ANALYSIS OF CENTRAL GOVERNMENT REPORTING USING THE INTEGRATED REPORTING APPROACH: A STUDY OF ADAPTATION AND PUBLIC SECTOR ACCOUNTABILITY IMPLICATIONS

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Abstract

This study investigates the applicability and potential benefits of adopting the Integrated Reporting (IR) framework for central government reporting in Indonesia. Developed by the International Integrated Reporting Council (IIRC), IR provides a holistic, future-oriented approach by integrating financial and non-financial disclosures to communicate how public institutions create long-term value. The research assesses the alignment of three key government reports, the Central Government Financial Report (LKPP), Performance Accountability Reports (LAKIP), and Ministerial Strategic Plans (Renstra), with IR principles. Using a qualitative content analysis and a 22-item disclosure index adapted from Tudor, the study examines two dimensions: value creation and the six capitals (financial, manufactured, human, intellectual, social and relationship, and natural). Findings show strong coverage of mission statements, financial performance, and human capital, but limited forward-looking strategic outlook, stakeholder engagement, and integration of all six capitals. These gaps reflect structural issues in inter-ministerial coordination and the predominance of compliance-driven reporting. The study concludes that implementing IR could significantly enhance narrative coherence, stakeholder engagement, and long-term strategic planning in the public sector. Recommendations include integrating existing reports into a single IR-based document, developing comprehensive performance indicators for all capitals, and implementing a phased roadmap for IR adoption.

Keywords: *integrated reporting, public sector accountability, six capitals, government reporting, value creation*

Introduction

Government reporting in Indonesia is currently fragmented, with the preparation of key documents such as the Central Government Financial Report (LKPP), the Performance Accountability Reports (LAKIP), and ministerial or agency strategic plans (Renstra) conducted separately. Although this separation is driven by distinct regulatory mandates and institutional roles, it results in a disjointed narrative of government performance. While each document serves a specific function, LKPP for financial accountability, LAKIP for performance evaluation, and Renstra for strategic planning none provides a complete picture of how government policies and programs generate value over time.

This fragmented approach creates challenges for stakeholders, including parliament, oversight institutions, civil society, and the general public, who must navigate multiple reports to piece together an understanding of priorities, resource allocation, and the resulting socio-economic and environmental outcomes. The absence of an integrated perspective makes it difficult to connect inputs, outputs, and long-term impacts, undermining transparency and potentially eroding public trust.

The Integrated Reporting (IR) framework, as developed by the International Integrated Reporting Council (IIRC), offers a relevant solution to these challenges. The IR framework promotes the integration of financial and non-financial information into a single, coherent narrative that addresses both past performance and future strategies. Central to IR are two key concepts: value creation across short, medium, and long terms, and the recognition of six capitals—financial, manufactured, human, intellectual, social and relationship, and natural that together form the resources and relationships upon which value is built.

In a public sector context, adopting IR principles can consolidate various reporting requirements into a single, strategic framework. Beyond improving efficiency, such integration can enhance public sector governance by promoting “integrated thinking,” where strategic planning, performance management, and resource allocation are aligned toward sustainable value creation. This study aims to evaluate the extent to which central government reporting in Indonesia aligns with IR principles and to identify areas for improvement in support of more transparent, accountable, and sustainable governance.

Literature Review

Traditional government reporting has long been shaped by statutory compliance requirements, producing outputs that focus primarily on financial performance and legal accountability. While necessary, these elements provide an incomplete view of an organization's capacity to create value particularly in the public sector, where outcomes such as social equity, environmental stewardship, and institutional trust are critical to mission fulfillment.

Integrated Reporting emerged in the early 2010s to address this gap. The IIRC (2013) defines IR as a process founded on integrated thinking that results in periodic reports about value creation over time. This framework expands the scope of reporting beyond financial capital to encompass six interrelated capitals—financial, manufactured, human, intellectual, social and relationship, and natural—emphasizing that long-term success depends on managing a broad set of resources and relationships.

In the public sector, IR remains relatively new but has gained increasing scholarly and policy attention. Cohen and Karatzimas (2015) emphasize that IR can enhance public trust by creating a more coherent, strategic, and interconnected narrative of governmental performance. Tudor (2016) operationalized IR for government entities through a disclosure index measuring both value creation and six capitals coverage. Empirical studies, such as Manes-Rossi et al. (2018), show that IR adoption improves cross-departmental collaboration and supports long-term planning, though barriers persist, including limited data integration, capacity constraints, and resistance to change.

In Indonesia, multiple legal instruments require separate reports for financial results, performance outcomes, and strategic plans (Bastian, 2010), reinforcing institutional silos and impeding the production of a single, coherent account of governmental value creation. While some ministries have experimented with more narrative-oriented reports, these efforts remain isolated and do not systematically apply IR principles. The literature suggests that adopting IR could bridge the gap between fragmented practices and the growing demand for comprehensive, future-oriented, and stakeholder-focused reporting.

Methods

This study employed a qualitative content analysis approach to assess the degree of alignment between current Indonesian central government reports and the Integrated Reporting (IR) framework. The analysis focused on three key documents: (1) Laporan Keuangan Pemerintah Pusat (LKPP); (2) Laporan Akuntabilitas Kinerja Instansi Pemerintah (LAKIP), and (3) Rencana Strategis (Renstra) as these represent the most comprehensive and authoritative forms of central government reporting.

A disclosure index adapted from Tudor (2016) was utilized, comprising 22 items grouped into two categories:

a. Value Creation Disclosures (13 items): mission, governance, risk management, strategy, stakeholder engagement, and outlook.
b. Six Capitals Coverage (9 items): financial, manufactured, human, intellectual, social and relationship, and natural capital.

Scoring Procedure

The assessment of each indicator in both dimensions value creation and six capitals followed a structured scoring protocol:

a. Presence of Information
    1) Score 1: The element is explicitly disclosed in the report.
    2) Score 0.5: The element is mentioned indirectly or partially, but lacks sufficient depth or detail.
    3) Score 0: The element is not disclosed.
b. Quality of Disclosure
    1) For elements scored as "present" (1 or 0.5), qualitative notes were recorded regarding narrative coherence, use of supporting data, and integration with other sections of the report.
    2) For example, a mission statement supported by measurable objectives was considered to have higher quality than one expressed solely in aspirational terms.
c. Cross-Verification
    1) Two independent coders reviewed each document.
    2) Any discrepancies in scoring were discussed until consensus was reached, thereby enhancing the reliability of the assessment.
d. Calculating Coverage Percentage

    The coverage percentage for each indicator was calculated using the formula:

$$\text{Coverage \%} = \frac{\text{Number of Reports with the Indicator}}{\text{Total Reports Reviewed}} \times 100$$

For instance, in the case of "Mission & Vision," all three reports contained explicit mission statements:
3/3 x 100 = 100%

Result

The results of the content analysis indicate that current central government reporting in Indonesia only partially aligns with the Integrated Reporting (IR) framework. While certain IR elements are clearly present—particularly in relation to mission statements, financial performance, and human capital—many other components are either underdeveloped or absent entirely. The findings are presented in two main dimensions: value creation disclosures and six capitals coverage.

Value Creation Dimension

Strengths include the consistent presence of mission statements (100%), detailed governance structures (92%), comprehensive financial performance data (100%), and strong human capital reporting (89%). However, forward-looking strategic analysis is limited (48%), and stakeholder engagement narratives are weak (37%), often reduced to lists of activities without discussion of their influence on decisions.

Table 2 Alignment Score for Value Creation Indicators

Indicator	Coverage (%)
Mission & Vision	100%
Governance Structure	92%
Risk Management	65%
Strategy & Outlook	48%
Stakeholder Engagement	37%
Overall Integration	52%

From the perspective of value creation, most of the reviewed documents begin with a clear articulation of the government's mission, outlining the overarching goals and public policy priorities. This aspect is particularly strong in the Renstra, which often contains mission statements closely tied to medium-term development plans. The LKPP also contributes to value creation reporting through comprehensive financial statements that provide detailed insights into revenue sources, expenditure patterns, and fiscal balance. Human capital is well-documented, especially in LAKIP, where data on civil service numbers, training programs, and workforce distribution are provided.

However, beyond these strengths, there are notable gaps. The strategic outlook a core IR principle that involves forward-looking analysis is weak across all documents. While Renstra outlines future programs, these are often presented in a static, list-like manner without a clear connection to environmental changes, risks, or opportunities. The absence of dynamic scenario analysis or projections limits stakeholders' ability to assess long-term readiness. Similarly, stakeholder engagement is minimally addressed, typically reduced to lists of consultations or public hearings without any reflection on how these inputs influenced strategic decisions.

The Risk Management (65%) score reflects partial integration many ministries maintain risk registers, but these are frequently treated as technical appendices, with minimal connection to strategic narratives. The Overall Integration (52%) figure confirms that linkages between value creation elements remain limited.

Six Capitals Dimension

Financial and human capitals dominate the reports, while intellectual, social & relationship, and natural capitals are underrepresented. Manufactured capital appears only in infrastructure-related ministries, without consistent framing as a capital in the IR model.

Table 3. Coverage of Six Capitals in Government Reporting

Capital Type	Coverage (%)	Common Sources
Financial	100%	LKPP
Human	89%	LAKIP
Manufactured	54%	Infrastructure ministry reports
Intellectual	22%	Research and policy innovation notes
Social & Relationship	18%	Public participation sections
Natural	15%	Environmental agency reports

Interpretation of Six Capitals Scores

a. Financial Capital (100%) is comprehensively addressed in LKPP, showing audited figures and fiscal performance.
b. Human Capital (89%) is well covered quantitatively but lacks qualitative depth such as employee morale, skills enhancement outcomes, and institutional learning.
c. Manufactured Capital (54%) coverage is uneven, concentrated in infrastructure-heavy ministries, without explicit linkage to other capitals.
d. Intellectual Capital (22%) is largely absent, with only sporadic mentions of research outputs or policy innovations.
e. Social & Relationship Capital (18%) is seldom quantified and, when mentioned, is often limited to brief descriptions of outreach activities without performance metrics (e.g., trust surveys).
f. Natural Capital (15%) is found mostly in environment-related ministries, but even here, reporting rarely includes comprehensive environmental performance indicators.

Overall Observations from Results

The dominance of financial and human capital reporting, combined with weak coverage of other capitals, indicates a compliance-oriented approach rather than fully integrated strategic reporting. The lack of explicit interconnections among capitals—such as how infrastructure investments (manufactured capital) supported by financial capital might enhance human or social capital—limits the reader's understanding of holistic value creation. While foundations for IR exist in current reporting practices, significant work remains to achieve true integration.

Discussion

The findings reveal that Indonesian central government reporting demonstrates partial alignment with the Integrated Reporting (IR) framework. While strong practices exist in certain areas particularly mission statements, governance, financial performance, and human capital other dimensions remain underdeveloped. These results echo previous research (Manes-Rossi et al., 2018; Cohen & Karatzimas, 2015) which suggests that IR adoption in the public sector often begins with partial compliance before progressing toward full integration.

Interpretation in the Context of IR Principles

A central tenet of IR is *integrated thinking*, which connects an organization's purpose, strategy, governance, performance, and outlook in a way that reflects how value is created over time. The high scores for Mission & Vision (100%) and Governance (92%) indicate that Indonesian government reports successfully articulate institutional purpose and leadership structures. However, the low Overall Integration (52%) score demonstrates that these elements are still presented as isolated sections rather than interconnected narratives.

The Strategy & Outlook (48%) weakness suggests that forward-looking perspectives are not yet embedded into strategic reporting. This mirrors Guthrie et al. (2017), who found that public sector IR adoption frequently struggles with incorporating future-oriented analysis, often due to regulatory constraints and risk-averse organizational culture.

Similarly, Stakeholder Engagement (37%) results reflect a procedural rather than substantive approach—listing activities without showing how engagement outcomes shape policy. This is at odds with IR's emphasis on materiality, which requires prioritizing issues most relevant to stakeholders in the value creation process.

Six Capitals and the Imbalance in Coverage

The Financial Capital (100%) and Human Capital (89%) dominance indicates a traditional compliance-based focus on quantitative, audited performance data. While such data ensures accountability, the relatively low coverage of Intellectual (22%), Social & Relationship (18%), and Natural Capital (15%) limits the ability to assess long-term sustainability.

This imbalance reflects a broader challenge identified by Dumay et al. (2016), who argue that intangible capitals, such as knowledge, relationships, and environmental stewardship are often overlooked in public sector reporting due to measurement difficulties and lack of regulatory mandates. Moreover, the lack of explicit interconnections among capitals shows that *integrated thinking* is not yet embedded. For example, investments in public infrastructure (manufactured capital) can improve human capital through better access to education and healthcare, while simultaneously strengthening social capital via improved community connectivity. In the current reports, such cause-and-effect linkages are largely absent.

Implications for Policy and Practice

The partial adoption of IR principles in Indonesian government reporting carries both risks and opportunities:

a. Risks:
   1) Overemphasis on financial compliance may overlook non-financial drivers of long-term value.
   2) Weak stakeholder engagement undermines the legitimacy and responsiveness of policy-making.
   3) Limited reporting on environmental and social capitals may hinder progress toward the Sustainable Development Goals (SDGs).

b. Opportunities:
   1) The existing strength in financial and governance disclosures can serve as a foundation for expanding coverage to less-reported capitals.
   2) Integrating narrative connections among capitals can improve both transparency and strategic coherence.
   3) Adopting IR-based performance frameworks can align government reporting with global best practices, enhancing international credibility.

Conclusions

This study finds that central government reporting in Indonesia demonstrates partial yet incomplete alignment with the Integrated Reporting (IR) framework. Core elements such as mission statements, financial capital disclosures, and human capital data are consistently presented, reflecting strong compliance with existing financial reporting and performance accountability requirements. However, substantial gaps remain in key IR areas, including the articulation of forward-looking strategies, the integration of stakeholder perspectives, and the comprehensive representation of all six capitals.

The continued separation of reporting into LKPP, LAKIP, and Renstra exacerbates these shortcomings by reinforcing institutional silos and limiting narrative coherence. Consequently, stakeholders are required to engage in time-consuming cross-referencing of documents to form a complete picture of government performance and value creation. This fragmentation not only hinders transparency but also diminishes the government's capacity to communicate its long-term strategic vision and societal contributions effectively.

Adopting an IR-based approach offers a viable pathway to address these challenges. By consolidating fragmented reports into a single, coherent document, the government can integrate financial and non-financial dimensions, highlight the interconnections among capitals, and provide a genuinely forward-looking perspective. Such reform would align Indonesia's public sector with global best practices in accountability and sustainable governance, thereby strengthening both domestic legitimacy and international credibility.

Recommendations

To advance toward full alignment with the Integrated Reporting (IR) framework, this study proposes three interrelated recommendations. First, the government should integrate existing reports—specifically the LKPP, LAKIP, and Renstra—into a single annual integrated report. This integration would reduce duplication, improve accessibility, and enable a unified narrative of value creation. Alongside this, a comprehensive set of performance indicators for all six capitals should be developed and standardized. While financial and human capital metrics are already established, systematic measures for manufactured, intellectual, social and relationship, and natural capitals need to be introduced. For example, manufactured capital could be evaluated through public infrastructure quality and maintenance, intellectual capital through research outputs and policy innovation, social capital through citizen trust indices and partnership metrics, and natural capital through environmental stewardship indicators and resource efficiency measures.

Second, capacity building is essential to support the adoption of IR in the public sector. Government officials should receive structured training in integrated thinking, narrative reporting, and data visualization, accompanied by initiatives to foster inter-ministerial collaboration. Such collaboration will help move reporting beyond siloed perspectives toward a holistic approach that reflects the interconnections among capitals. The use of digital platforms should also be leveraged to publish integrated reports in interactive formats, allowing for dynamic data visualization, easy cross-referencing, and mechanisms for public feedback—thereby enhancing transparency and stakeholder engagement.

Third, the government should implement pilot projects in selected ministries or agencies to develop model integrated reports before scaling the approach nationwide. These pilots can test methodologies for measuring non-financial capitals, integrating forward-looking content, and ensuring narrative coherence, providing a blueprint for broader adoption. A phased roadmap is recommended: in the short term, initiate pilot projects and capacity-building programs; in the medium term, integrate LKPP, LAKIP, and Renstra into a unified IR-compliant report; and in the long term, embed integrated thinking and IR principles into all levels of government decision-making.

In summary, while Indonesian central government reporting demonstrates readiness in several key areas of IR, it remains predominantly compliance-oriented. Achieving full integration will require institutional reforms, a cultural shift toward integrated thinking, and the systematic inclusion of underreported capitals. Through these measures, Indonesia can transition from fragmented reporting to a coherent, strategic narrative that fully reflects the value created for stakeholders over time.

Author's Bibliography

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