



Examining the Impact of Government Regulations on Financial Accountability and Risk Management

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Abstract

This study examines the impact of government regulation on financial accountability and risk management in public sector institutions, addressing the need for a more integrated understanding of governance mechanisms. A quantitative explanatory design was employed, using primary data collected from 200 respondents in strategic financial roles. Data were analyzed using descriptive statistics, reliability and validity testing, multiple regression, and mediation analysis. The results show that government regulation has a strong and significant positive effect on financial accountability, enhancing transparency, internal control systems, and audit responsiveness. Government regulation also positively affects risk management, although the effect is weaker, indicating that risk practices remain largely compliance-oriented. Furthermore, financial accountability significantly influences risk management and partially mediates the relationship between government regulation and risk management. These findings highlight the interconnected nature of regulation, accountability, and risk governance. The study contributes to the literature by providing empirical evidence on integrated governance mechanisms in the public sector and suggests that improving accountability systems and institutional capacity is essential for strengthening effective risk management beyond formal regulatory compliance.

INTRODUCTION

Institutions in the public sector play the core role of stewardship of the state resources as well as the delivery of the necessary services, therefore, financial accountability and risk management are the pillars of a good governance. Governments in most of the jurisdictions rely on regulatory frameworks to make sure that public funds are used in an efficient and transparent way and within legal and ethical directives. Government regulations consist of formal regulations, processes, and control systems that influence the manner in which organisations in the government plan budgets, document financial transactions, risk management, and performance outcomes (Milutinović et al., 2024; Islam, 2025; Ogedengbe et al.,

2024). The literature of the past points out that healthy regulatory conditions are strongly linked with better fiscal discipline, diminished corruption potential, and increased trust towards government institutions. With globalization, digitalisation, and financial demands mounting pressure on the world in terms of complexity, the importance of government regulation on protecting financial accountability and institutional risk management has continued to grow (Oko-Odion & Angela, 2025; Apooyin, 2025; Cao et al., 2025).

This problem is even more important as financial mismanagement scandals and audit results are frequently reported in developed and developing countries. It has been empirically observed that regulatory weaknesses and enforcement tend to lead to budgetary overruns, ineffective internal controls, and poor risk-reduction mechanisms of the public organisations (Chadee et al., 2023; Li, 2026). Recent research has shown that such regulatory reforms as the efforts to enhance accountability systems, including accrual-based accounting standards, performance-based budgeting, and integrated risk-management systems, have been implemented in most of the public sectors with more or less success (Christensen et al., 2019; Yamamoto & Schurer, 2023). However, the results of these reforms are still unequal necessitating key concerns on the application of government controls on the financial accountability and risk-management behaviors in the institutions of the public sector.

Although the significance of regulation is widely acknowledged, the institutions of the public sector still face the same issues with the translation of the regulatory requirements into the organisational practices. The main issue is the disconnect between the official rules and their practice. Regulations can be formulated beautifully on paper, but lack efficiency due to their weak implementation capacity, institutional resources, and regulatory compliance with the rules (Bojic et al., 2022; Biru et al., 2025; Yustitiantingtyas et al., 2025). Public organisations in most situations adhere to rules and regulations in a formalistic or ritualistic way where they emphasize on formal reporting as opposed to actual accountability and risk mitigation (Alsharari, 2022; Wahyuningrum et al., 2025). The phenomenon is a subject of concern as to whether government regulation actually makes financial practices more accountable or it adds more administrative burdens yet provides no substantive results in governance practices.

The other critical problem is connected with the disunity of the regulatory systems regarding the financial accountability and risk management within the sphere of the public. Regulations usually emanate out of various authorities and the budgeting, accounting, auditing, procurement and risk management are often regulated separately and thus can lead to overlapping requirements and poor guidance (Fedchenko et al., 2025; Prof Tania Ajam, 2023). This kind of fragmentation can cause confusion amongst the public managers and diminish the integrity of the accountability systems. As a result, risk-management practices can be seen as compliance practices, as opposed to strategic financial risks mitigation and identification tools. According to the existing research, without regulation integration and concise alignment between the aims of accountability and risk-management, institutions in the public sector find it hard to implement comprehensive governance systems that can address complex financial risks (Kominis et al., 2022; Pemmasani & Abd Nasaruddin, 2022).

The general solution offered in the literature on governance and public-administration, in response to these challenges, focuses on enhancing the quality and enforcement mechanism of regulations. Quality rules are defined by clearness, similarity, proportion, and responsiveness to organisational situations. Researchers believe that the government regulation must not merely prescribe but also encourage learning, capacity building, and managerial discretion by the within the clear

accountability framework (Kessy, 2023; Goldsmith & Yang, 2025). Regulatory oversight bodies like the supreme audit institutions and internal control bodies are also to be the key elements that help in ensuring that financial accountability and risk-management systems are run as expected. Nonetheless, the success of these generic remedies is still dependent on the nature of the institutions, organizational culture, and the resolve of leaders.

More specific solutions have been proposed in the literature to address shortcomings in financial accountability and risk management. One prominent stream of research focuses on the adoption of modern public financial management reforms, including accrual accounting, integrated financial management information systems, and performance auditing (Nurfadila, 2024; Attiogbe et al., 2025). These reforms are often embedded in government regulations that mandate standardized accounting practices and comprehensive financial disclosure. Empirical studies indicate that when effectively implemented, such regulatory measures can improve the accuracy and timeliness of financial information, thereby strengthening accountability and supporting better risk assessment (Efunniyi et al., 2024). Nevertheless, other studies caution that technical reforms alone are insufficient if regulatory compliance is not accompanied by changes in organizational behavior and skills (Trajkovski, 2024).

Another body of literature emphasizes the regulatory role in institutionalizing risk management within public sector organizations. Government regulations increasingly require public institutions to adopt formal risk management frameworks that identify, assess, and mitigate financial and operational risks (Oko-Odion & Angela, 2025). Research suggests that regulations mandating enterprise risk management can enhance organizational awareness of risks and improve decision making, particularly when integrated with budgeting and performance management systems (Isibor et al., 2022). However, critics argue that rigid regulatory requirements may encourage a checklist approach to risk management, limiting innovation and strategic thinking. This debate highlights the need to better understand how regulatory design influences the quality of risk management practices rather than mere compliance.

The existing literature thus provides valuable insights into the relationship between government regulation, financial accountability, and risk management, yet it also reveals important limitations. Many studies examine regulatory reforms or accountability mechanisms in isolation, without sufficiently exploring their combined effects on public sector governance. In addition, empirical evidence remains fragmented across different national and institutional contexts, making it difficult to draw generalizable conclusions about regulatory impact. There is also a tendency to focus on regulatory intent rather than actual organizational outcomes, leaving a gap in understanding how regulations shape day to day financial management and risk practices within public institutions. This gap suggests the need for more integrative and context sensitive research that examines regulation as a governance mechanism influencing both accountability and risk management simultaneously.

Against this background, this study aims to examine the impact of government regulations on financial accountability and risk management in public sector institutions. The study seeks to contribute to the literature by providing empirical evidence on how regulatory frameworks influence organizational practices beyond formal compliance. The novelty of this research lies in its integrated approach, which analyzes financial accountability and risk management as interconnected outcomes of government regulation rather than separate governance domains. By focusing on public sector institutions, the study addresses a critical area of governance with direct implications for public trust and fiscal sustainability. The scope of the study is limited to examining regulatory impacts within the public sector context, with

particular attention to institutional mechanisms, managerial responses, and governance outcomes, thereby offering insights relevant to policymakers, regulators, and public managers seeking to enhance accountability and manage risk more effectively.

METHODS

Research Design

This study adopts a quantitative explanatory research design to examine the relationships between government regulation, financial accountability, and risk management in public sector institutions. A quantitative approach is considered appropriate as it enables the systematic testing of theoretically grounded relationships using measurable indicators and statistical analysis. In line with prior studies in public administration and financial governance, this design allows for identifying patterns and causal relationships across institutions, rather than focusing on individual cases. The study is specifically designed to assess both direct and indirect effects among variables within an integrated governance framework.

Research Model and Hypotheses

The study is grounded in an integrated governance perspective that positions government regulation as a key institutional mechanism influencing both financial accountability and risk management. Financial accountability is conceptualized as an intermediate mechanism through which regulation shapes broader governance outcomes. This conceptualization is consistent with prior literature emphasizing the interdependence between accountability systems and risk management practices in the public sector.

Based on this framework, the study formulates four hypotheses. Government regulation is expected to positively influence financial accountability, as regulatory clarity and enforcement strengthen transparency and internal control systems. Government regulation is also hypothesized to positively affect risk management, although prior research suggests that this relationship may be weaker due to the compliance-oriented nature of risk practices. Financial accountability is further expected to positively influence risk management by improving the reliability of financial information used in decision making. Finally, financial accountability is hypothesized to mediate the relationship between government regulation and risk management, reflecting its role as a governance mechanism that links regulatory frameworks to operational practices.

Research Context and Unit of Analysis

The research is conducted in public sector institutions operating under formal regulatory frameworks related to financial management, accountability, and risk governance. These institutions are selected because they are directly subject to statutory requirements governing budgeting, accounting, auditing, and internal control systems. The unit of analysis in this study is the organization. However, data are collected from individuals occupying strategic roles, including financial managers, internal auditors, and senior administrators.

This study adopts a key informant approach, where respondents are selected based on their institutional roles and knowledge of financial governance processes. This approach ensures that the data reflect organizational practices and regulatory implementation rather than individual perceptions detached from institutional realities. By focusing on informed respondents, the study enhances the validity of the data in capturing governance dynamics within public institutions.

Population and Sampling Technique

The population of this study consists of public sector institutions at both national and subnational levels that are required to comply with government regulations on public financial management and risk management. A purposive sampling technique is employed to select institutions that have formally implemented financial accountability mechanisms and risk management systems in accordance with regulatory mandates. This sampling approach is appropriate in governance research where the objective is to examine regulatory effects within institutions that meet specific structural and compliance criteria.

The final sample includes 200 respondents representing diverse institutional contexts in terms of administrative level and organizational size. This sample size is considered sufficient for multivariate statistical analysis and supports the robustness of the empirical findings.

Data Collection Methods

Primary data are collected through a structured questionnaire designed to capture institutional practices related to government regulation, financial accountability, and risk management. The measurement items are adapted from established studies in public financial management and regulatory governance to ensure conceptual consistency with prior research.

The questionnaire employs a Likert scale to measure the intensity and consistency of regulatory implementation and governance practices. Data collection is conducted over a defined period using both electronic distribution and direct administrative channels to enhance response rates. Ethical considerations are maintained by ensuring voluntary participation, confidentiality of responses, and transparency regarding the research purpose.

Measurement of Variables

The study includes three main constructs, each operationalized using multiple indicators derived from prior literature. Government regulation is measured as a multidimensional construct reflecting regulatory clarity, consistency, enforcement strength, and compliance requirements. Financial accountability is measured through indicators capturing transparency of financial reporting, reliability and accuracy of financial information, effectiveness of internal control systems, and responsiveness to audit findings. Risk management is measured using indicators related to risk identification, risk assessment, mitigation strategies, and the integration of risk considerations into financial decision-making processes.

All variables are measured using Likert-type scales, which are widely used in public sector management research to capture perceptions of institutional practices and regulatory implementation (Hair et al., 2019). This approach allows for the quantification of governance constructs that are inherently organizational and process-oriented.

Validity and Reliability Testing

To ensure the quality of the measurement instrument, both validity and reliability tests are conducted. Content validity is first assessed through expert evaluation involving scholars and practitioners in public financial management, focusing on the relevance and clarity of measurement items. Construct validity is then examined using exploratory factor analysis to ensure that each item loads appropriately on its intended construct, consistent with theoretical expectations.

Reliability is assessed using Cronbach's alpha to evaluate the internal consistency of the measurement scales. All constructs are expected to meet the commonly

accepted threshold of 0.70, indicating that the instruments produce stable and consistent results. These procedures ensure that the measurement model is both valid and reliable prior to hypothesis testing.

Data Analysis Techniques

The data analysis is conducted in several stages to test the proposed relationships among variables. Descriptive statistics are first used to summarize respondent characteristics and the distribution of research variables, including mean values and standard deviations. This step provides an overview of regulatory implementation and governance practices across institutions.

To test the direct relationships among variables, multiple linear regression analysis is employed. This analysis examines the effect of government regulation on financial accountability, the effect of government regulation on risk management, and the effect of financial accountability on risk management. Prior to regression analysis, classical assumption tests are conducted, including normality, multicollinearity, and heteroskedasticity tests, to ensure that the regression estimates are unbiased and statistically reliable.

To examine the mediating role of financial accountability, mediation analysis is conducted using the bootstrapping method. This approach is widely recommended for testing indirect effects due to its robustness and ability to provide more accurate estimates compared to traditional methods. The mediation analysis assesses both the direct effect of government regulation on risk management and the indirect effect through financial accountability. A mediation effect is considered significant when the indirect effect is statistically significant and the inclusion of the mediator reduces the direct effect.

RESULTS AND DISCUSSION

The results section presents empirical findings derived from the quantitative analysis examining the impact of government regulations on financial accountability and risk management in public sector institutions. The presentation integrates descriptive statistics, reliability and validity assessments, and inferential analysis in line with the methodological framework.

Descriptive Statistics of Respondents and Institutions

Table 1 presents the descriptive statistics of respondents and institutional characteristics. The data show that respondents predominantly occupy strategic positions in financial governance, ensuring the reliability of institutional level assessments. The variation in institutional size and administrative level allows the analysis to capture differences in regulatory implementation across public sector contexts.

Table 1. Respondent and Institutional Profile

| Variable | Category | Frequency | Percentage |
|----------------------|----------------------|------------------|-------------------|
| Position | Financial Manager | 78 | 39.0 |
| | Internal Auditor | 64 | 32.0 |
| | Senior Administrator | 58 | 29.0 |
| Administrative Level | National | 82 | 41.0 |
| | Subnational | 118 | 59.0 |
| Institutional Size | Small | 56 | 28.0 |
| | Medium | 84 | 42.0 |
| | Large | 60 | 30.0 |
| Total Respondents | | 200 | 100.0 |

Source: Primary data processed by the authors (2026)

The distribution indicates that the sample is sufficiently diverse to support statistical analysis of regulatory effects across organizational contexts, consistent with governance research standards.

The analysis is based on 200 valid responses obtained from public sector institutions operating under formal regulatory frameworks governing public financial management. As shown in Table 1, respondents predominantly occupy positions directly related to financial governance, including financial managers, internal auditors, and senior administrators. This composition supports the assumption that respondents possess sufficient institutional knowledge to evaluate regulatory implementation and governance practices, consistent with recommendations in prior public administration research (Rizqita, 2026). The institutional distribution across national and subnational levels and varying organizational sizes enables meaningful comparison of regulatory effects across diverse public sector contexts.

Descriptive Statistics of Research Variables

Table 2 reports the mean values and standard deviations of the main research variables. Government regulation exhibits relatively high mean scores, indicating strong formal regulatory presence. Financial accountability shows higher mean values compared to risk management, reflecting greater institutionalization of accountability mechanisms relative to risk governance, as suggested in prior studies (Rashid et al., 2024).

Table 2. Descriptive Statistics of Research Variables

| Variable | Mean | Standard Deviation |
|--------------------------|-------------|---------------------------|
| Government Regulation | 3.87 | 0.56 |
| Financial Accountability | 4.02 | 0.51 |
| Risk Management | 3.54 | 0.63 |

Source: Primary data processed by the authors (2026)

These descriptive results suggest that while regulatory frameworks are well established, the translation of regulation into risk management practices remains uneven across institutions.

The descriptive statistics of the main research variables provide an initial overview of the extent to which government regulation, financial accountability, and risk management are perceived to be implemented across public sector institutions. As presented in Table 2, government regulation exhibits a relatively high mean score, indicating that respondents generally perceive regulatory frameworks as clearly defined and formally enforced. This finding suggests that public sector institutions operate within structured regulatory environments characterized by established rules and compliance requirements.

Financial accountability records the highest mean among the three constructs, reflecting the strong institutionalization of accountability mechanisms such as transparent financial reporting, reliable financial information, and effective internal control systems. This result is consistent with prior literature that highlights financial accountability as a well-established governance domain supported by standardized procedures and oversight mechanisms (Bagherifam et al., 2025).

In contrast, risk management shows a comparatively lower mean and higher variability, indicating uneven implementation across institutions. This suggests that while risk management frameworks are present, their integration into organizational practices remains inconsistent. Such variation aligns with previous findings that identify risk management as a relatively less mature governance practice in the public sector, often characterized by compliance-oriented implementation rather than strategic integration (Perlman et al., 2023).

Reliability and Validity Test Results

The internal consistency of measurement instruments is assessed using Cronbach's alpha. As shown in Table 3, all constructs exceed the recommended threshold of 0.70, confirming satisfactory reliability and supporting the robustness of the measurement model.

Table 3. Reliability Analysis

| Construct | Number of Items | Cronbach's Alpha |
|--------------------------|-----------------|------------------|
| Government Regulation | 8 | 0.88 |
| Financial Accountability | 10 | 0.91 |
| Risk Management | 9 | 0.86 |

Source: Primary data processed by the authors (2026)

The validity and reliability of the measurement instruments are assessed prior to hypothesis testing to ensure the robustness of the empirical analysis. Content validity is established through expert evaluation, confirming that the measurement items appropriately represent the constructs of government regulation, financial accountability, and risk management.

Construct validity is examined using exploratory factor analysis. The results indicate that all measurement items load significantly on their respective constructs, demonstrating strong alignment between theoretical concepts and empirical indicators. The factor structure confirms that the constructs are distinct yet conceptually related, supporting the multidimensional nature of governance mechanisms as discussed in prior research.

Reliability is evaluated using Cronbach's alpha coefficients. As shown in Table 3, all constructs exceed the recommended threshold of 0.70, indicating satisfactory internal consistency. Government regulation, financial accountability, and risk management all demonstrate high reliability, suggesting that the measurement instruments produce stable and consistent results.

Regression Analysis of Government Regulation and Financial Accountability

Table 4 the regression results examining the effect of government regulation on financial accountability. Government regulation shows a positive and statistically significant effect, supporting the theoretical expectation that regulatory clarity and enforcement enhance accountability mechanisms.

Table 4. Regression Results: Government Regulation and Financial Accountability

| Variable | Coefficient (β) | t-value | p-value |
|-----------------------|-------------------------|---------|---------|
| Government Regulation | 0.62 | 9.84 | 00.001 |
| Organizational Size | 0.18 | 2.41 | 0.017 |
| Administrative Level | 0.11 | 1.96 | 0.051 |
| R ² | 0.49 | | |

Source: Primary data processed by the authors (2026)

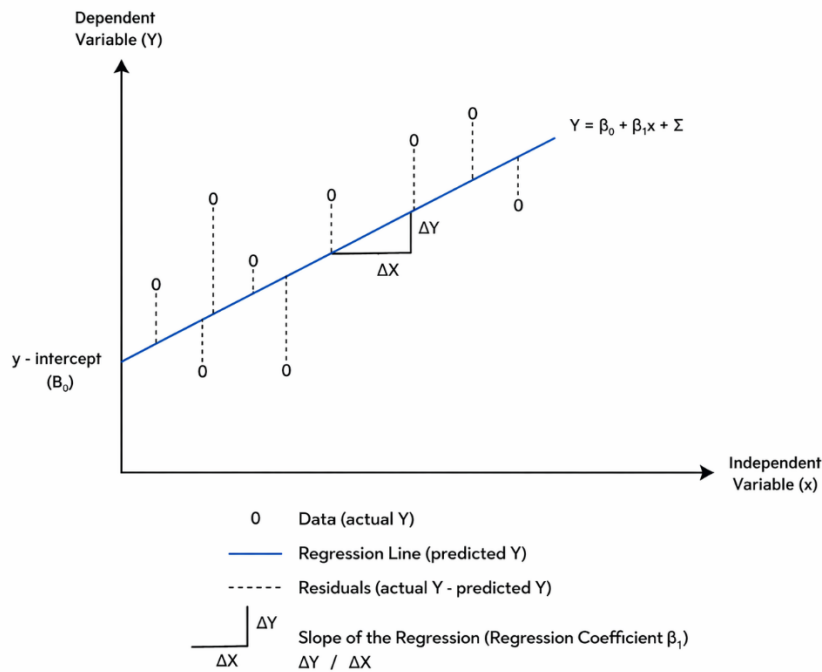


Figure 1. Simple Linear Regression Model

Source: Primary data processed by the authors (2026)

This figure illustrates the linear relationship between the independent variable (X) and the dependent variable (Y). The regression line represents the predicted values of Y based on X, while the observed data points indicate actual values. The slope (β_1) reflects the magnitude and direction of the effect, and the residuals represent the differences between observed and predicted values.

The effect of government regulation on financial accountability is examined using regression analysis, with results presented in Table 4. Government regulation demonstrates a strong and statistically significant positive effect on financial accountability. This finding indicates that higher levels of regulatory clarity and enforcement are associated with greater transparency, stronger internal controls, and improved responsiveness to audit findings. The model explains 49% of the variance in financial accountability, suggesting substantial explanatory power. These results reinforce earlier studies emphasizing the role of regulation in strengthening fiscal discipline and accountability within public sector institutions.

Regression Analysis of Government Regulation and Risk Management

Table 5 reports the regression results for the effect of government regulation on risk management. Although the effect remains positive and significant, the coefficient is lower than that observed for financial accountability, suggesting weaker regulatory penetration into risk governance practices.

Table 5. Regression Results: Government Regulation and Risk Management

| Variable | Coefficient (β) | t-value | p-value |
|-----------------------|-------------------------|---------|---------|
| Government Regulation | 0.41 | 6.27 | <0.001 |
| Organizational Size | 0.21 | 2.98 | 0.003 |
| Administrative Level | 0.09 | 1.42 | 0.157 |
| R ² | 0.34 | | |

Source: Primary data processed by the authors (2026)

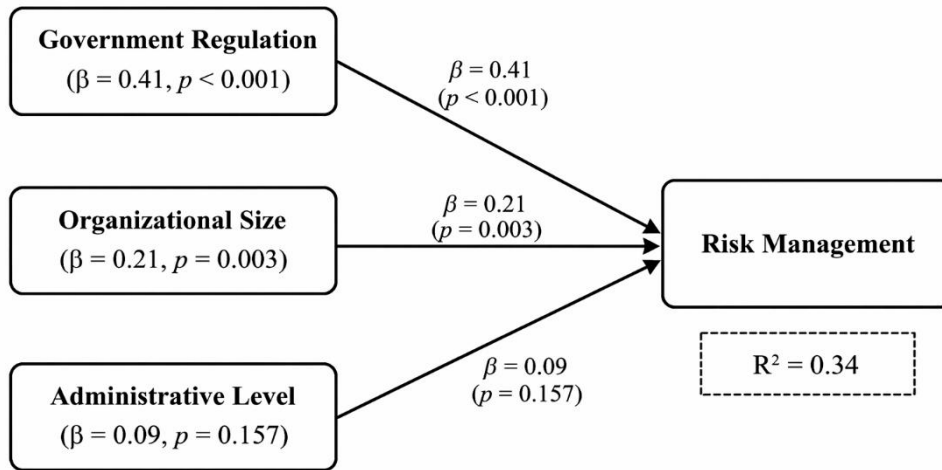


Figure 2. Regression Model of Government Regulation and Risk Management

Source: Primary data processed by the authors (2026)

Regression results examining the impact of government regulation on risk management are shown in Table 5. Government regulation has a positive and statistically significant effect on risk management practices, although the magnitude of the coefficient is lower than that observed for financial accountability. This suggests that while regulation contributes to the development of risk identification and mitigation processes, its influence is comparatively weaker in shaping strategic risk management behavior. The model explains 34% of the variance in risk management, indicating moderate explanatory power. This finding aligns with the literature that highlights the compliance-oriented nature of risk management regulation in the public sector.

Mediation Analysis of Financial Accountability

Table 6 presents the mediation analysis results, demonstrating that financial accountability partially mediates the relationship between government regulation and risk management. This finding confirms that regulation strengthens risk management indirectly through improved accountability mechanisms.

Table 6. Mediation Analysis Results

| Path | Coefficient (β) | p-value |
|---|-------------------------|---------|
| Regulation \rightarrow Accountability | 0.62 | <0.001 |
| Accountability \rightarrow Risk Management | 0.47 | <0.001 |
| Regulation \rightarrow Risk Management (direct) | 0.29 | <0.01 |

Source: Primary data processed by the authors (2026)

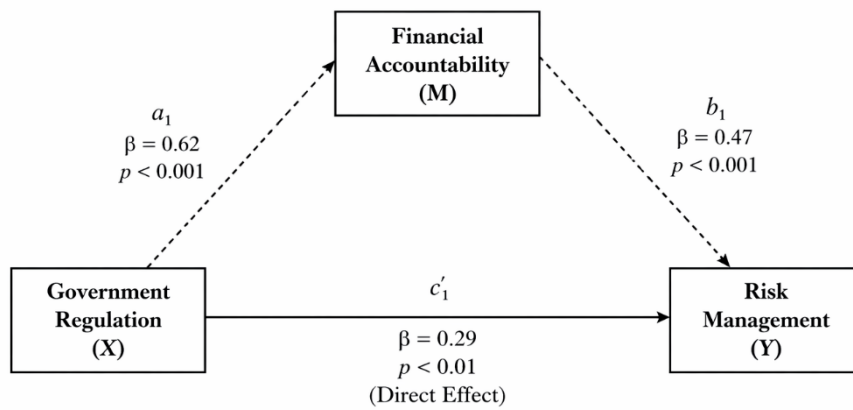


Figure 3. Mediation Model of Government Regulation, Financial Accountability, and Risk Management

Source: Primary data processed by the authors (2026)

This figure illustrates the mediation relationship between government regulation and risk management through financial accountability. Government regulation has a direct effect on risk management ($\beta = 0.29$, $p < 0.01$) and an indirect effect through financial accountability. The path from government regulation to financial accountability is positive and significant ($\beta = 0.62$, $p < 0.001$), as is the path from financial accountability to risk management ($\beta = 0.47$, $p < 0.001$). These results indicate that financial accountability partially mediates the relationship between government regulation and risk management.

Mediation analysis is performed to further analyse the interrelationship between financial accountability and risk management and the results of this analysis are shown in Table 6. The results show that the role of financial accountability mediates the relationship between government regulation and risk management. Financial accountability is greatly promoted by government regulation, which consequently increases the risk management practices. This partial mediation is confirmed by the decrease in the direct impact of regulation on risk management once financial accountability is considered. This finding backs up integrated governance views that regard accountability as one of the primary mechanisms by which regulation can bring up larger risk governance results.

The results of this study strongly support the empirical evidence that government regulation is a key determinant in the process of influencing governance practices in institutions that govern the public sector especially in the area of financial accountability and risk management. The findings reveal that government regulation has a significant and statistically significant impact on financial accountability, which implies that formal regulatory frameworks are an important institutional tool to implement transparency and enhance internal control systems. This result aligns with the general body of literature on public financial management, which stresses that regulatory clarity and enforcement are essential in curbing opportunism and improving the credibility of financial reporting (Mobara et al., 2025). The intensity of such relationship also suggests that the institutions of the public sector are very sensitive to regulatory pressures, which is a formalized accountability system in governmental environments where non-compliance is strictly controlled and non-conformance is met with administrative implications.

Nevertheless, government regulation on risk management has a relatively weaker impact and is statistically significant. This distinction underscores the unique character of risk management as a governance practice. Risk management is contrasted with financial accountability, which is assisted by conventionalized processes and reporting standards and involves proactive processes that demand

judgment, organizational learning, and cross-functional integration. Consequently, regulation can promote the formal adoption of risk management frameworks, but not necessarily facilitate their successful implementation. This definition is consistent with the findings of previous studies that suggest that risk management in the public sector continues to be more of a compliance-oriented approach instead of a strategy-based approach to managing the organization (Kumar, 2025). This argument is strengthened by the moderate explanatory power of the regression model that further implies that other variables outside the control (i.e. institutional capacity, dedication by the leadership and organizational culture) are important in defining the effectiveness of the risk management practices.

The findings also reveal that financial accountability has a powerful and large influence on risk management, which suggests accountability mechanisms are a valuable source of successful risk governance. This interdependence highlights the functional interdependence of transparency and risk management processes. Financial accountability increases the availability and plausibility of financial information, which are necessary in determining and evaluating risks. Well established accountability systems in institutions are therefore in a better position to predict the probable risks and put in place the right mitigation measures. This observation aligns with integrated governance views that highlight the interrelatedness of accountability and risk management, whereby sound information systems can facilitate more effective and proactive decision making (Karim, 2025). In this regard, financial accountability is not to be considered as the mere compliance requirement but as a strategic tool that may strengthen the organization.

The mediation analysis gives a deeper understanding by showing that financial accountability mediates the relationship between risk management and government regulation. This result implies that regulation has a direct and indirect impact on risk management via accountability mechanisms. The indirect route implies that regulatory frameworks enhance the accountability systems, which consequently enhances the risk management outcomes. This sequential relationship is a broader governance process whereby the institutional structures are determined by the formal rules and in turn the behavior of the organization is determined by the institutional structures. Simultaneously, a substantial direct effect suggests that regulation also has an effect on risk management not related to accountability, perhaps by establishing formal risk management units, or by requiring risk reporting or conducting compliance audits.

From a theoretical perspective, these findings contribute to the literature by providing empirical support for integrated governance frameworks that link regulation, accountability, and risk management as interrelated components rather than isolated domains. While previous studies have often examined these elements separately, the present study demonstrates that their interaction is critical for understanding governance effectiveness in the public sector. The partial mediation result, in particular, highlights the importance of considering both direct and indirect pathways when analyzing the impact of regulation on organizational outcomes.

From a practical standpoint, the results suggest that policymakers should not rely solely on regulatory frameworks to improve risk management practices. While regulation is effective in strengthening financial accountability, its impact on risk management appears to be more limited. Therefore, efforts to enhance risk governance should also focus on strengthening accountability systems, building institutional capacity, and fostering a culture of proactive risk management. Public sector institutions may benefit from integrating accountability and risk management processes more closely, ensuring that financial information is effectively used in strategic decision making.

CONCLUSION

This study demonstrates that government regulation plays a fundamental role in shaping governance practices in public sector institutions, particularly in strengthening financial accountability and, to a lesser extent, risk management. The findings reveal that regulation has a strong and significant effect on financial accountability, confirming its effectiveness in promoting transparency and reinforcing internal control systems, while its influence on risk management is positive but comparatively weaker, reflecting the more complex and strategic nature of risk-related practices. Importantly, financial accountability is shown to significantly enhance risk management and partially mediate the relationship between regulation and risk outcomes, indicating that accountability serves as a critical mechanism through which regulatory frameworks are translated into effective governance practices. These results highlight the need for integrated approaches that combine regulatory enforcement with the strengthening of accountability systems and organizational capacity, ensuring that risk management is not only formally adopted but also substantively implemented within public sector institutions.

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