

## Evaluating the Role of Management Accounting in Promoting Transparency and Preventing Corruption in <sup>1</sup> the Public Sector

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### INTRODUCTION

Accountability implies that those entrusted with public money have to account for the way the resources have been allocated and used and the results achieved from the perspective of the legitimacy theory, the introduction of transparency can help governments to obtain legitimacy. Communicating the motivation behind policies can increase legitimization and trust in governments. According to the principal-agent theory, corruption might occur when civil servants and politicians have discretion over public services and lack accountability. Civil servants should be

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principal (citizens) and the agent (elected politicians) and may bolster the constraints that the principal can impose on the agent. In this perspective, the role of strong institutional control and good auditing has been highlighted as a way to prevent bad politicians from diverting resources. Scholars have highlighted the key role played by transparency and accountability in creating social mobilization against and awareness of corrupt behaviors.

In the public sector, the availability of resources that are not directly controlled by an owner can create a suitable ground for corruption through the implementation of large projects and extensive procurement, tax units, debt management, customs, and inappropriate privatization of state-owned enterprises. As a result, due to the importance of anti-corruption policies, they have become the main discussion of international organizations such as the Organization for Economic Cooperation and Development (2013), the World Bank, the International Transparency Organization, and the G20 group. Moreover, for the EU, the fight against corruption is an important precondition for the EU to achieve financial integration. The performance of public agencies in industrialized economies in the 1980s has been the object of questioning and intense pressure to reduce government spending. The main reason for such questions is to compare the performance of the public sector with the criteria related to the private sector, such as investment returns and the orientation of public sector organizations to commercial activities instead of providing services. For this reason, experts in the public sector began to accept new management approaches to improve the performance of the public sector. These approaches made changes in the structure and processes of public sector organizations to achieve better performance. These new approaches emphasized the ideals of new public management. Recently, transparency and accountability have found a prominent role in anti-corruption strategies. On the other hand, over the last decades, the concept of accountability has gained increasing importance, especially in the organizations of the public sector, due to its stronger role in organizational procedures, and different definitions of it have been presented. Accountability means that the public funds entrusted to the government should be accountable for the way of allocation, use of resources, and obtained results. According to the theory of legitimacy, transparency is a fundamental factor in governments achieving legitimacy. Disclosing the hidden motives behind the government's policies increases the legitimacy and trust in the government. According to the concepts of agency theory, corruption will happen when the government's employees and politicians are not accountable for the public services provided to them. The main goal of the corruption prevention strategy is to reduce corruption

opportunities in government departments and entities. The basic principle of this strategy is to ensure the existence of efficiency, transparency, and accountability in all government business activities. The priority areas in the case are related to the areas of procurement, public works, licensing, public service delivery, law enforcement, and revenue collection.

He also added that the comprehensive strategy to prevent corruption should include improvements in the following management systems:

- ✓ Performance management
- ✓ Procurement management
- ✓ Financial management
- ✓ Human resource management
- ✓ Criticisms and complaints management.

Therefore, the management control system also needs a subsystem that strengthens it and is used to reduce corruption and improve its performance. Therefore, accountability plays an essential role in resolving the informational asymmetry between main managers (citizens) and representatives (elected politicians) and it may reinforce the constraints that the main manager can impose on the agent. In a very competitive business market, information is the most important factor to survive. One of the information needed is management accounting information. Management Accounting is the provision of financial and non-financial decision-making information to managers. According to the Institute of Management Accountants (IMA): "Management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy. Management accounting is the process of identifying, measuring, analyzing, interpreting, and communicating information in pursuit of an organization's goals.

Management accounting forms an integral part of the management process in an organization, where it provides essential information to the business in its planning, evaluating, controlling, and decision-making process. It is through management accounting that the managers get the tools for doing their functions. Management accounting practices have to ensure that information provided to managers is relevant and useful in doing their functions. When companies become more sophisticated and competition is always increasing, the management accounting phenomenon becomes more critical.

The role of a management accountant is to perform a series of tasks to ensure their company's financial security, handling essentially all financial matters, involves partnering in management's decision-making, devising planning and performance management systems, and providing expertise in financial reporting

and control to assist management in the formulation and implementation of an organization's strategy. Management accountants regardless private or public sector are closely involved in supporting, planning, controlling, directing, communicating, and coordinating the organizational decision-making activities. According to Andreasson and Bladh management accountant is also defined as one who is responsible for the organisation's financial planning and performs several tasks for example accounting, budgeting, and different kinds of calculation. The common tasks that are most performed by the management accountant in the organization as discussed below.

**Strategic Management Accounting:** The term strategic management accounting (SMA) is defined as 'the provision and analysis of management accounting data about a business and its competitors, for use in developing and monitoring business strategy. Outsourcing analysis, and analysis regarding investment and financing as part of the strategic management accounting tasks.

**Budgeting:** According to, budget is the quantitative expression of the proposed plan of action by management for a specific time. It generally consists of financial and non-financial aspects for example, financial aspects include preparing the financial reporting such as budgeted income statement, budgeted cash flow, and budgeted balance sheet.

**Financial Accounting:** Financial accounting provides economic and financial information for investor's creditors, and other external users.

**Product Costing Calculation:** A management accountant helps managers identify the relevant information in product costing calculation and use the information to make a decision making.

**Performance Measurements:** Measure on performance of system development, department or organization, and employee productivity is one of the routine tasks of a management accountant to achieve the organization's objective.

**Human Resource Management:** Measuring employee satisfaction is now considered highly important for most organizations including tasks related to salaries.

**Transfer Pricing:** Transfer price is the price of internal performance for products or services traded between different divisions in the organization.

**Standard Costing:** Development and forming the rules and selection of the standard costing process method are the tasks performed by the management accountant.

The primary purpose of management accounting in the organization is to help management do their function by collecting, processing, and communicating information by providing information. Meanwhile, information systems play an important and very effective role in reducing information asymmetry and preventing corruption. Accounting information systems are among the information systems that can help the general public in evaluating the accountability and stewardship of

management. Today, management accounting techniques provide the valuable information needed by managers of organizations and are expected to be effective in management control systems. The mission of management accountants is to perform a series of tasks to ensure the financial security of the organization or company, and to deal with all necessary financial issues, including participation in management decision-making, planning, management performance systems, and providing solutions in the field of reporting and financial control to help the management of the organization. Regardless of whether the organization is private or public, management accountants have roles in areas such as planning, supporting, controlling, guiding, communicating, and coordinating close cooperation with other departments of the organization. Management accounting includes functions such as planning, budgeting, pricing, value-based management, human resource management, monitoring and controlling, financial reporting, and performance evaluation systems in the public sector. Management accounting helps to determine duties and responsibilities with clear boundaries. Like private and non-profit sector companies, in the public sector, controls include both financial and operational sectors. Various organizations should use management accounting tools to achieve goals such as drafting overall strategy and long-term plans, deciding to allocate resources, maximizing the value of the company and shareholders' wealth, and paying attention to the social responsibilities of the organization. The American Society of Management Accountants (2008) emphasizes that designing and implementing the organizational strategy is the professional attribute of a management accountant and the position of this profession is in the principle of partnership with the manager in preparing financial reports and expertise in controlling. It seems that the period of the management accountant as a mere producer of reports has changed from the management accountant to a key player in organizational strategy and decision-making. The function of the accounting information system is not only to process data transactions into financial reports but also as a controlling instrument on financial reports so that reliable financial reports can be produced. Each organization tries to increase its ability to produce profit and income through resource use and produce the right decision based on the right, accurate, and timely information. It can be achieved through the increase of management accounting information systems. Therefore, the quality of management accounting information systems can produce qualified financial management (transparent, accountable, and participative). It is not only limited to private organizations but also applies to governmental organizations. Accounting information quality is related to the quality of good governance because accounting information is the instrument used in the process of governance.

## MATERIALS AND METHODS

The purpose of this study is to evaluate the role of management accounting in promoting transparency and preventing corruption in the public sector. In this study, qualitative and survey methods were used to collect and analyze the data. The necessary data was collected Necessary data were collected in the year 2022 through interviewing 13 experts and the distribution of questionnaires among 114 experts in the field of management accounting in companies and public sector organizations. The content analysis and single-community mean test and MAXQDA and SPSS were used to answer the research questions.

## RESULTS AND DISCUSSION

The results of the study show that management accounting clarifies the components of the final cost price through pricing, and this will have many uses, especially in government contracts where the possibility of corruption and collusion is high, and in this way, it will increase efficiency and effectiveness and economic efficiency (creating value for money).

## CONCLUSION

The actual price and the standard price are compared & the public service tariff is determined and the flow of resources between activities and costs can be managed when the flow of resources can be known and informed. The flow of costs in the organizational structure can be clarified in terms of pricing the cost centers and in processes and activities, and understanding the flow of costs will help cost management and prevent corruption. Moreover, the results showed that management accounting improves the management control system by combining and providing financial and non-financial information, increasing the satisfaction of service recipients, reducing service delivery time, paying attention to the needs of service recipients, providing performance reports, and facilitating decision-making.

**Keywords:** Management Accounting, Value for Money, Corruption in Public Sector, Efficiency, Effectiveness.

**JEL Classification:** M41, H83.

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