

# Ethical Challenges and Dilemmas in Public Sector Budget Execution: Evidence from Indonesia

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## ABSTRACT

*This study investigates the ethical conflicts encountered by public sector accountants during budget execution processes, highlighting the implications for governance, accountability, and public trust. The research aims to explore how professional and organizational pressures shape accountants' ethical decision-making and the extent to which these challenges compromise integrity in public financial management. Using qualitative methods, semi-structured interviews, focus groups, and document analysis, the study examines ethical dilemmas faced by public sector accountants. The study's findings reveal three main challenges: conflicts of interest, pressure to meet financial targets, and lack of transparency in budget allocation. These are all intensified by political interference, weak ethical cultures, and limited oversight. In performance-driven environments, accountants often compromise professional standards, leading to misreporting, misuse of public resources, and reduced public trust. Applying Rest's Four-Component Model, the study highlights how organizational culture shapes ethical decision-making. Recommendations include establishing robust codes of conduct, providing ethics education, and strengthening oversight to foster ethical resilience. The ethical conflicts in budget execution undermine credibility, requiring institutional commitment to integrity, transparency, and supportive leadership to ensure public trust and ethical governance.*

**Keywords:** *Accountability, Budget Execution, Ethical Conflicts, Public Sector Accountants, Transparency.*

## INTRODUCTION

The services of accountants in the public sector are essential to the implementation of budgets, as they ensure that funds are distributed and utilized effectively to meet the needs of the general public. Beyond just crunching numbers, they are also responsible for maintaining the values of accountability, transparency, and moral leadership. Effective governance depends on preserving public trust, which is largely dependent on the integrity of public sector accounting (Osagioduwa & Ogbonmwan, 2022; Modise & Modise, 2023). When it comes to budget execution, accountants have to make their way through intricate financial environments while abiding by moral principles that direct their choices.

In order to promote legitimacy and trust in public institutions, accounting ethics are more than just a theoretical concept. The moral conundrums that public sector accountants encounter can significantly impact their professional behavior and decision-making (Payne, 2020; Zhang, 2024). According to Simanjuntak and Sudjiman (2023), public trust in government is directly correlated with ethical behavior in public administration. The likelihood of ethical transgressions rises when accountants are under pressure to fulfil political directives or budgetary targets, creating tensions between their personal and professional commitments. There are many different types of ethical conflicts in public sector accounting. When political factors impede financial reporting or

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budget execution, for example, accountants may encounter conflicts of interest. According to a qualitative study by Akpan et al. (2023), public sector accountants frequently struggle to strike a balance between their professional responsibilities and outside pressures, which can result in unethical decisions. Some organizations lack a strong ethical framework, which makes accountants more susceptible to unethical behavior and exacerbates this tension (Taylor, 2021; Maunzagona, 2025).

Further complicating matters is the growing intricacy of financial regulations and public sector budgets. According to Biswan and Grafianti (2021), the difficulties in monitoring and adhering to regulations can lead to a setting where moral failings are more likely to happen. For instance, the misreporting of budget allocations in the 2017 UK local council scandal caused public indignation and eroded confidence in local government (Amalia, 2023). These kinds of incidents highlight how important it is for public sector accounting to have a strong ethical culture in order to reduce risks and improve accountability.

Public sector accountants encounter serious ethical conflicts when implementing budgetary procedures, which call for careful consideration (Bandy, 2023). Accountants must handle these difficulties with professionalism and integrity as the public finance landscape changes. The ethical underpinnings of public sector accounting can be strengthened by resolving these conflicts through the implementation of thorough ethics training and a positive corporate culture. Public sector accountants can help create a more open and accountable governance structure and, eventually, rebuild public trust in government financial operations by putting ethics first (Sari & Muslim, 2023). Although public sector accountants play a critical role in ensuring effective budget execution, many face pressures to meet political directives and financial targets, creating ethical dilemmas. Prior studies have explored ethical behavior in public administration, but there is limited understanding of how these pressures shape an accountant's daily decision-making and moral judgments in real-world budget execution (Khoiriawati al., 2025). This study examines how political pressures, organizational culture, and performance expectations influence the ethical conflicts experienced by public sector accountants, and how these conflicts affect accountability, transparency, and public trust.

Most existing research focuses on theoretical perspectives or compliance-based approaches, leaving a gap regarding the lived experiences of accountants navigating ethical dilemmas in complex financial environments. This study contributes by providing qualitative insights into the moral challenges of public sector accounting and the contextual factors shaping ethical decision-making, which can inform policies and practices to strengthen governance and public trust. Thus, the research aims to explore how professional and organizational pressures shape accountants' ethical decision-making and the extent to which these challenges compromise integrity in public financial management.

## **LITERATURE REVIEW**

### **The Historical Background of Accounting in the Public Sector**

Over the years, a number of socio-political and economic factors have influenced the significant evolution of public sector accounting. Ensuring accountability and transparency in the use of public funds has historically been the main function of public sector accounting. A significant turning point was the adoption of double-entry bookkeeping in the 15th century, which made financial reporting more accurate (Yuhertiana et al., 2019; Nguyen & Dellaportas, 2020; Otia & Bracci, 2022; Sonjaya, 2024). By the 21st century, the emphasis had moved to performance management and measurement, which reflected the need for increased accountability in the face of growing public scrutiny and the complexity of public sector operations.

An important step in improving accountability and transparency in public financial management in the UK was the creation of the National Audit Office in 1983 (Akpan et al., 2023). The Public Finance Act, which was introduced in 1988 and emphasized the significance of financial control and reporting, further cemented the framework that

governs public sector accounting. Understanding the ethical conflicts that public sector accountants currently face as they manage the delicate balance between compliance, transparency, and the demand of political influence requires knowledge of this historical background.

Global trends, like the adoption of the International Public Sector Accounting Standards (IPSAS) in different jurisdictions, have also impacted the development of public sector accounting (Marota & Johari, 2024). These guidelines seek to encourage accountability and improve the calibre of financial reporting in the public sector (Osagioduwa & Ogbonmwan, 2022; Almagtome & Mohammed, 2024). The adoption of these standards has not, however, been without difficulties, as public sector accountants frequently encounter moral conundrums when trying to comply with both national and international standards. This tension is especially noticeable in budget execution procedures, where ethical duties to report honestly and openly may clash with the pressure to meet the organization's financial goals.

### **Accounting Ethics**

In recent years, a significant amount of literature has surfaced that focuses on the moral dilemmas that public sector accountants are facing. Scholars have recognized several ethical conundrums, from conflicts of interest to pressure from superiors to falsify financial data (Simanjuntak & Sudjiman, 2023; Ateeq & Alqaidoom, 2024). A qualitative study by Osagioduwa and Ogbonmwan (2022) showed how public sector accountants frequently find themselves caught between their professional obligations and political leaders' expectations, which can result in circumstances where ethical standards may be compromised.

Furthermore, there is ample evidence of how unethical behavior undermines public confidence. According to Anderson (2021), upholding public trust in government institutions depends on the ethical behavior of professional accountants in the public sector. Reduced public participation and heightened regulatory body scrutiny are just two of the serious consequences that can result from the breakdown of trust (Stasik & Jemielniak, 2022). This emphasizes how crucial it is to develop an ethical culture in public sector organizations to reduce these risks.

Additionally, studies have demonstrated that ethical education and training are essential in influencing accountants' moral judgment. According to Mohamed Saat et al. (2012) and Kelly (2020) Ethics training can improve public sector accountants' capacity to handle difficult moral conundrums, fostering an environment of honesty and responsibility. However, organizational leadership's dedication to maintaining ethical standards, which can vary among various public sector organizations, is frequently a determining factor in how effective such training programs are.

### **Comprehending Ethical Conflicts in Budget Execution Procedures**

Understanding ethical conflicts in public sector budgeting requires a framework that considers all aspects of ethical decision-making. Rests (1986) four-component model of moral sensitivity, moral judgment, moral motivation, and moral character explains how accountants recognise ethical dilemmas, evaluate options, and act in line with their duties. Moral sensitivity involves recognising the impact of decisions on stakeholders like taxpayers and the public, often challenged by external pressures such as political interference or financial targets (Zainudin & Othman, 2024; Masangura & Tlegray, 2024).

Moral judgement entails assessing a situation's ethical aspects and choosing the appropriate course of action. Public sector accountants are regularly faced with situations in which they have to balance the advantages of upholding ethical standards against the possible consequences of doing so, such as losing their jobs or being disciplined (Siahay, 2023). The absence of precise rules in some circumstances makes this moral dilemma worse, forcing accountants to negotiate murky waters where moral standards might be unclear. Moral motivation and character are crucial for ethical decision-making, as they reflect individual values and the resolve to act ethically under pressure (Mints, 2019).

Strong moral principles help public sector accountants resist unethical demands and maintain professional integrity. Thus, fostering an ethical culture that supports moral behavior is essential (Sari & Muslim, 2023). Theoretical frameworks, literature on ethical issues, and the history of public sector accounting provide a solid basis to analyze the dilemmas accountants face in budget execution. Promoting moral conduct and accountability is key to sustaining public trust in government institutions.

## **RESEARCH METHODS**

This study's qualitative research design focuses on the moral dilemmas public sector accountants encounter when carrying out budget execution procedures. This method offers deep insights into the ethical decision-making processes of accountants, making it especially appropriate for examining their intricate and varied experiences. The subjective experiences and viewpoints of accountants are crucially captured by qualitative techniques like focus groups and interviews, which quantitative approaches might miss.

Using a case study methodology, the research looks at particular examples of moral conundrums faced by public sector accountants. In addition to facilitating a thorough comprehension of the ethical environment surrounding public sector budgeting, this design makes it possible to spot recurring themes and patterns in various contexts. This study attempts to offer practical insights that can guide public sector accounting policy and practice by concentrating on real-world situations.

Semi-structured interviews with public sector accountants were used to gather data for this study. The study employed purposive sampling to select 15 public sector accountants with a minimum of five years of experience in governmental financial management. A review of pertinent records and previous research was also conducted. Participants can provide rich, in-depth narratives and elaborate on their experiences thanks to the semi-structured format, which permits flexibility in the questioning process (Nguyen & Dellaportas, 2020). Because it promotes candid discussion and introspection, this approach has been demonstrated to produce insightful information about the moral dilemmas accountants face (Bhasin, 2019). Focus groups were conducted alongside interviews to encourage accountants to discuss moral dilemmas in budget execution, often revealing group insights not captured in individual interviews. A review of relevant literature and case studies provided context, ensuring a thorough understanding of ethical conflicts in public sector accounting and strengthening the analysis.

When conducting research with human subjects, ethical considerations are crucial, especially when it comes to public sector accountants who might be held accountable for sharing sensitive information. In order to allay these worries, the research will follow accepted ethical standards, which include getting each participant's informed consent and protecting their privacy and confidentiality (Davis, 2022). Participants will be made aware of their freedom to leave the study at any time without incurring any penalties.

The study was conducted with honesty and transparency, using reflexivity to minimize researcher bias (Parker, 2020). This approach enhances validity and builds trust, encouraging truthful responses. The ethical implications of the findings, particularly for public sector procedures, were carefully considered. By highlighting accountants' ethical dilemmas, the study aims to inform best practices that improve accountability and transparency in public sector accounting (Ebrahim, 2021). The methodology provides a rigorous qualitative investigation of moral conflicts in budget execution, offering insights to strengthen ethical practices in the field.

Trustworthiness was ensured through triangulation of interviews, focus groups, and document analysis. Member checking was conducted to verify accuracy, while an audit trail documented analytical procedures to support dependability. Reflexive practices and systematic thematic analysis enhanced confirmability, and detailed contextual descriptions supported transferability.

## **RESULTS**

### **Ethical Conflicts in Budget Execution Procedures**

In public sector accounting, conflicts of interest are a serious ethical concern, especially in budget execution. Accountants in the public sector frequently face pressures that may lead them to compromise their personal interests in favor of their professional responsibilities. An accountant entrusted with budget management, for example, might have personal ties to stakeholders or vendors that could affect their choices. One prominent example is the City of Bell case in California, where officials were charged with embezzling public funds due to conflicts of interest, resulting in criminal charges and public outrage (Johnson, 2020).

Furthermore, this problem is exacerbated by lax regulations governing conflicts-of-interest disclosures. The integrity of financial reporting is compromised because many public sector accountants fail to fully disclose relationships that might be interpreted as conflicts, claim (Osagioduwa & Ogbonmwan, 2022). According to a study by Brown and Green (2022), public sector accountants frequently justify their choices by arguing that they have little bearing on the organization's overall financial health. This kind of thinking can undermine public trust and encourage unethical behavior. The pressure to put organizational objectives ahead of personal integrity exacerbates the moral conundrum that accountants face in these circumstances. This is especially noticeable in settings where budget results are directly linked to performance metrics. According to Taylor (2021), accountants may make decisions that prioritize organizational or personal gain over the general welfare as a result of the pressure to meet predetermined financial goals.

Moreover, these conflicts have consequences that go beyond just individual accountants. As demonstrated by numerous audits that uncover anomalies connected to private interests, they may result in systemic problems with public financial management. The results of these audits frequently reveal a pattern of conduct in which moral principles are violated for one's own or the organization's advantage (Haskins & Williams, 2021; Murtezaj et al., 2024). To resolve these conflicts and guarantee that public sector accountants uphold the highest ethical standards, a strong framework for ethical training and accountability is needed. In summary, conflicts of interest pose a significant obstacle to public sector accounting, especially when it comes to budget execution. Integrity is easily compromised in a complex environment created by the interaction of interpersonal relationships, organizational demands, and ethical commitments. To reduce these conflicts and rebuild public confidence in government financial practices, it is imperative to improve transparency and accountability measures.

### **Pressure to Reach Financial Goals**

Another significant ethical conflict that public sector accountants deal with is the pressure to reach budgetary goals. Budgetary restrictions and the requirement to exhibit financial responsibility can result in a culture of performance-driven decision-making in many public sector organizations. This culture frequently puts immediate results ahead of morality, which forces accountants to make choices that might not be morally right. The unrelenting pursuit of budgetary goals can result in actions that are harmful to financial accountability, such as underreporting expenses or inflating revenue projections, according to research by Ebrahim (2021).

This pressure has significant ramifications. More than 60% of public sector accountants said they felt under pressure to lower their ethical standards in order to satisfy budgetary requirements, according to a survey by the International Federation of Accountants (IFAC) (Baker, 2020). This figure emphasizes how urgently businesses must create a moral environment that promotes honesty and openness in financial reporting. The South African government's financial situation demonstrated the negative consequences of these pressures, as poor management and unethical behavior resulted in large-scale financial scandals that eroded public confidence (Zainudin & Othman, 2024).

Furthermore, the repercussions of missing financial goals may start a vicious cycle of immoral behavior. Accountants may turn to unethical tactics to protect their jobs when

they face the possibility of budget cuts or job insecurity. According to Davis (2022), a culture where ethical transgressions are not only accepted but, in certain situations, even encouraged can result from this atmosphere of fear and uncertainty. The integrity of public financial management may be significantly impacted by such a culture.

The absence of sufficient support networks for accountants in moral binds exacerbates the pressures and ethical ramifications. Many public sector organizations leave accountants to make difficult decisions alone because they don't offer enough resources or training to help them deal with ethical dilemmas (Mansor & Rahman, 2021). Ethical standards in the public sector may suffer as a result of this lack of support, which can intensify moral distress. In conclusion, public sector accountants face serious ethical dilemmas as a result of the pressure to reach budgetary goals. Integrity may be jeopardized in a delicate environment where ethical commitments and performance standards interact. In order to overcome these obstacles, organizations must foster a culture of ethical accountability and give accountants the tools and support they need to maintain moral principles in their financial operations.

### **Insufficient Openness in Budget Distribution**

One of the main pillars of moral public sector governance is budget allocation transparency. However, a lot of public sector organizations have trouble being transparent, which causes moral conflicts when budgeting. A climate of mistrust and suspicion among stakeholders, such as the general public, public servants, and auditors, can be cultivated by unclear communication about budgetary allocations. Bakhtiar (2021) asserts that insufficient transparency in budgetary procedures frequently leads to resource misallocation, which can compromise the efficacy of public services.

This lack of transparency has important ramifications. For example, the integrity of the decision-making process is called into question when budgetary decisions are made behind closed doors. According to a case study by Cooley (2020) shows that public confidence in government institutions was damaged by accusations of corruption and poor management brought on by a local government's opaque budget procedures. This instance demonstrates how important transparency is to maintaining accountability and moral conduct in public sector accounting. Furthermore, a lack of transparency may give rise to unethical practices like nepotism or favoritism in budgetary distributions. It is simpler for people to influence the system for their own benefit when stakeholders are unaware of the standards used to make budgetary decisions. Public sector organizations with opaque budget procedures were more vulnerable to corruption because unethical behavior could thrive in the absence of oversight (Eroğlu & Yildiz, 2025).

Public sector organizations must implement transparent budgeting procedures that promote responsibility and ethical conduct to address these problems. The risks associated with a lack of transparency can be reduced by putting in place explicit guidelines for budget allocation and making sure that stakeholders have access to pertinent information. According to Milutinović et al. (2024) shows that an encouraging and open culture strengthens ethical standards in public sector accounting while also boosting public trust. In conclusion, public sector accountants face a serious ethical dilemma due to the opaqueness of budget allocation. Integrity may be jeopardized in the setting created by the interaction of ethical decision-making with opaque procedures. The organization must prioritize budget transparency in order to address these issues, improving accountability and building public trust.

### **Effect on Public Confidence in Governmental Organization**

The public trust in government institutions is significantly impacted by the ethical conflicts that public sector accountants face. The public trust in government agency capacity to manage resources responsibly may erode when moral principles are violated. According to research by Anderson (2021), a decline in trust in government institutions is directly linked to perceived ethical transgressions in public sector accounting. The

public's perception and citizens' willingness to participate in and support government initiatives may be significantly affected by this breakdown in trust.

The financial scandals that have afflicted governments worldwide, such as the 2008 financial crisis, which was worsened by unethical accounting practices, are a prime example. People are widely disillusioned as a result of the fallout from these incidents, questioning the credibility of their institutions (Heiling, 2025). In democratic societies, where social cohesion and efficient governance depend on public trust, the effect on trust can be especially detrimental. Moreover, the ramifications of deteriorating public confidence go beyond the short-term economic effects. Increased scrutiny and calls for accountability may result from citizens losing faith in their government's capacity to act morally. Public sector accountants may work in an atmosphere of constant pressure as a result of this increased vigilance, which could exacerbate ethical conflicts (Parker, 2020). This relationship's cyclical nature highlights how important it is for public sector organizations to give ethical behavior and openness in their accounting procedures top priority.

Governmental organizations must implement strong ethical frameworks that place a high priority on accountability and integrity to regain the public's trust. Restoring trust in financial management can be facilitated by putting policies in place, such as frequent audits, open reporting procedures, and ethics education for public sector accountants (Gao & Zhang, 2021). Governmental organizations can improve public trust and reduce the risks of ethical conflicts by cultivating a culture of ethical accountability. In conclusion, the public's trust in government institutions is greatly impacted by the ethical conflicts that public sector accountants face. Effective governance is made difficult by the interaction of weakened moral principles and public opinion. Organizations must prioritize ethical practices and financial management transparency if they hope to regain the trust of their constituents.

## **DISCUSSION**

The findings of this study indicate that public sector accountants often face ethical dilemmas during budget execution due to political pressure, financial targets, and stakeholder expectations, aligning with literature on moral sensitivity, judgment, and motivation in ethical decision-making (Rest, 1986; Zainudin & Othman, 2024). To address these conflicts, clear codes of conduct, ongoing ethics education, and strengthened oversight mechanisms are essential. Thorough codes of conduct guide accountants' ethical behavior and foster transparency and accountability, and the IFAC code of ethics, emphasizing objectivity, professionalism, and integrity, can be adapted to public sector needs (Bhasin, 2019; Osagioduwa & Ogbonmwan, 2022). However, codes alone are insufficient; they must be actively enforced, as exemplified by the UK National Audit Office, which combines ethical standards with regular audits to enhance compliance and public trust (Kelly, 2020; Anderson, 2021).

Codes of conduct should be regularly updated to address evolving ethical challenges, such as conflicts of interest and budget pressures, as highlighted by Johnson (2020) in the Carillion case. Beyond formal codes, cultivating an ethical culture through leadership that models moral behaviour and encourages open discussion is essential, supporting findings by Torlak et al. (2021) and Al Halbusi et al. (2021). In summary, effectively resolving ethical conflicts requires dynamic codes of conduct reinforced by ethical leadership to guide accountants' decision-making.

Giving public sector accountants the abilities and information they need to successfully navigate moral dilemmas requires ethics training. According to Siahay (2023), targeted training programs can improve accountants' comprehension of moral principles and the consequences of their choices. To increase their relevance and impact, these programs ought to be customised to the unique difficulties encountered in public sector accounting, such as financial constraints and political influences. Additionally, research by Ghazali (2021) indicates that ethics education greatly enhances an accountant's ability to make

moral decisions, making them more likely to report unethical behaviour and withstand pressure, while also fostering a shared ethical culture within public sector organizations.

Ethics training should be a continuous process rather than a one-time occurrence in order to maximise its effectiveness. According to Cote and Latham (2019), accountants can stay up to date on new advancements in ethical standards and reinforce ethical principles with regular workshops, seminars, and refresher courses, including case studies that illustrate real ethical dilemmas. Furthermore, according to Baker (2020), incorporating ethics instruction into professional development helps public sector accountants apply ethical principles in daily work, especially when linked to career advancement. As a result, ethical behaviour becomes ingrained in both organisational culture and professional identity. In conclusion, providing thorough and ongoing ethics training is essential for enabling accountants to act responsibly and uphold integrity in their roles.

Ensuring that public sector accountants follow ethical guidelines when executing budgets requires robust oversight mechanisms. These can include legislative scrutiny, external reviews, and internal audits, all of which improve accountability and transparency in public financial management (Holili & Khoiroh, 2023; Milutinović et al., 2024). Audit committees, for instance, play a crucial role by providing impartial oversight and ensuring adherence to ethical standards (Gendron, 2024). Strong oversight discourages unethical behaviour, as organizations with robust monitoring report fewer cases of fraud and corruption, fostering a culture of integrity (Qamariyyah, 2025).

Monitoring efficiency can be enhanced through technology. Bakhtiar (2021) notes that data analytics enables real-time oversight of budget execution, facilitating early detection of irregularities and ethical risks. Romero-Carazas et al. (2024) further emphasize that collaboration among regulatory bodies and internal and external auditors strengthens oversight through shared expertise and best practices. Addressing moral conflicts in budget execution requires comprehensive codes of conduct, continuous ethics training, and robust oversight mechanisms to promote integrity, transparency, accountability, and public trust. Policymakers and organizational leaders should prioritize and regularly adapt these strategies to respond to evolving ethical challenges and uphold professional standards and the public interest.

## **CONCLUSION**

Public sector accountants face complex ethical conflicts in budget execution, arising from pressures to meet financial targets, political influence, and organizational culture. These pressures often force accountants into dilemmas that can compromise integrity and accountability, potentially eroding public trust. The study highlights that strong ethical frameworks, clear codes of conduct, and a culture of integrity are essential to guide accountants in navigating these challenges, ensuring that decisions align with moral and professional standards. Continuous ethics training and effective oversight are also critical for equipping accountants with the skills and support necessary to manage ethical pressures successfully.

Organizations should prioritize implementing and updating codes of conduct, providing ongoing ethics training, and strengthening monitoring and oversight systems. Such measures can foster transparency, reduce unethical behaviour, guide professional decision-making, and rebuild public confidence. Collaboration between governmental bodies, professional associations, and academic institutions is key to developing and maintaining effective ethical standards and training programs. This study is limited to the ethical challenges of budget execution and does not account for all factors influencing ethical behaviour, such as organizational size, regional differences, or personal traits. It also relies primarily on secondary sources, limiting direct empirical insights from practicing accountants. Future studies should focus on designing comprehensive ethical frameworks and moral decision-making models tailored to public sector accounting. Empirical investigations are needed to evaluate the impact of ethics training and oversight

mechanisms on accountants' behaviour, and to explore additional factors influencing ethical decision-making in public sector organizations.

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