Journal of Economics, Entrepreneurship, Management Business and Accounting, 2026, 4(6),1447-1465.
https://doi.org/10.61255/jeemba.v4i6.2426

When Performance Accountability Improves but Audit Weaknesses Persist: Evidence of Accountability-Control Decoupling in Indonesian Local Governments

Ratih Puspitasari[1*],Winwin Yadiati[2],Mumuh Mulyana[3],Farah Akmar Anor Salim[4]

[1]Department of Accounting, Institut Bisnis dan Informatika Kesatuan, Bogor, Indonesia
[2]Department of Accounting, Padjadjaran University, Bandung, Indonesia
[3]Institut Bisnis dan Informatika Kesatuan, Bogor, Indonesia
[4]Azman Hashim International Business School, University of Technology Malaysia, Malaysia

ABSTRACT

Purpose - This study examines the relationships between fiscal dependence, government size, BPK audit findings, and SAKIP-based performance accountability, including the moderating role of audit findings in Indonesian local governments.
Design/methodology/approach - A balanced panel of 135 observations from 27 local governments in West Java during 2020–2024 was analyzed using panel regression with year fixed effects and government-clustered standard errors, supported by two-way fixed-effects and sensitivity analyses.
Findings - Mean SAKIP scores increased from 65.58 to 71.58, while BPK findings fluctuated, reaching 16.93 in 2024. Government size showed a marginally significant positive association in the main models but was insignificant under two-way fixed effects. Fiscal dependence, audit findings, and both moderation effects were statistically insignificant, indicating that improvements in performance accountability do not necessarily coincide with reductions in audit-detected deficiencies.
Originality/value - The study introduces accountability-control decoupling as a theoretical interpretation of divergent accountability trends, highlighting the importance of integrating performance evaluation with financial-control monitoring without claiming a causal or directly established institutional mechanism.

ARTICLE INFO

Keywords:
Accountability-control decoupling; Audit findings; Fiscal dependence; Local government; Performance accountability.
.
Article Information:
Received: 25/09/2026
Revise: 15/10/2026
Accepted: 18/11/2026

ISSN:
2985-3168 (Online)
2985-3222 (Print)

*Corresponding Author at:
Department of Accounting, Institut Bisnis dan Informatika Kesatuan, Bogor, Indonesia.
E-mail address: ratih.puspitasari@ibik.ac.id (Ratih Puspitasari)

The work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International (CC BY-SA 4.0)

1. Introduction

Fiscal decentralization has fundamentally transformed public-sector governance by expanding the authority of local governments to manage public resources, formulate development priorities, and deliver essential services. Alongside these responsibilities, decentralization increases demands for transparency, effective financial management, and institutional accountability. Public accountability encompasses more than compliance with reporting requirements; it requires government institutions to explain, justify, and demonstrate the responsible use of public resources to relevant oversight bodies and citizens (Bovens, 2007). Christensen and Yamamoto (2023) emphasize that public accountability operates through interconnected institutional and democratic relationships, reflecting the complexity of evaluating governmental responsibilities. In Indonesia, local-government accountability is implemented through multiple mechanisms, including performance evaluation, financial reporting, internal control, and external auditing. However, the effectiveness of these mechanisms depends not only on their formal implementation but also on their capacity to reflect meaningful improvements in governance practices.

Despite continuous public-sector reforms, inconsistencies between formal performance achievements and financial-control conditions remain an important governance concern in Indonesia. The Government Agency Performance Accountability System (SAKIP) evaluates the quality of performance planning, measurement, reporting, and evaluation, whereas the Audit Board of Indonesia (BPK) examines financial management, compliance, and internal-control deficiencies. Official government data indicate that the proportion of district and municipal governments achieving at least a satisfactory SAKIP rating increased from 63.98% in 2020 to 85.24% in 2024 (Ministry of Administrative and Bureaucratic Reform, 2025). Nevertheless, BPK's summary of audit results for the second semester of 2023 documented deficiencies in regional expenditure management, including shortages in delivered work or goods involving 165 local governments, with a reported value of IDR 249.52 billion (BPK, 2024). Although these indicators represent different dimensions and reporting periods, they illustrate the importance of examining performance accountability and financial control separately. Improvements in formal accountability evaluations should not automatically be interpreted as equivalent improvements in operational compliance and financial-management quality.

Recent empirical research provides further evidence that accountability outcomes are multidimensional and influenced by institutional conditions. Rakhman and Wijayana (2024) demonstrate that human development is positively associated with the quality of local-government financial reporting in Indonesia, highlighting the importance of organizational and contextual characteristics. Similarly, Wibowo et al. (2026) find that stronger organizational integrity is associated with better financial-reporting quality, reflected in more favorable audit opinions and fewer audit findings. From a different perspective, Ariani and Setyaningrum (2023) report that e-procurement implementation is not significantly associated with corruption-prevention strategies in Indonesian local governments, suggesting that the adoption of formal administrative mechanisms does not necessarily produce corresponding governance outcomes. Collectively, these studies demonstrate that institutional capacity, integrity, and administrative arrangements are relevant to public accountability, although their analyses primarily emphasize financial reporting, integrity, or corruption prevention rather than the relationship between SAKIP-based performance accountability and external-audit findings.

External auditing represents another important dimension of public-sector accountability because it provides independent assessments of financial management, administrative compliance, and institutional control. Setyaningrum et al. (2025) show that performance audits in Indonesia can encourage improvements in organizational planning, standard operating procedures, risk management, and internal-control practices. Nevertheless, the effectiveness of audit mechanisms depends partly on how government institutions respond to findings and implement corrective recommendations. Abdullah et al. (2026) further demonstrate that unqualified audit opinions in Indonesian local governments do not necessarily indicate comprehensive substantive accountability, as formal audit outcomes may coexist with unresolved governance weaknesses. These findings highlight the need to distinguish the existence of accountability mechanisms from their practical implications. Moreover, audit-finding counts should be interpreted cautiously because they may reflect differences in audit coverage, examination intensity, and detected deficiencies rather than a complete measure of underlying control quality.

Institutional theory provides a relevant explanation for why improvements in formal accountability mechanisms may not occur simultaneously with improvements in operational control. Public organizations respond to coercive pressures from government regulations, normative expectations associated with professional standards, and mimetic pressures arising from comparable institutions (DiMaggio & Powell, 1983). These pressures may encourage the institutionalization of performance-management systems, standardized reporting practices, and formal evaluation procedures. However, organizational structures adopted to satisfy external expectations may develop differently from everyday administrative practices, creating conditions consistent with institutional decoupling (Meyer & Rowan, 1977). Haustein et al. (2025) demonstrate that changes in local-government financial accountability are often evolutionary and dependent on organizational routines and accounting maturity. Similarly, Widhiyani et al. (2025) identify decoupling between formal reporting requirements and implementation practices in Indonesian state-owned enterprises. These studies suggest that performance-management arrangements and financial-control routines may develop at different rates, although such divergence alone cannot establish the presence of institutional decoupling.

Beyond institutional pressures, fiscal dependence and government size represent structural characteristics that may influence local-government performance accountability. Fiscal dependence reflects the extent to which local governments rely on intergovernmental transfers to finance public expenditure and administrative operations. Such transfers may strengthen accountability by supporting institutional capacity, but excessive dependence may also weaken fiscal autonomy and reduce incentives for locally responsive financial management. Kristanto et al. (2026) demonstrate that the relationship between fiscal decentralization, governance, and corruption in Indonesian local governments is complex and varies across fiscal arrangements and institutional conditions. Government size may also influence accountability through administrative resources, asset-management capacity, professional staffing, and information systems. Larger governments may possess greater organizational capacity to institutionalize performance-management procedures, although their operational complexity may increase monitoring and coordination requirements. Consequently, fiscal dependence and government size should be examined as potentially relevant structural correlates of accountability rather than assumed determinants of improved institutional performance.

Although previous studies have advanced understanding of public-sector accountability, several research gaps remain. First, recent Indonesian research has primarily examined financial-reporting quality, organizational integrity, corruption prevention, and audit effectiveness, leaving the relationship between SAKIP-based performance accountability and audit-detected financial-control weaknesses less clearly understood. Second, existing evidence provides limited insight into whether changes in these two accountability dimensions follow similar or divergent trajectories within local governments over time. Third, the potential moderating role of external audit findings in the relationships between fiscal dependence, government size, and performance accountability requires further empirical examination. Finally, although institutional decoupling has been investigated in public-sector reporting and accounting practices, its application to the coexistence of improving performance-accountability evaluations and persistent audit findings remains insufficiently developed. Addressing these gaps requires an analytical approach that distinguishes formal accountability outcomes from audit-based control indicators while recognizing the limitations of each measurement system.

The novelty of this study lies in integrating structural government characteristics and external-audit evidence within a longitudinal framework to examine accountability-control divergence. Specifically, the study introduces accountability-control decoupling as an interpretive concept describing a situation in which improvements in formal performance-accountability evaluations are not accompanied by corresponding reductions in audit-detected control deficiencies. Unlike studies focusing exclusively on financial reporting, audit effectiveness, or fiscal governance, the proposed framework considers SAKIP scores and BPK audit findings as complementary but conceptually distinct accountability indicators. This perspective extends institutional accountability research by drawing attention to the possibility that performance-management arrangements and financial-control practices develop at different rates. Importantly, the proposed concept is treated as a theoretically informed interpretation of observable patterns rather than direct evidence of institutional disconnection or deliberate symbolic compliance.

Accordingly, this study examines performance accountability in 27 district and municipal governments in West Java, Indonesia, using a balanced panel of 135 local-government-year observations covering 2020–2024. Performance accountability is measured using official SAKIP scores, fiscal dependence is represented by the proportion of intergovernmental transfers in total local revenue, government size is proxied by the natural logarithm of total assets, and financial-control weaknesses are represented by the annual number of BPK audit findings. The analysis employs panel regression models with year fixed effects and standard errors clustered by local government, complemented by two-way fixed-effects and sensitivity analyses. Specifically, the study aims to examine the associations of fiscal dependence, government size, and audit findings with performance accountability; assess whether audit findings moderate the relationships between structural government characteristics and accountability; and describe the longitudinal relationship between SAKIP performance and audit findings. Through these objectives, the research seeks to contribute to public-sector accounting literature by clarifying the distinction between formal performance accountability and audit-based financial control while providing practical insights for strengthening local-government accountability systems.

2. Literature Review and Hypothesis Development

2.1. Accountability Theory and Multidimensional Public Accountability

Public accountability represents a multidimensional governance relationship through which public officials and institutions are required to explain, justify, and assume responsibility for their decisions and actions. According to Bovens (2007), accountability involves an actor's obligation to provide information and justification to an accountability forum that possesses the authority to question, evaluate, and impose consequences. Within decentralized government systems, accountability operates through multiple institutional arrangements, including performance evaluation, financial reporting, internal supervision, external auditing, and public oversight. These arrangements serve related but analytically distinct purposes, making it necessary to differentiate accountability mechanisms according to their objectives, evaluation criteria, and institutional responsibilities.

Performance accountability concerns the extent to which government institutions establish coherent performance objectives, formulate measurable indicators, monitor implementation, evaluate outcomes, and demonstrate achievements against predetermined targets. In Indonesia, these functions are institutionalized through the Government Agency Performance Accountability System (SAKIP). Salomo and Rahmayanti (2023) demonstrate that SAKIP reforms have contributed to the development of performance-management arrangements in Indonesian local governments, although their implementation continues to encounter institutional and administrative constraints. Financial accountability, in contrast, emphasizes the lawful, reliable, and responsible management of public resources. External audits conducted by the Audit Board of Indonesia (BPK) provide independent assessments of financial reporting, regulatory compliance, and internal-control deficiencies. Consequently, SAKIP scores and BPK audit findings represent complementary but non-equivalent indicators of public accountability.

The distinction between these accountability dimensions has important theoretical implications. Improvements in performance-management evaluations do not necessarily establish that financial-control weaknesses have been resolved, while the existence of audit findings does not automatically imply ineffective performance management. Abdullah et al. (2026) demonstrate that favorable audit opinions in Indonesian local governments may coexist with unresolved substantive accountability concerns. Similarly, Wibowo et al. (2026) identify organizational integrity as an important correlate of financial-reporting quality and audit outcomes. These findings suggest that public accountability should be evaluated through multiple institutional indicators rather than inferred from a single assessment mechanism. The present study therefore treats SAKIP-based performance accountability as the principal outcome and BPK audit findings as an external indicator of detected financial-control and compliance deficiencies.

2.2. Institutional Theory and Accountability-Control Decoupling

Institutional theory provides an explanatory foundation for understanding why formal accountability arrangements and operational practices may develop at different rates. DiMaggio and Powell (1983) identify coercive, normative, and mimetic pressures as mechanisms through which organizations increasingly conform to institutional expectations. Within public administration, regulatory requirements, professional standards, performance evaluations, and intergovernmental benchmarking may encourage local governments to adopt standardized planning procedures, reporting systems, and monitoring arrangements.

Such institutional pressures can strengthen formal accountability structures by increasing procedural consistency and the visibility of organizational performance.

Nevertheless, the institutionalization of formal structures does not necessarily produce equivalent changes in operational practices. Meyer and Rowan (1977) explain that organizations may adopt formally legitimate structures while maintaining different organizational routines. This phenomenon, commonly conceptualized as institutional decoupling, arises when the relationship between formally established arrangements and organizational practices remains incomplete or inconsistent. In public-sector organizations, institutional decoupling may reflect differences in the pace, complexity, and implementation requirements of administrative reforms rather than intentional manipulation or purely symbolic compliance.

Recent empirical studies provide support for examining these processes in public-sector accounting. Haustein et al. (2025) demonstrate that changes in local-government financial accountability develop through accumulated organizational routines and accounting maturity, suggesting that substantive institutional reform may evolve gradually. Widhiyani et al. (2025) identify decoupling between formal external-reporting requirements and implementation practices among Indonesian state-owned enterprises. Furthermore, Salomo and Rahmayanti (2023) report that improvements in SAKIP implementation have been accompanied by persistent formalistic tendencies and institutional challenges. Together, these studies suggest that improvements in formally evaluated performance-management arrangements may not coincide with equivalent improvements in operational financial-control practices.

Building on these arguments, the present study introduces accountability-control decoupling as an interpretive concept describing the observable divergence between improving performance-accountability evaluations and the absence of corresponding reductions in audit-detected deficiencies. Such divergence may emerge because performance-management systems and financial-control processes respond to different institutional pressures, administrative requirements, and implementation timelines. However, divergence between SAKIP scores and audit findings cannot independently establish organizational decoupling because the two indicators assess different governance domains and are produced through distinct evaluation procedures. Accordingly, accountability-control decoupling is conceptualized as a theoretically plausible interpretation of longitudinal accountability patterns rather than a directly observed institutional condition.

2.3. Fiscal Dependence and Performance Accountability

Fiscal federalism provides a theoretical basis for examining the relationship between intergovernmental fiscal arrangements and public accountability. Decentralized governance is expected to strengthen accountability when expenditure responsibilities are accompanied by meaningful local revenue authority and incentives for responsible fiscal management. Under these conditions, stronger connections between locally generated revenue and government expenditure may encourage public scrutiny, fiscal discipline, and responsiveness to local priorities. Conversely, substantial dependence on intergovernmental transfers may weaken the direct relationship between local revenue mobilization and expenditure decisions, potentially reducing incentives for fiscal ownership and administrative accountability.

Nevertheless, fiscal transfers may generate competing institutional effects. On the one hand, dependence on externally provided resources may create soft-budget expectations and weaken incentives to improve own-source revenue mobilization. On the other hand, transfers

may finance administrative infrastructure, performance-management information systems, institutional development, and professional capacity. Saptono and Mahmud (2023) demonstrate that aggregate and unconditional intergovernmental transfers can stimulate local tax revenue in Indonesia, challenging the assumption that fiscal transfers necessarily discourage local revenue efforts. Kristanto et al. (2026) further demonstrate that fiscal decentralization and governance conditions are interconnected in explaining corruption outcomes among Indonesian local governments. These findings indicate that the consequences of fiscal arrangements depend on the incentives, institutional characteristics, and governance conditions associated with particular fiscal instruments.

For performance accountability, the relationship between fiscal dependence and SAKIP outcomes may therefore reflect competing resource-capacity and accountability-incentive mechanisms. Greater transfer dependence may provide resources for formal performance-management systems while simultaneously reducing incentives to strengthen locally responsive planning and fiscal responsibility. Because the present study measures fiscal dependence as the proportion of intergovernmental transfers in total local revenue, it specifically captures reliance on external fiscal resources rather than the broader multidimensional construct of fiscal decentralization. Based on the accountability-incentive perspective, this study expects the potential disadvantages of greater fiscal reliance to outweigh its administrative resource benefits, producing a negative association with performance accountability. Accordingly, the following hypothesis is proposed:

H1. Fiscal dependence is negatively associated with local-government performance accountability.

2.4. Government Size and Performance Accountability

Government size represents an important structural characteristic that may influence the capacity of public organizations to institutionalize performance accountability. From an organizational resource perspective, larger local governments may possess greater administrative resources, more specialized personnel, established organizational procedures, and stronger information-management infrastructure. These resources may facilitate strategic planning, performance measurement, internal coordination, and systematic evaluation. Therefore, organizational scale may support the development and implementation of performance-accountability arrangements by expanding the administrative capacity available for managing increasingly complex public responsibilities.

Nevertheless, organizational size also introduces potential coordination and monitoring challenges. Larger governments may manage more extensive assets, administrative units, service responsibilities, and financial transactions, increasing the complexity of organizational oversight. Hummel and Kusumasari (2026) demonstrate that local-government financial performance in Indonesia exhibits substantial differences across jurisdictions, highlighting the importance of examining fiscal and organizational characteristics within decentralized governance systems. Although financial performance differs conceptually from SAKIP-based performance accountability, these findings reinforce the relevance of structural heterogeneity when evaluating local-government outcomes. Institutional theory additionally suggests that organizational resources contribute to accountability only when they are incorporated into effective administrative procedures and routinely applied performance-management practices.

In this study, government size is operationalized using the natural logarithm of total local-government assets. This indicator represents the scale of resources administered by the

government but does not directly measure personnel competence, organizational effectiveness, or institutional capability. Accordingly, the expected relationship is based on the assumption that larger asset bases are generally associated with broader administrative resources and greater opportunities for organizational specialization. Although increasing organizational complexity may offset some of these advantages, the resource-capacity perspective suggests that larger governments are more likely to support the institutionalization of formal performance-accountability systems. Therefore, the following hypothesis is proposed:

H2. Government size is positively associated with local-government performance accountability.

2.5. Audit Findings and Performance Accountability

External auditing constitutes an important institutional mechanism for strengthening public accountability through the independent examination of financial management, regulatory compliance, and internal-control practices. In Indonesia, BPK audit findings identify detected deficiencies in government financial administration and related control processes. Such findings provide information about weaknesses requiring management attention and corrective action. From an accountability perspective, local governments with more extensive unresolved control deficiencies may face greater difficulties integrating financial discipline, organizational monitoring, and performance-management procedures into coherent administrative practices.

Previous research suggests that audit information can contribute to organizational learning and governance improvement. Setyaningrum et al. (2025) find that performance audits in Indonesia are perceived to support improvements in organizational planning, operational procedures, internal controls, and risk-management practices. Wibowo et al. (2026) further demonstrate that stronger organizational integrity is associated with fewer audit findings and higher financial-reporting quality among Indonesian local governments. These studies support the relevance of audit-related information for understanding government accountability, although they do not directly establish a relationship between annual BPK finding counts and SAKIP scores.

Importantly, the number of audit findings should not be regarded as a direct or exhaustive measure of institutional control quality. A higher number of findings may reflect more extensive underlying deficiencies, but it may also arise from differences in audit scope, examination intensity, reporting practices, or the detection of previously unidentified problems. Moreover, a simple count does not distinguish findings according to financial materiality, recurrence, severity, or subsequent remediation. Despite these limitations, audit findings can serve as an observable indicator of detected financial-control and compliance problems. Assuming broadly comparable audit procedures, greater numbers of findings may indicate governance weaknesses that are less compatible with well-institutionalized performance-accountability arrangements. On this basis, the following hypothesis is proposed:

H3. The number of BPK audit findings is negatively associated with local-government performance accountability.

2.6. The Moderating Role of Audit Findings

The relationships between structural government characteristics and performance accountability may depend on the institutional environment in which fiscal and administrative resources are managed. Institutional theory suggests that the effectiveness of

formal organizational arrangements depends partly on their integration with operational procedures, monitoring systems, and administrative routines. Audit findings may provide an observable signal of weaknesses within this environment. Accordingly, the present study examines whether differences in audit-finding counts are associated with variations in the relationships between fiscal dependence, government size, and SAKIP-based performance accountability. These moderation hypotheses concern conditional statistical associations rather than direct tests of organizational decoupling.

With respect to fiscal dependence, external fiscal resources may be less effectively translated into coherent performance-management arrangements when financial-control and compliance problems are extensive. Governments with greater dependence on intergovernmental transfers may already face challenges related to fiscal ownership, expenditure discipline, and accountability incentives. When these circumstances coexist with numerous audit findings, weaknesses in financial administration may further constrain the effective coordination of transferred resources and performance objectives. Conversely, governments reporting fewer audit findings may possess administrative conditions more conducive to integrating fiscal resources with established performance-management requirements. Consequently, the accountability risks associated with fiscal dependence are expected to become more pronounced as the number of audit findings increases. This reasoning yields the following directional moderation hypothesis:

H4. The negative association between fiscal dependence and local-government performance accountability becomes stronger as the number of BPK audit findings increases.

Government size may also interact with the audit-based control environment. Although larger governments potentially possess greater administrative resources, their ability to translate organizational scale into improved performance accountability may be constrained by financial-control deficiencies. Numerous audit findings may indicate weaknesses in procurement administration, asset management, regulatory compliance, and monitoring procedures, thereby limiting the accountability advantages associated with organizational resources. Under these conditions, a larger asset base may increase administrative complexity without corresponding improvements in the coordination and effectiveness of performance-management practices. Conversely, where fewer deficiencies are detected, greater organizational resources may be more effectively integrated into formal accountability arrangements. Therefore, audit findings are expected to attenuate the positive relationship between government size and performance accountability. Accordingly, the following hypothesis is proposed:

H5. The positive association between government size and local-government performance accountability becomes weaker as the number of BPK audit findings increases.

2.7. Conceptual Framework

The proposed conceptual framework integrates accountability theory, institutional theory, and fiscal federalism to explain variation in SAKIP-based performance accountability across local governments. Fiscal dependence and government size represent structural characteristics associated with fiscal incentives and administrative resource capacity, respectively. BPK audit findings represent detected financial-control and compliance deficiencies and are examined both as an independent explanatory variable and as a potential moderator of the relationships between structural characteristics and performance accountability. The framework specifies five hypotheses encompassing three direct associations and two conditional associations.

In addition to the hypothesis-testing model, the study descriptively examines the longitudinal relationship between SAKIP scores and BPK audit findings to assess whether the two accountability indicators display parallel or divergent patterns over time. This descriptive analysis provides a separate basis for discussing accountability-control decoupling as an interpretive institutional concept. Importantly, the proposed framework does not treat decoupling as a directly measured dependent variable or assume that insignificant regression coefficients demonstrate institutional disconnection. Instead, the theoretical interpretation is evaluated cautiously against the observed accountability patterns, the distinction between the two measurement systems, and the limitations of the available administrative data.

Figure 1. Conceptual framework of fiscal dependence, government size, BPK audit findings, and SAKIP-based performance accountability.

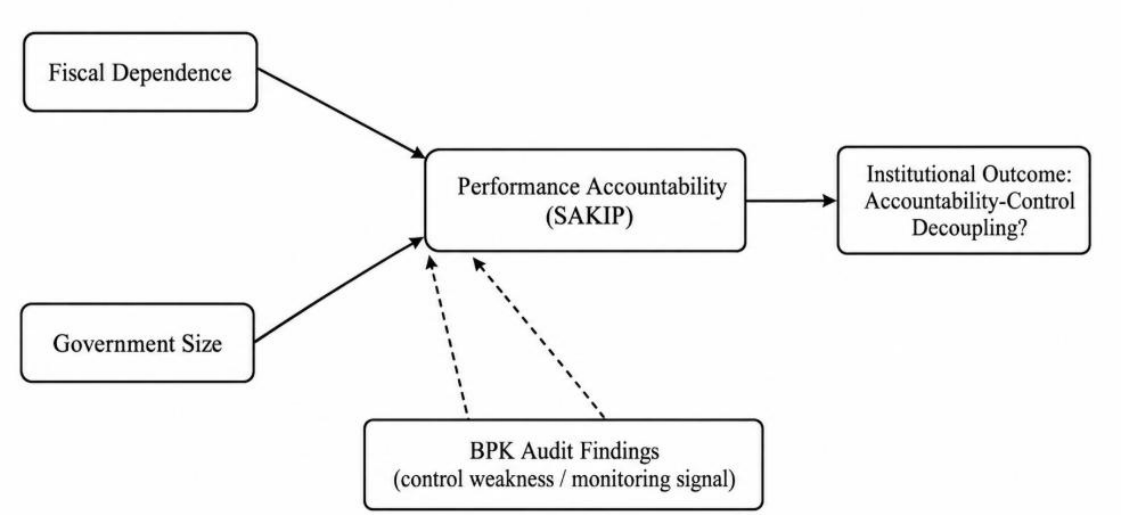


Figure 1. Theoretical framework: structural characteristics, audit-based control weakness, and performance accountability.

3. Methodology

3.1. Research design, population, and data structure

The study employs a quantitative longitudinal design using secondary administrative and audit data. The supplied research tabulation contains 27 district and municipal governments in West Java observed annually from 2020 through 2024. The balanced panel therefore consists of 135 local-government-year observations. The unit of analysis is the local government-year. The period captures both post-pandemic fiscal adjustment and the continued institutionalization of performance-accountability reforms.

3.2. Variable measurement

Table 1. Operational Definition and Measurement of Variables

Construct	Symbol	Measurement	Role
Performance accountability	ACC	Official SAKIP score	Dependent variable
Fiscal dependence	FD	Intergovernmental/balance funds divided by total local revenue	Independent variable
Government size	SIZE	Natural logarithm of total local-government assets	Independent variable

Construct	Symbol	Measurement	Role
Audit findings	AUD	Annual number of BPK findings	Governance / moderator
Moderation 1	FD x AUD	Mean-centered FD multiplied by mean-centered AUD	Interaction
Moderation 2	SIZE x AUD	Mean-centered SIZE multiplied by mean-centered AUD	Interaction

Source: Processed Secondary Data

3.3. Model specification and estimation strategy

The main estimator is pooled panel OLS with year fixed effects and standard errors clustered by local government. Year fixed effects absorb common shocks affecting all governments in a given year, while clustered standard errors address heteroskedasticity and serial dependence within jurisdictions. Continuous variables are mean-centered before constructing interaction terms. The estimated specifications are:

Model 1: ACC_it = alpha + beta1 FD_it + beta2 SIZE_it + Year_t + epsilon_it ..... (1)

Model 2: ACC_it = alpha + beta1 FD_it + beta2 SIZE_it + beta3 AUD_it + Year_t + epsilon_it ..... (2)

Model 3: ACC_it = alpha + beta1 FD_it + beta2 SIZE_it + beta3 AUD_it + beta4(FD x AUD)_it + beta5(SIZE x AUD)_it + Year_t + epsilon_it ..... (3)

A two-way fixed-effects model including both local-government and year fixed effects is estimated as a robustness check. Because government size and fiscal structure change gradually over a five-year period, this stricter specification primarily evaluates whether within-government annual changes are associated with within-government changes in SAKIP.

3.4. Data-quality and sensitivity procedures

A data-quality review identified two observations in the supplied tabulation in which the transfer-to-total-revenue ratio slightly exceeded one: Kabupaten Purwakarta in 2022 (1.030) and 2023 (1.048). Because the supplied dataset does not contain source-document metadata sufficient to reconcile the numerator and denominator definitions, the main analysis retains the original observations rather than silently altering the authors' data. A sensitivity test re-estimates the full model after excluding these two observations. The substantive interpretation is unchanged, indicating that the main conclusions are not driven by these values. Nevertheless, the two ratios should be reconciled against the original audited fiscal records before final submission.

4. Result and Discussion

4.1. Descriptive statistics

The data reveal meaningful variation across local governments. SAKIP ranges from 53.86 to 85.20, while the number of BPK findings ranges from 5 to 29. Fiscal dependence averages 0.561, confirming that intergovernmental transfers represent a major component of local-government revenue. The two transfer ratios above one are explicitly addressed through sensitivity analysis rather than removed from the main data without source verification.

Table 2. Descriptive Statistics of Research Variables

Variable	N	Mean	Std. dev.	Minimum	Maximum
Fiscal dependence	135	0.561	0.144	0.273	1.048
Government size	135	12.767	0.360	11.900	13.813
SAKIP score	135	68.424	6.215	53.860	85.200
BPK audit findings	135	14.985	4.297	5	29

Source: Processed Primary Data

4.2. Correlation and multicollinearity assessment

Table 3. Correlation Matrix of Research Variables

Variable	FD	SIZE	ACC	AUD
FD	1.000			
SIZE	-0.613	1.000		
ACC	-0.113	0.376	1.000	
AUD	0.031	-0.001	-0.122	1.000

Source: Processed Primary Data

Government size is moderately and positively correlated with SAKIP (r = 0.376), while fiscal dependence is negatively correlated with size (r = -0.613). Audit findings are only weakly correlated with SAKIP (r = -0.122). Variance inflation factors for the centered main and interaction variables remain below conventional thresholds, indicating no material multicollinearity concern.

4.3. Longitudinal divergence between performance accountability and audit findings

Table 4. Longitudinal Trends in Performance Accountability and BPK Audit Findings

Year	Mean SAKIP	Mean BPK findings
2020	65.58	14.89
2021	66.53	16.11
2022	67.55	14.11
2023	70.89	12.89
2024	71.58	16.93

Source: Processed Primary Data

Mean SAKIP increases in every year, rising approximately six points from 2020 to 2024. Audit findings follow a non-monotonic pattern and rise sharply in 2024. This divergence is the first empirical indication of accountability-control decoupling: the formal performance-accountability system strengthens even though the audit-detected control environment does not improve in parallel.

4.4. Main regression results

Variable	Model 1	Model 2	Model 3
Fiscal dependence	3.558	3.856	4.471
	(8.906)	(8.907)	(8.818)
Government size	7.079†	7.131†	7.776†
	(4.185)	(4.051)	(4.131)

Variable	Model 1	Model 2	Model 3
BPK findings	-	-0.196	-0.202
		(0.127)	(0.130)
FD x BPK findings	-	-	0.798
			(0.806)
SIZE x BPK findings	-	-	0.525
			(0.506)
Year fixed effects	Yes	Yes	Yes
Clustered SE by local government	Yes	Yes	Yes
N	135	135	135
R-squared	0.280	0.296	0.303
Adjusted R-squared	0.246	0.257	0.253

Notes: Cluster-robust standard errors in parentheses. † p < 0.10; * p < 0.05; ** p < 0.01; *** p < 0.001.

Source: Processed Primary Data

Fiscal dependence is not statistically associated with SAKIP in any model. Government size has a positive coefficient and is marginally significant at the 10% level. BPK findings have the expected negative sign but are not statistically significant. Neither interaction is significant. Consequently, H1, H3, H4, and H5 are not supported, while H2 receives limited or marginal support. Importantly, the null moderation results do not invalidate the accountability-control argument: moderation tests whether audit findings change the slopes of fiscal dependence and size, whereas decoupling is evidenced by the distinct longitudinal behavior and weak contemporaneous association of the two accountability dimensions.

4.5. Robustness and sensitivity tests

Table 5. Robustness and Sensitivity Test Results

Test	Key result	Interpretation
Two-way fixed effects	FD, SIZE, AUD, FDxAUD and SIZExAUD are not statistically significant; R-squared = 0.866	Short-run within-government changes in structural variables explain little of within-government SAKIP change.
Exclude two FD ratios > 1	FD = 6.146 (p = 0.579); SIZE = 8.104 (p = 0.066); AUD = -0.211 (p = 0.110); interactions insignificant; N = 133; R-squared = 0.306	Main conclusions are unchanged and are not driven by the two potentially inconsistent transfer ratios.

Source: Processed Primary Data

The robustness evidence strengthens the institutional interpretation. Once persistent jurisdiction-specific characteristics are absorbed, annual variation in fiscal dependence, size, and audit findings has little explanatory power. This suggests that performance accountability is largely embedded in slower-moving institutional capabilities and routines. The sensitivity test also demonstrates that the unusual fiscal-ratio observations do not determine the article's conclusions.The two-way fixed-effects specification should be read as a within-government diagnostic rather than as a definitive test of long-term institutional reform. With only five annual observations per jurisdiction, slowly changing capabilities and reforms may not

generate enough within-unit variation to be estimated precisely. The high R-squared in this specification should also not be interpreted as evidence that the included annual predictors explain the substantive process; much of the fit may reflect the fixed effects and common time structure. The results are consistent with institutional persistence, but they cannot identify which specific capacity—such as leadership continuity, internal-control maturity, or bureaucratic professionalism—accounts for that persistence.

4.6. Discussion

The findings reveal a divergence between improvements in formal performance accountability and fluctuations in audit-detected financial-control deficiencies among Indonesian local governments. Mean SAKIP scores increased from 65.58 in 2020 to 71.58 in 2024, whereas BPK audit findings exhibited a non-monotonic pattern, reaching an average of 16.93 in 2024. This suggests that improvements in performance-management evaluations do not necessarily coincide with reductions in detected financial-control weaknesses. From an institutional perspective, the pattern is consistent with accountability-control decoupling, whereby formal accountability arrangements and operational control practices may develop at different rates. Haustein et al. (2025) emphasize that public-sector accounting reforms depend on organizational routines and institutional maturity, while Widhiyani et al. (2025) demonstrate how formal reporting requirements may become disconnected from implementation practices. Nevertheless, the observed divergence should be interpreted cautiously because SAKIP and BPK findings represent distinct evaluation mechanisms, and their differing trajectories do not independently establish institutional decoupling.

Fiscal dependence exhibits no statistically significant association with performance accountability, indicating that H1 is not supported. This finding suggests that reliance on intergovernmental transfers does not consistently explain differences in SAKIP performance within the estimated models. Fiscal transfers may simultaneously create accountability challenges and provide resources for administrative development, potentially producing offsetting associations. This interpretation is consistent with Kristanto et al. (2026), who highlight the heterogeneous governance implications of fiscal decentralization in Indonesia. The insignificant result may also reflect differences in transfer composition, fiscal capacity, and institutional conditions that are not captured by the aggregate fiscal-dependence ratio. Consequently, fiscal dependence should not be interpreted as inherently beneficial or detrimental to performance accountability.

Government size demonstrates a positive but marginally significant association with SAKIP scores in the main regression models, providing limited support for H2. Larger governments may possess greater administrative resources, specialized personnel, and information systems that facilitate performance planning and evaluation. However, this association becomes statistically insignificant after controlling for government-specific fixed effects, suggesting that persistent differences across jurisdictions may contribute to the pooled estimates. The findings therefore provide limited evidence of a positive association between organizational scale and formal accountability, rather than demonstrating that increases in government assets directly improve performance outcomes. This interpretation reinforces the institutional perspective that organizational resources must be supported by effective administrative capabilities and established management practices.

BPK audit findings show a negative but statistically insignificant association with performance accountability, indicating that H3 is not supported. This result may reflect differences in the institutional purposes and measurement characteristics of SAKIP and external auditing.

Whereas SAKIP evaluates performance-management arrangements, BPK findings identify detected deficiencies in financial administration, compliance, and internal control. Furthermore, the number of audit findings does not distinguish their severity, financial materiality, recurrence, or remediation status. Setyaningrum et al. (2025) demonstrate that external auditing can contribute to organizational improvement, particularly when audit results inform corrective actions and institutional learning. Accordingly, the present findings suggest that audit-finding counts alone may not adequately represent the control conditions associated with formal performance accountability.

The moderation analysis also produces insignificant interaction effects, providing no empirical support for H4 and H5. Thus, the study does not detect evidence that BPK audit findings systematically condition the associations of fiscal dependence or government size with SAKIP performance. These results should not be interpreted as confirming or rejecting institutional decoupling because moderation analysis evaluates conditional statistical relationships rather than the organizational integration of accountability mechanisms. Furthermore, the two-way fixed-effects analysis yields insignificant associations for the principal explanatory variables, highlighting the limited evidence that short-term within-government changes in fiscal structure, organizational size, or audit findings are associated with changes in SAKIP scores. The relatively short observation period and limited within-government variation may also constrain statistical precision.

Overall, the findings suggest that formal performance accountability and audit-based financial control should be understood as complementary but distinct dimensions of public governance. The longitudinal divergence is consistent with the possibility that performance-management reforms and operational control improvements follow different institutional trajectories. However, the available administrative data do not directly identify the organizational processes responsible for these differences. The study therefore contributes a theoretically informed interpretation of accountability-control divergence while emphasizing the need for further research incorporating audit severity, recommendation follow-up, internal-control maturity, and organizational capabilities.

From a theoretical perspective, this study contributes to public-sector accountability research by distinguishing performance accountability from audit-based financial control and demonstrating that improvements in one dimension cannot automatically be interpreted as improvements in the other. By integrating accountability theory with institutional theory, the study develops accountability-control decoupling as an interpretive framework for understanding divergent accountability trajectories. This perspective extends previous research on institutional decoupling by examining the relationship between formal performance evaluations and externally detected financial-control deficiencies in decentralized local governments. Furthermore, the findings contribute to fiscal governance literature by demonstrating the limited explanatory power of aggregate fiscal dependence and the conditional relevance of government size in understanding performance accountability. The insignificant moderation effects indicate that audit-finding counts do not provide empirical support for the proposed conditional relationships, suggesting that structural government characteristics and audit indicators alone are insufficient to explain differences in formal accountability. These results highlight the importance of examining institutional capabilities, administrative routines, and governance processes in future research.

From a practical perspective, the findings suggest that local governments should evaluate performance accountability and financial-control quality through complementary monitoring

mechanisms rather than relying exclusively on SAKIP scores or audit outcomes. Performance-management units, financial offices, internal inspectorates, and asset-management divisions should strengthen coordination by integrating material BPK findings into institutional risk assessments and corrective-action planning. Particular attention should be given to the severity, recurrence, financial implications, and resolution status of audit findings to provide a more comprehensive assessment of financial-control conditions. For policymakers and oversight institutions, accountability reforms should emphasize both performance-management development and improvements in operational control practices. Intergovernmental fiscal support may be complemented by administrative-capacity development, systematic monitoring, and clearer corrective-action responsibilities. However, these recommendations represent implications derived from the observed patterns rather than interventions whose effectiveness has been established by the study. Future policy evaluations should examine whether integrated performance monitoring and audit-recommendation follow-up contribute to measurable improvements in public-sector accountability.

5. Conclusion and Suggestion

This study examined the relationships between fiscal dependence, government size, BPK audit findings, and SAKIP-based performance accountability in 27 local governments in West Java, Indonesia, during 2020–2024. The findings revealed consistent improvements in SAKIP scores despite fluctuations in audit findings, suggesting that formal performance accountability and financial control do not necessarily improve simultaneously. Government size showed a marginally significant positive association in the main models but was insignificant under two-way fixed effects, while fiscal dependence, audit findings, and both moderation effects were statistically insignificant. These results support the interpretation of accountability-control decoupling as a possible explanation for divergent accountability trends, although institutional decoupling was not directly established. The study recommends integrating performance evaluation with financial-control monitoring, strengthening audit recommendation follow-up, and improving institutional capacity. Future research should employ longer observation periods and more comprehensive audit indicators to examine the mechanisms underlying accountability-control divergence.

6. Limitations and Future Research

This study has several limitations, including its restricted sample of 27 local governments in West Java and five-year observation period, which constrain generalizability and statistical precision. The use of aggregate fiscal-dependence ratios and unweighted BPK audit-finding counts does not capture differences in transfer composition, audit severity, recurrence, or recommendation follow-up. Additionally, two fiscal-dependence ratios exceeding one require verification against official financial records, although their exclusion did not materially alter the findings. The proposed accountability-control decoupling concept remains an interpretive explanation rather than a directly tested institutional mechanism, particularly because SAKIP and BPK assess different accountability dimensions. Future research should employ broader longitudinal datasets, disaggregated fiscal measures, severity-weighted audit indicators, and institutional-capacity variables, supported by qualitative evidence to examine the organizational mechanisms underlying accountability divergence.

Acknowledgement
The authors would like to express their sincere gratitude to all parties who contributed to the completion of this research. The authors also acknowledge the availability of secondary data on local government performance accountability (SAKIP), fiscal characteristics, and audit findings from the Audit Board of Indonesia (BPK), which supported the empirical analysis. The authors are grateful for the valuable insights and resources that facilitated the development of this study. Any remaining errors or shortcomings are the sole responsibility of the authors.

Declaration of AI and AI-assisted technologies in the writing process
The empirical analysis was conducted using secondary data on local-government fiscal characteristics, SAKIP performance accountability, and BPK audit findings. The underlying data sources and replication materials should be made available where permitted to ensure research transparency and reproducibility. As the study relies exclusively on institutional-level secondary data and does not involve human participants or personally identifiable information, ethical approval was not required. The authors declare no conflicts of interest. Any use of AI-assisted technologies in preparing the manuscript should be disclosed in accordance with the journal's editorial policies.

References
Abdullah, M. I., Kamase, H. P., & Harun, H. (2026). Unpacking the emergence of unqualified audit opinions as quasi-accountability in Indonesian public sector. *Financial Accountability & Management, 42*(4), 547–561. https://doi.org/10.1111/faam.70041

Ariani, D. I., & Setyaningrum, D. (2023). E-procurement and corruption prevention in Indonesia's local governments. *International Journal of Economic Policy in Emerging Economies, 18*(3–4), 318–325. https://doi.org/10.1504/IJEPEE.2023.136316

Badan Pemeriksa Keuangan. (2024). *BPK ungkap permasalahan pengelolaan keuangan daerah dalam IHPS II tahun 2023*. https://www.bpk.go.id/berita-utama/bpk-ungkap-permasalahan-pengelolaan-keuangan-daerah-dalam-ihps-ii-tahun-2023/

Bovens, M. (2007). Analysing and assessing accountability: A conceptual framework. *European Law Journal, 13*(4), 447–468. https://doi.org/10.1111/j.1468-0386.2007.00378.x

Christensen, M., & Yamamoto, K. (2023). Public accountability and democracy: An accountability stage in the theatre of democracy. *Financial Accountability & Management, 39*(2), 259–267. https://doi.org/10.1111/faam.12360

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48*(2), 147–160. https://doi.org/10.2307/2095101

Faguet, J. P. (2014). Decentralization and governance. *World Development, 53*, 2–13. https://doi.org/10.1016/j.worlddev.2013.01.002

Ferraz, C., & Finan, F. (2008). Exposing corrupt politicians: The effects of Brazil's publicly released audits on electoral outcomes. *The Quarterly Journal of Economics, 123*(2), 703–745. https://doi.org/10.1162/qjec.2008.123.2.703

Fisman, R., & Gatti, R. (2002). Decentralization and corruption: Evidence across countries. *Journal of Public Economics, 83*(3), 325–345. https://doi.org/10.1016/S0047-2727(00)00158-4

Fitriana, F., & Wahyudin, A. (2017). Factors influencing the quality of financial reporting on local government of Purbalingga. *Accounting Analysis Journal, 6*(1), 27–38. https://doi.org/10.15294/aaj.v6i1.18597

Furqan, A. C., Wardhani, R., Martani, D., & Setyaningrum, D. (2020). The effect of audit findings and audit recommendation follow-up on the financial report and public service quality in Indonesia. *International Journal of Public Sector Management, 33*(5), 535–559. https://doi.org/10.1108/IJPSM-06-2019-0173

Haustein, E., Lorson, P. C., Oulasvirta, L. O., & Sinervo, L.-M. (2025). Financial accountability discharged from local government financial statements: An institutional theory approach to accounting change. *Journal of Accounting & Organizational Change, 21*(3), 446–473. https://doi.org/10.1108/JAOC-02-2022-0034

Hummel, D., & Kusumasari, B. (2026). Local government financial performance and decentralization in Indonesia. *State and Local Government Review, 58*(2), 206–227. https://doi.org/10.1177/0160323X251364379

Kementerian Pendayagunaan Aparatur Negara dan Reformasi Birokrasi. (2025). *Laporan kinerja kementerian/lembaga tahun anggaran 2024*. https://ppid.menpan.go.id/system/uploads/2025/09/LK-panrb-2024-Audited_compressed.pdf

Kristanto, S. B., Wardhani, R., Siswantoro, D., & Ekananda, M. (2026). Fiscal decentralization, governance, and corruption: Evidence from Indonesian local governments (2010–2021). *Cogent Business & Management, 13*(1), Article 2652136. https://doi.org/10.1080/23311975.2026.2652136

Lewis, B. D. (2010). Indonesian decentralization: Accountability deferred. *International Journal of Public Administration, 33*(12–13), 648–657. https://doi.org/10.1080/01900692.2010.514442

Mardiasmo. (2018). *Akuntansi sektor publik* (Edisi terbaru). Andi.

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology, 83*(2), 340–363. https://doi.org/10.1086/226550

Musadat, A. (2023). The effects of participatory budgeting on local government service delivery: Evidence from Sumedang. *Bulletin of Indonesian Economic Studies, 59*(1), 29–60. https://doi.org/10.1080/00074918.2021.1931031

Oates, W. E. (1999). An essay on fiscal federalism. *Journal of Economic Literature, 37*(3), 1120–1149. https://doi.org/10.1257/jel.37.3.1120

Olken, B. A., & Pande, R. (2012). Corruption in developing countries. *Annual Review of Economics, 4*, 479–509. https://doi.org/10.1146/annurev-economics-080511-110917

Rakhman, F., & Wijayana, S. (2024). Human development and the quality of financial reporting among the local governments in Indonesia. *Journal of International Accounting, Auditing and Taxation, 56*, Article 100634. https://doi.org/10.1016/j.intaccaudtax.2024.100634

Republik Indonesia. (2004). *Undang-Undang Republik Indonesia Nomor 15 Tahun 2004 tentang Pemeriksaan Pengelolaan dan Tanggung Jawab Keuangan Negara*. https://peraturan.bpk.go.id/Details/40509/uu-no-15-tahun-2004

Republik Indonesia. (2019). *Peraturan Pemerintah Republik Indonesia Nomor 12 Tahun 2019 tentang Pengelolaan Keuangan Daerah*. https://peraturan.bpk.go.id/Details/103888/pp-no-12-tahun-2019

Salomo, R. V., & Rahmayanti, K. P. (2023). Progress and institutional challenges on local governments performance accountability system reform in Indonesia. *SAGE Open, 13*(4), 1–14. https://doi.org/10.1177/21582440231196659

Saptono, P. B., & Mahmud, G. (2023). Stimulus or enforcement? How intergovernmental transfers crowd-in local taxes in Indonesia. *Public Finance Review, 51*(6), 782–837. https://doi.org/10.1177/10911421231191961

Setyaningrum, D., Azhar, Z., Kuntadi, C., & Dharmayuni, L. (2025). Revitalizing accountability: Exploring the impact of performance audits in Indonesia's public sector. *Journal of Entrepreneurship and Public Policy, 14*(2), 311–328. https://doi.org/10.1108/JEPP-01-2024-0010

Siburian, M. E. (2024). Fiscal decentralization and corruption: A case of Indonesia. *Applied Economics Letters, 31*(1), 87–90. https://doi.org/10.1080/13504851.2022.2128164

Sjarlis, S., Maryadi, M., Oktaviani, A. R., Abadi, I., Ramadhani, N. Y., & Faulan, A. (2026). Breaking the silent voices: Advancing accountability through dialogic accounting in Indonesian local governance. *Public Money & Management, 46*(3), 294–302. https://doi.org/10.1080/09540962.2025.2499958

Suliyantini, L., & Kusmuriyanto. (2017). The effect of human resources competency and accrual-based government accounting standard implementation on the quality of local government financial statement with the implementation of internal control system as a mediating variable. *Accounting Analysis Journal, 6*(1), 19–26. https://doi.org/10.15294/aaj.v6i1.20022

Surastiani, D. P., & Handayani, B. D. (2015). Analisis faktor-faktor yang memengaruhi kualitas informasi laporan keuangan pemerintah daerah. *Jurnal Dinamika Akuntansi, 7*(2), 139–149. https://doi.org/10.15294/jda.v7i2.4124

Wibowo, A. S., Istianah, I., Sari, N. P., Rakhman, F., & Septiari, D. (2026). Does organizational integrity matter in enhancing financial reporting quality? Empirical evidence from local governments in Indonesia. *Journal of Accounting & Organizational Change, 22*(4), 723–747. https://doi.org/10.1108/JAOC-09-2024-0321

Widaryani, H. U., & Kiswanto. (2020). Analysis of factors affecting the quality of local government financial statements. *Accounting Analysis Journal, 9*(1), 53–59. https://doi.org/10.15294/aaj.v9i1.23123

Widhiyani, N. L. S., Setiawan, P. E., Krisnadewi, K. A., Ardiana, P. A., Widiani, N. M. S., Pratama, E. A., & Yanthi, K. D. L. (2025). Navigating timeliness: Decoupling in corporate external reporting by Indonesian state-owned enterprises (SOEs). *Public Money & Management, 45*(7), 819–827. https://doi.org/10.1080/09540962.2025.2462784