked by payment arrears to third parties amounting to IDR 348.49 billion in 2023. These circumstances underscore the urgent need for a comprehensive reform of the regional financial accounting system, improvements in accountability mechanisms, and the strengthening of management control activities to enhance financial performance and public transparency in Banjarmasin.

The situation in the Banjarmasin City Government raises several critical questions: Can the Regional Financial Accounting System and accountability practices significantly improve financial performance and enhance public transparency? Can management control activities reinforce these effects? These questions form the foundation of this research.

Moreover, this study seeks to address a research gap in the existing literature, where previous findings have been inconsistent regarding the relationships among accounting systems, accountability, financial performance, and transparency. This study also explores the interaction between public transparency, financial accountability, and the implementation of New Public Management (NPM) principles in improving the efficiency of regional spending. While prior studies have often examined these elements in isolation, this research offers a more integrated and comprehensive analytical model.

A key novelty of this research lies in its focus on the role of technology in regional financial management systems. In the face of rapid digitalization, this study contributes to the understanding of how electronic financial systems can enhance budget management effectiveness and prevent inefficiencies and misuse of public funds. Thus, this research not only advances theoretical development in the fields of regional finance and public management but also offers practical insights for local governments in designing more accountable, transparent, and efficient financial performance strategies.

The novelty of this study is further evident in its comprehensive analysis of the Banjarmasin City Government's financial performance, particularly in addressing fiscal imbalances involving PAD, other legitimate revenues, and the continued reliance on central and provincial government transfers within the context of the Regional Revenue and Expenditure Budget (APBD). Beyond identifying the factors that influence financial performance, this study offers a new perspective by examining the effect of the Regional Financial Accounting System on management control activities as a key factor in improving the effectiveness of public financial management.

Furthermore, the study is expected to provide practical contributions to the Banjarmasin City Government in its efforts to improve local financial governance. While previous research has established links among the financial accounting system, accountability, financial performance, and transparency, few have explored these relationships in regions with high dependency on intergovernmental transfers, such as Banjarmasin. Additionally, topics such as internal control during the planning phase, public debt management practices, and the implementation of New Public Management and digital technologies in regional financial governance remain under-researched.

This study aims to fill these gaps by analyzing the impact of the Regional Financial Accounting System and accountability on financial performance and public transparency, with management control activities acting as mediating variables. The findings of this study are expected to enrich the literature on public financial management and offer practical recommendations to local governments seeking to improve financial performance and transparency.

Accordingly, the objective of this study is to empirically test the influence of the Regional Financial Accounting System and accountability on financial performance and public transparency, while considering management control activities as a mediating factor.

OBJECTIVES

The primary objective of this study is to empirically examine the influence of the Regional Financial Accounting System (RFAS) and accountability on the financial performance and public transparency of local government institutions, particularly in the context of SKPDs (Local Government Work Units) in Banjarmasin City. This research aims to evaluate whether improvements in accounting systems and accountability practices can significantly enhance budget efficiency, fiscal responsibility, and openness in public financial reporting.

In addition, this study seeks to explore the mediating role of management control activities in the relationship between RFAS, accountability, financial performance, and public transparency. By identifying the extent to which internal control mechanisms strengthen or moderate these relationships, the research provides valuable insights into how local governments can structure their financial management strategies to achieve greater effectiveness, efficiency, and public trust.

METHODS

This study adopts a quantitative approach using a survey method. The main objective of this approach is to empirically examine the relationships among variables using data collected from relevant respondents. Data were gathered through questionnaires distributed to civil servants (PNS) within the Banjarmasin City Government.

The population consisted of employees across 33 Local Government Work Units (SKPD) in Banjarmasin, totaling 4,565 individuals. The sample size was determined using Slovin's formula, resulting in 368 respondents selected through proportional random sampling to ensure representative participation from each SKPD.

The research instrument was developed based on established indicators for each variable: the regional financial accounting system, accountability, management control activities, financial performance, and public transparency. Prior to data collection, the instrument was validated using validity and reliability tests conducted via SPSS version 24.

Data analysis was performed using Structural Equation Modeling (SEM) with the help of AMOS version 24. SEM was chosen for its ability to simultaneously test complex relationships among multiple variables and to assess both direct and indirect effects.

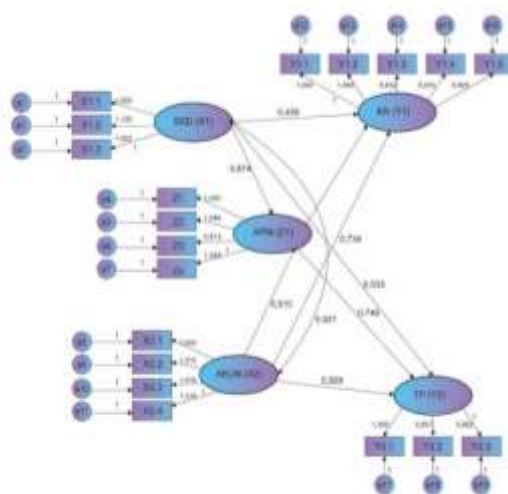


Figure 1: Conceptual Framework, 2025

Hypotheses

The hypotheses proposed in this study are as follows:

- H1: The Regional Financial Accounting System (X1) has a significant effect on Management Control Activities (Z) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H2: Accountability (X2) has a significant effect on Management Control Activities (Z) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H3: The Regional Financial Accounting System (X1) has a significant effect on Financial Performance (Y1) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H4: Accountability (X2) has a significant effect on Financial Performance (Y1) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H5: The Regional Financial Accounting System (X1) has a significant effect on Public Transparency (Y2) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H6: Accountability (X2) has a significant effect on Public Transparency (Y2) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H7: Management Control Activities (Z) have a significant effect on Financial Performance (Y1) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H8: Management Control Activities (Z) have a significant effect on Public Transparency (Y2) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H9: Management Control Activities (Z) mediate the relationship between the Regional Financial Accounting System (X1) and Financial Performance (Y1) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H10: Management Control Activities (Z) mediate the relationship between Accountability (X2) and Financial Performance (Y1) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H11: Management Control Activities (Z) mediate the relationship between the Regional Financial Accounting System (X1) and Public Transparency (Y2) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.
- H12: Management Control Activities (Z) mediate the relationship between Accountability (X2) and Public Transparency (Y2) in SKPDs within the Banjarmasin City Government, South Kalimantan Province.

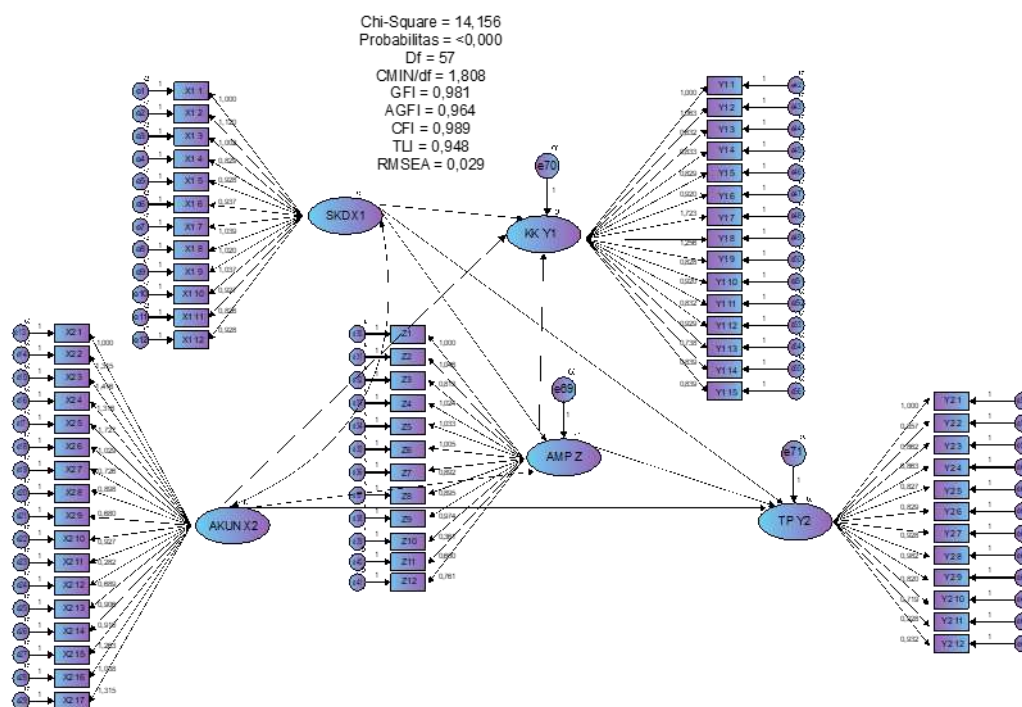
Data Collection Procedure

The data collection process was conducted over a period of three months, during which direct supervision was implemented to ensure accurate and complete responses to the distributed questionnaires. In addition, a document review method was used to supplement the quantitative data with secondary information such as regional financial reports and budget planning documents.

Research Ethics

Ethical considerations were carefully addressed in this study. Respondents were provided with clear explanations regarding the purpose of the research, and their confidentiality was strictly maintained. All collected data were used exclusively for academic purposes and handled in compliance with ethical research standards..

RESULTS



Gambar 2 : Hasil Pengujian SEM-AMOS

Table 3. Results of Hypothesis Testing (Direct and Indirect Effects)

Hypothesis	Direct Effect	Path Coefficient	Standard Error	Critical Ratio	P-Value	Remarks
Direct						
H1	Regional Financial Accounting System (X1) → Management Control Activities (Z)	0,874	0,057	11,588	<0,000	Significant
H2	Accountability (X2) → Management Control Activities (Z)	0,910	0,059	9,697	<0,000	Significant
H3	Regional Financial Accounting System (X1) → Financial Performance (Y1)	0,455	0,085	0,122	<0,000	Significant

Hypothesis	Direct Effect	Path Coefficient	Standard Error	Critical Ratio	P-Value	Remarks
H4	Accountability (X2) → Financial Performance (Y1)	0,134	0,467	0,097	0,087	Insignifcant
H5	Regional Financial Accounting System (X1) → Public Transparency (Y2)	0,046	0,416	0,532	0,324	Insignifcant
H6	Accountability (X2) → Public Transparency (Y2)	0,033	0,487	0,540	0,132	Insignifcant
H7	Management Control Activities (Z) → Financial Performance (Y1)	0,921	0,136	0,136	<0,000	Significant
H8	Management Control Activities (Z) → Public Transparency (Y2)	0,928	0,122	0,122	<0,000	Significant
Indirect Effect						
H9	Regional Financial Accounting System (X1) → Management Control Activities (Z) → Financial Performance (Y1)	0,387	The direct effect between X1 (Regional Financial Accounting System) and Z (Management Control Activities) is statistically significant, as is the direct effect of Z on Y1 (Financial Performance). Moreover, the direct effect of X1 on Y1 is also significant. However, the indirect effect coefficient of X1 on Y1 through Z is smaller than the direct effect of X1 on Y1 (0.387 < 0.455). This indicates that Management Control Activities do not act as a full mediator in this relationship, and the mediation is classified as partial .			Z is not a mediating variable.

Hypothesis	Direct Effect	Path Coefficient	Standard Error	Critical Ratio	P-Value	Remarks
H10	Accountability (X2) → Management Control Activities (Z) → Financial Performance (Y1)	0,792				In contrast, the direct effect of X2 (Accountability) on Z is significant, and so is the direct effect of Z on Y1. Although the direct effect of X2 on Y1 is also significant, the direct effect coefficient (0.134) is substantially smaller than the indirect effect coefficient through Z (0.792). This suggests that Management Control Activities serve as a full mediator in the relationship between Accountability and Financial Performance.
H11	Regional Financial Accounting System (X1) → Management Control Activities (Z) → Public Transparency (Y2)	0,479				Furthermore, the direct effect of X1 on Z and the direct effect of Z on Y2 (Public Transparency) are both statistically significant. However, the indirect effect of X1 on Y2 through Z (0.479) is notably greater than the direct effect of X1 on Y2 (0.046). This provides evidence that Management Control Activities act as a full mediator in the relationship between SAKD and Public Transparency.
H12	Accountability (X2) → Management Control Activities (Z) → Public Transparency (Y2)	0,715				Similarly, the direct effect of X2 on Z and the direct effect of Z on Y2 are significant. However, the direct effect of X2 on Y2 (0.033) is substantially lower than the indirect effect via Z (0.715), confirming that Management Control Activities also serve as a full mediator in the relationship between Accountability and Public Transparency.

Source: Primary data processed, 2024.

1. The Regional Financial Accounting System (SAKD) has a significant effect on Management Control Activities, as a robust accounting system serves as the foundation for ensuring effective financial control across local government units (SKPD). Without a reliable system, financial control cannot function optimally.
2. Accountability significantly influences Management Control Activities, as both individual and collective responsibilities within institutions are essential to achieving effective financial governance and regional planning objectives.

3. The SAKD significantly affects Regional Financial Performance, as a well-functioning system ensures effective financial management and facilitates the achievement of established financial targets.
4. Accountability does not significantly affect Regional Financial Performance, suggesting that institutional or individual responsibility does not always directly translate into improved financial outcomes.
5. The SAKD does not significantly affect Public Transparency, likely due to the fact that not all financial information can be publicly disclosed due to security and regulatory constraints.
6. Accountability does not significantly affect Public Transparency either, as institutional responsibility in financial management does not always involve public disclosure.
7. Management Control Activities have a significant impact on Regional Financial Performance. Effective control systems enhance budgeting and implementation efficiency, thus directly contributing to improved financial outcomes.
8. Management Control Activities significantly influence Public Transparency. The existence of structured internal control promotes openness and improves financial communication between government and citizens.
9. Management Control Activities partially mediate the relationship between SAKD and Financial Performance, indicating that SAKD influences financial outcomes both directly and through effective internal controls.
10. Management Control Activities fully mediate the relationship between Accountability and Financial Performance. This suggests that accountability alone is insufficient unless supported by strong control mechanisms to impact financial performance.
11. Management Control Activities also serve as a full mediator in the relationship between SAKD and Public Transparency. Thus, improvements in the accounting system must be accompanied by enhanced control systems to increase transparency.
12. Finally, Management Control Activities fully mediate the relationship between Accountability and Public Transparency. This indicates that accountability can only lead to greater transparency when paired with effective control structures.

DISCUSSION

This study empirically demonstrates that the Regional Financial Accounting System (SAKD) has a significant influence on Management Control Activities in the Local Government Work Units (SKPD) of Banjarmasin City, with a path coefficient of 0.874 and a P-value of 0.000. This result indicates a very strong relationship between the implementation of a sound accounting system and the effectiveness of managerial control. This finding is supported by (Mardiasmo, 2004), who emphasized that a well-structured accounting system serves as a fundamental pillar for fostering accountable and transparent financial management in regional governments. In practice, SAKD provides financial information that can be used to monitor budget performance in real-time, allowing for immediate correction of deviations. Hence, the system functions not merely as a documentation tool, but as a strategic mechanism for internal control.

Accountability also proves to have a significant influence on Management Control Activities, with a path coefficient of 0.910 and a P-value of 0.000. This finding indicates that the higher the level of accountability within the bureaucracy, the more effective the internal control system becomes. This aligns with the statement of (Anthony & Reece, 1984), who argued that accountability when accompanied by consistent managerial feedback drives continuous improvement in the operations of public organizations. Strong accountability encourages each unit to take moral, administrative, and legal responsibility for budget utilization, which ultimately fosters a more disciplined and responsive control system.

Furthermore, SAKD also significantly affects Financial Performance, as reflected by a path coefficient of 0.455 and a P-value of 0.000. This suggests that accurate and timely financial information plays a substantial role in enhancing budget planning and execution. (Nugroho & Rohman, 2012) support this view, asserting that regional financial performance depends heavily on how effectively governments explore, manage, and utilize their financial resources.

In this context, SAKD serves as a vital tool in formulating financial management strategies that can increase locally generated revenue (PAD) while minimizing unproductive expenditures.

In contrast, accountability does not exhibit a significant direct effect on Financial Performance. With a path coefficient of 0.134 and a P-value of 0.087, the result implies that, although accountability is normatively essential, its direct impact on financial outcomes has not been fully realized in practice. This may be attributed to the fact that current accountability practices remain largely formalistic, failing to address the substantive aspects of continuous budget management improvement. (Coryanata, 2012) similarly argues that accountability does not always serve as a primary determinant of financial performance, reinforcing the interpretation of these findings.

SAKD also does not significantly influence Public Transparency, as evidenced by a path coefficient of 0.046 and a P-value of 0.324. Despite the presence of a financial accounting system, public access to financial information remains limited. This finding is consistent with (Hermansyah et al., 2019), who noted that government financial information systems do not necessarily guarantee transparency unless accompanied by a bureaucratic commitment to proactive disclosure. Likewise, the effect of accountability on public transparency is also statistically insignificant (coefficient = 0.033; P-value = 0.132). This suggests that strong accountability does not automatically translate into transparent information-sharing practices without a well-functioning public communication system.

Meanwhile, Management Control Activities demonstrate a highly significant influence on Financial Performance, with a path coefficient of 0.792 and a P-value of 0.000. This highlights that successful regional financial outcomes are heavily reliant on robust, systematic, and continuous internal control systems. This result aligns with the principles of New Public Management, which emphasize the importance of managerial control in achieving measurable outputs and outcomes. Similarly, Management Control Activities also exhibit a very strong influence on Public Transparency, indicated by a path coefficient of 0.928 and a P-value of 0.000, confirming that solid internal oversight enhances the dissemination of information to the public.

The mediation test reveals that Management Control Activities do not mediate the relationship between SAKD and Financial Performance (indirect effect coefficient = 0.387 < direct effect = 0.455), indicating that the direct impact of SAKD is stronger. Conversely, in the relationship between Accountability and Financial Performance, the indirect effect through management control (0.792) surpasses the direct effect (0.134), positioning management control as a full mediator. This finding suggests that accountability produces tangible outcomes only when facilitated by effective and not merely procedural control mechanisms.

Regarding Public Transparency, both SAKD (indirect effect = 0.479 > direct effect = 0.046) and Accountability (indirect effect = 0.715 > direct effect = 0.033) also exhibit a full mediation pattern through Management Control Activities. In essence, financial information systems and administrative responsibility only impact public transparency when implemented through strong internal monitoring mechanisms. These findings support (Rotinsulu et al., 2021), who argue that transparency depends not only on an organization's intentions but also on the structural and procedural quality of its control systems.

The novelty of this research lies in its structural modeling approach, which investigates the mediating role of Management Control Activities between two key governance factors—SAKD and Accountability and two strategic outcomes Financial Performance and Public Transparency. Few prior studies have comprehensively explored these interrelations, particularly within the context of urban local government institutions facing fiscal complexity, as in Banjarmasin. Employing the SEM-AMOS approach and a population-based analysis across all active SKPD units, this study contributes empirical evidence on the critical role of internal oversight in bridging system inputs and performance outcomes within Indonesia's public financial management framework.

These findings imply that regional financial reform must not only emphasize technical enhancements to systems and formal accountability but also address managerial dimensions—especially the strengthening of control functions. It is recommended that the City Government of Banjarmasin, along with other regional administrations, enhance the role of inspectorates, adopt technology-driven control systems, and broaden citizen participation in budget oversight. Moving forward, the success of local government finances will hinge on the synergy between accounting systems, accountability values, and internal control capacities, which together generate sound financial performance and transparent public services.

The result indicating that SAKD does not significantly affect Public Transparency reveals a limitation in the application of digital financial systems, which were initially expected to promote open access to information. As (Khotami, 2017) notes, accounting systems without integrated information technology and proactive data dissemination policies tend to remain internal documentation tools. In Banjarmasin's context, this points to the urgent need to improve financial reporting outreach through official websites, accessible performance reports, and community involvement in public budget forums. Without these measures, accounting systems will fail to achieve genuine public openness.

One of the strategic values of this research is its identification of Management Control Activities as an "organizational connector" mediating administrative inputs (such as systems and accountability) to performance outputs (financial and transparency). This concept aligns with (Simon, 2004) Levers of Control theory, which emphasizes that managerial control is not merely a technical function but a tool to shape the organization's behavioral norms. In this study, effective control fosters prudent, responsible, and auditable financial behavior, both internally and externally.

This study also highlights structural weaknesses in regional internal auditing, especially regarding the suboptimal role of inspectorates during the planning phase of the budget cycle. Ideally, inspectorates should be involved from the outset, not merely in post-activity audits, to prevent inefficiencies and budget misallocations. (Arens, Alvin A., 1995) support this notion, advocating for internal control systems that are preventive rather than merely detective or corrective. Therefore, these findings provide a strong rationale for repositioning the oversight function within the regional financial management system.

From a public policy perspective, this study reinforces the urgency of adopting evidence-based policymaking. Given the strong interrelationships observed between financial systems, accountability, and control, policy interventions should prioritize three main areas: strengthening human resource capacity in auditing, digitalizing accounting information systems, and enhancing mechanisms for public engagement in budgeting and evaluation. Fiscal policy at the regional level is not solely about numerical targets it is fundamentally about public trust and the legitimacy of government actions in allocating and utilizing resources equitably and efficiently.

As part of its scholarly contribution, this study's use of a comprehensive structural equation model (SEM) with both full and partial mediation offers a robust analytical framework that can inform further research across other regions. Previous studies typically tested direct relationships among variables without examining how managerial controls may amplify or attenuate those effects. Thus, this research adds theoretical value by expanding our understanding of mediating variables as potential determinants of success or failure in regional fiscal governance.

The empirical evidence presented also underlines the necessity for holistic, rather than piecemeal, financial reform in regional government. Merely upgrading information systems or accounting competencies is insufficient; reform must also encompass oversight and institutional governance. For instance, establishing an independent control unit that reports directly to the regional head could enhance objectivity in financial evaluation. This is crucial given that one major barrier to transparency and accountability is the embeddedness of control functions within the same bureaucratic hierarchy.

More broadly, this study recommends the integration of three governance pillars financial systems, accountability, and management control into regional regulatory frameworks. Central government institutions such as the Ministry of Home Affairs and the Ministry of Finance are encouraged to establish minimum standards for internal control and accounting information systems applicable across all local governments. Without national standardization and integration, disparities in financial governance quality will persist, exposing regions to the risk of mismanagement and abuse by irresponsible officials.

Ultimately, the practical value of this research lies in its roadmap for the City Government of Banjarmasin to restructure its financial management system more professionally. By enhancing the accounting framework, institutionalizing accountability, and optimizing management control activities, local governments can not only improve financial outcomes but also build public trust an essential foundation for long-term regional development. Effective regional financial governance is not solely about compliance with regulations; it is about building fairness, credibility, and fiscal sustainability for all citizens..

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