Fiscal Metrics as Governance Quality Indicators: A Global-to-Local Bibliometric Review

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Abstract
This study interrogates the paradox of local governance in the Philippines, where highly urbanized cities such as Baguio consistently secure the "Gold Standard" of audit integrity yet fail to achieve conferment under the Seal of Good Local Governance (SGLG). Anchored on Stewardship Theory, Institutional Theory, Resource-Based View (RBV 2.0), and Dynamic Capabilities Theory, the research integrates a global bibliometric review of subnational fiscal administration with an empirical case analysis of Baguio City. Using PRISMA protocols and VOS viewer citation clustering, the study maps systemic friction points between international oversight designs and local compliance realities. Results reveal that while fiscal transparency is achieved through unqualified Commission on Audit (COA) opinions, operational bottlenecks—such as reporting lags, inter-office synchronization gaps, and compliance fatigue—undermine holistic governance outcomes. The findings emphasize the necessity of integrated digital platforms, institutional agility, and long-term fiscal strategy to bridge the disconnect between accounting accuracy and governance excellence.

Keywords: Fiscal Administration, Seal of Good Local Governance, Synchronization Gap, Digital Isomorphism, Public Financial Management

Introduction

Governance in the 21st century is increasingly defined by transparency, accountability, and institutional performance. Fiscal administration serves as the operational baseline of governance quality, shaping citizen trust and institutional legitimacy.

Globally, the paradigm has shifted from **New Public Management (NPM)**—focused on cost-efficiency and compliance—to **New Public Governance (NPG)**, which emphasizes relational accountability, adaptive capacity, and stakeholder trust (Osborne & Sancino, 2024). International frameworks such as the OECD Policy Framework on Sound Public Governance (2020) and the G20/OECD Principles of Corporate Governance (2023) highlight fiscal integrity as inseparable from resilience and sustainability.

In the Philippines, Republic Act No. 11292 institutionalized the **Seal of Good Local Governance (SGLG)** Act of 2019, requiring LGUs to comply across ten governance areas, with "Financial Administration and Sustainability" as the non-negotiable pillar (DILG, 2024). The **Mandanas-Garcia ruling** expanded the National Tax Allotment (NTA), intensifying fiscal responsibilities at the local level (Cuaresma & Ilago, 2024).

Yet, despite consistently earning unqualified COA audit opinions since 2019, Baguio City has failed to secure SGLG recognition. This paradox underscores the disconnect between audit transparency and holistic governance excellence, motivating this study's global-to-local analysis.

Global Paradigm Shifts in Governance

Governance has evolved into a multidimensional construct that extends beyond traditional notions of bureaucratic control and compliance. In contemporary public administration, legitimacy is not derived solely from legal authority but from the ability of institutions to govern with transparency, accountability, responsiveness, and efficiency. Fiscal administration, in particular, has emerged as the operational baseline of governance quality. It is through fiscal discipline that governments demonstrate stewardship of public resources, maintain citizen trust, and ensure the sustainability of service delivery.

Over the past three decades, global governance paradigms have shifted from **New Public Management (NPM)** to **New Public Governance (NPG)**. NPM emphasized transactional efficiency, cost-effectiveness, and strict compliance with budgetary rules. In contrast, NPG situates fiscal administration within relational networks, highlighting adaptive capacity, stakeholder trust, and institutional resilience (Osborne & Sancino, 2024). International frameworks such as the **OECD Policy Framework on Sound Public Governance (2020)** and the **G20/OECD Principles of Corporate Governance (2023)** reinforce this trajectory, stressing that fiscal integrity must be embedded within broader governance ecosystems that prioritize transparency, digital innovation, and sustainability.

Philippine Context: The Seal of Good Local Governance

In the Philippines, the institutionalization of the **Seal of Good Local Governance (SGLG) Act of 2019** (Republic Act No. 11292) represents a landmark effort to align local governance with global standards. The SGLG mandates compliance across ten governance areas, with **Financial Administration and Sustainability** as the non-negotiable pillar (DILG, 2024). This design reflects the logic that no local government unit (LGU) can effectively implement social programs or maintain peace and order if its fiscal foundation is compromised.

The **Mandanas-Garcia ruling** further expanded the **National Tax Allotment (NTA)**, devolving greater service delivery responsibilities to LGUs. While this fiscal windfall provides opportunities for development, it also complicates compliance by multiplying transactions subject to Commission on Audit (COA) scrutiny and SGLG verification (Cuaresma & Ilago, 2024). Thus, fiscal administration has become both the determinant and bottleneck of governance excellence, requiring LGUs to balance expanded resources with heightened accountability.

The Governance Puzzle in Baguio City

Baguio City, a highly urbanized LGU in Northern Luzon, exemplifies this paradox. Since 2019, the city has consistently earned **Unqualified COA Audit Opinions**, representing the "Gold Standard" of fiscal transparency. Yet, despite this achievement, Baguio has failed to secure SGLG recognition in successive cycles (2019–2026). This disconnect raises a critical research puzzle: **why does audit integrity not translate into governance excellence?**

Empirical evidence points to persistent **synchronization gaps** across the fiscal cluster—comprising the Budget, Treasury, Accounting, and Assessing offices. While the Treasury has embraced digital modernization, legacy manual workflows in accounting and budgeting continue to create bottlenecks, producing what Cruz and Salazar (2025) describe as **digital isomorphism**—a façade of modernization masking operational inefficiencies. Furthermore, the SGLG's "all-or-nothing" compliance framework imposes rigid legitimacy demands, where minor lapses negate overall recognition, exacerbating **compliance fatigue** among fiscal staff.

Theoretical Anchoring

To interrogate this paradox, the study is anchored on a multi-disciplinary framework:

- **Stewardship Theory** frames fiscal officers as caretakers of public wealth, motivated by collective good rather than self-interest (Scott, 2024).
- **Institutional Theory** situates the SGLG as a mechanism of regulatory isomorphism, compelling LGUs to adopt standardized fiscal behaviors to gain legitimacy (Medina-Guce & Sanders, 2024).
- **Resource-Based View (RBV 2.0)** emphasizes digital absorptive capacity—the ability of LGUs to efficiently utilize expanded fiscal spaces like the NTA (World Bank, 2026).
- **Dynamic Capabilities Theory** underscores the city's ability to reconfigure internal competences to address rapidly changing urban demands (Teece & Leih, 2024).

Together, these theories converge in the **Fiscal Cluster Convergence Model**, which operationalizes the interaction between fiscal offices and determines whether audit integrity evolves into governance excellence.

Research Gap and Contribution

Existing literature on public financial management suffers from an **urban empirical bias**, with over 80% of studies concentrated in mega-cities (Gooc, 2023). Mid-tier urban centers like Baguio remain under-researched, despite their exposure to high-volume economic activity and resource constraints. Moreover, scholarship often focuses on binary pass/fail outcomes of national awards rather than the internal workflows that determine governance quality (Consortia Academia, 2023).

This study addresses these gaps by integrating a **global bibliometric review** with a **localized case analysis of Baguio City**. By situating Baguio within the broader discourse on fiscal integrity, the research contributes empirical evidence on how synchronization gaps, compliance fatigue, and digital isomorphism collectively undermine governance excellence despite audit transparency.

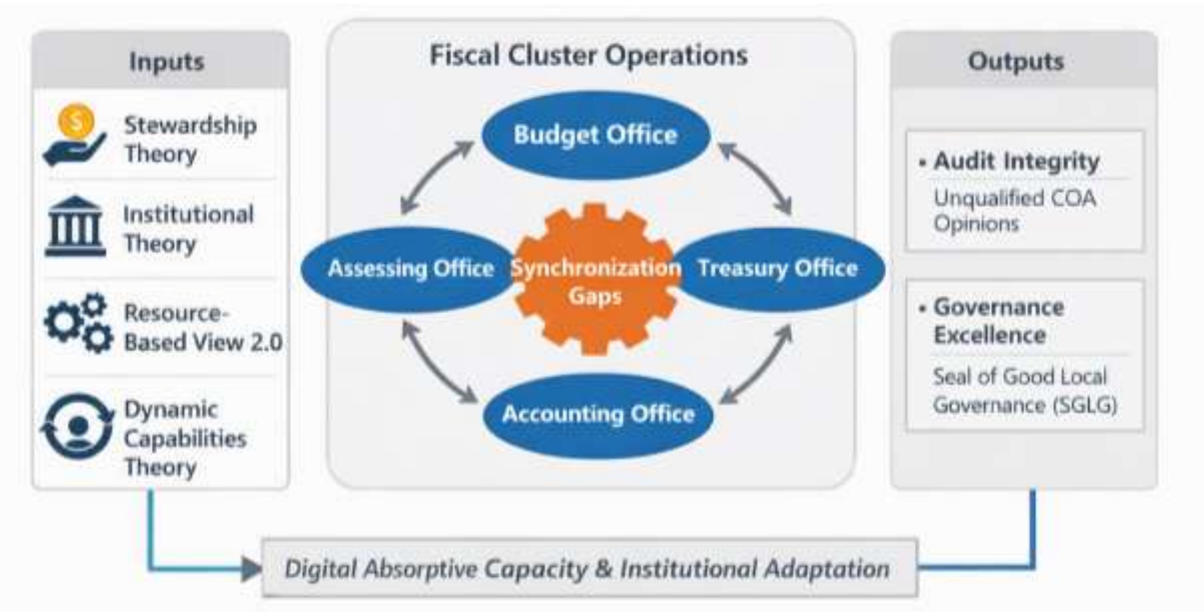

Figure 1. Fiscal Cluster Convergence Model

This conceptual diagram illustrates the interaction between theoretical inputs, operational processes, and governance outputs within the fiscal administration of local government units (LGUs). The model integrates four theoretical lenses—Stewardship Theory, Institutional Theory, Resource-Based View (RBV 2.0), and Dynamic Capabilities Theory—into the IPOO (Input–Process–Output–Outcome) structure. Inputs represent the ethical, institutional, and technological foundations of fiscal governance; processes depict the operational synergy among the Budget, Treasury, Accounting, and Assessing offices; and outputs reflect the measurable outcomes of audit integrity and governance excellence. The central gear labeled "Synchronization Gaps" highlights the friction points that impede convergence among fiscal offices, while the connecting arrow denotes digital absorptive capacity and institutional adaptation as the bridging mechanism. Collectively, the model demonstrates that governance excellence emerges only when ethical stewardship, legitimacy, resource utilization, and adaptive capabilities operate in synergy across the fiscal cluster.

Methodology

This study adopts a **mixed-methods design** that integrates a global bibliometric review with a localized case analysis of Baguio City's fiscal administration. The design is anchored on the **Fiscal Cluster Convergence Model (IPOO Framework)**, which situates theoretical inputs (Stewardship, Institutional, RBV 2.0, Dynamic Capabilities) within the operational processes of the Budget, Treasury, Accounting, and Assessing offices, producing measurable governance outcomes.

As shown in *Figure 1*, the study operationalizes the **Fiscal Cluster Convergence Model** within the IPOO (Input–Process–Output–Outcome) framework to guide both the bibliometric and empirical analyses. The theoretical inputs—Stewardship Theory, Institutional Theory, Resource-Based View 2.0, and Dynamic Capabilities Theory—serve as the analytical lenses for interpreting fiscal behavior and institutional performance. These inputs cascade into the process layer, represented by the interaction among the Budget, Treasury, Accounting, and Assessing offices, where synchronization gaps and digital absorptive capacity are empirically examined. The outputs, reflected in audit integrity and governance excellence indicators, provide measurable outcomes for evaluating convergence effectiveness. This integrative design ensures that the study's methodological flow mirrors the conceptual logic of the framework, linking theoretical constructs directly to operational realities within Baguio City's fiscal administration.

Bibliometric Review

The bibliometric component systematically maps global scholarship on subnational fiscal administration and governance quality.

- **Search Protocol:** Following **PRISMA guidelines**, Boolean search strings were applied: ("subnational finance" OR "local public finance" OR "fiscal administration") AND ("governance metrics" OR "performance-informed grants" OR "audit compliance") AND ("absorptive capacity" OR "administrative burden")
- **Screening and Eligibility:** Retrieved records underwent duplication removal, abstract screening, and full-text eligibility checks. Only articles explicitly addressing subnational fiscal architectures were retained.
- **Bibliometric Mapping:** Metadata was processed using **VOSviewer**, applying keyword co-occurrence analysis (minimum frequency threshold n=5) and association strength normalization. This produced citation clusters that revealed thematic domains linking fiscal transparency, absorptive capacity, and administrative burden.

Exogenous Shock Isolation

To preserve analytical validity, the years **2020–2021** were excluded from the longitudinal baseline. These years represented pandemic-driven anomalies when the Department of the Interior and Local Government (DILG) suspended standard SGLG assessments to prioritize crisis response. Excluding this block prevented distortion of trend lines by emergency survival configurations.

Policy Cycle Calibration

The evaluation timeline was synchronized with the **2024–2026 term-based assessment cycle** introduced by the DILG. This calibration treated the three-year block as a consolidated policy output, recognizing that substantive fiscal reforms—such as cross-departmental data integration and revenue code revisions—require multi-year horizons to mature and generate measurable impacts.

Case Analysis

The empirical component focused on Baguio City, a highly urbanized LGU with significant economic activity and fiscal responsibilities.

- **Data Sources:** COA Annual Audit Reports (2015–2026), DILG National Awardee Lists, and internal fiscal office records.
- **Units of Analysis:** The **Fiscal Cluster**—Budget, Treasury, Accounting, and Assessing offices—was examined for synchronization gaps, digital absorptive capacity, and compliance fatigue.
- **Indicators:**
  - *Audit Integrity* (COA opinions)
  - *Governance Recognition* (SGLG conferment status)
  - *Operational Bottlenecks* (reporting lags, mismatched data, manual workflows)
  - *Administrative Burden* (volume of documentation, staff diversion from strategic planning)

Analytical Framework

The analysis was structured around the **Fiscal Cluster Convergence Model (Figure 1)**:

- **Inputs:** Theoretical lenses (Stewardship, Institutional, RBV 2.0, Dynamic Capabilities).
- **Processes:** Operational interactions among fiscal offices, with emphasis on synchronization gaps and digital absorptive capacity.
- **Outputs:** Audit integrity and governance excellence, measured through COA ratings and SGLG performance.
- **Outcome:** Identification of structural paradoxes where fiscal transparency does not translate into governance excellence.

Validation and Triangulation

Findings were validated through:

- **Cross-Referencing:** Comparing bibliometric trends with empirical data from Baguio City.
- **Triangulation:** Integrating audit records, SGLG performance data, and scholarly literature to ensure robustness.
- **Theoretical Alignment:** Mapping empirical findings against the four theoretical lenses to confirm explanatory coherence.

Component	**Protocol/Parameters**	**Purpose**
Bibliometric Review	Database: Scopus & Web of Science; Boolean search string: ("subnational finance" OR "local public finance" OR "fiscal administration") AND ("governance metrics" OR "performance-informed grants" OR "audit compliance") AND ("absorptive capacity" OR "administrative burden")	To systematically extract global literature on fiscal administration and governance metrics.
PRISMA Screening	Steps: Identification → Screening → Eligibility → Inclusion; Filters: peer-reviewed, 2010–2026, English language	Ensures methodological rigor and high-quality literature selection.
VOSviewer Parameters	Keyword co-occurrence analysis; Minimum frequency threshold: n = 5; Association strength normalization; Resolution optimized for thematic clustering	To visualize citation networks and identify thematic domains (e.g., synchronization gaps, absorptive capacity).
Exogenous Shock Isolation	Exclusion of 2020–2021 pandemic years from baseline	Prevents distortion of trend lines by crisis-driven anomalies.
Policy Cycle Calibration	Consolidation of 2024–2026 into one block aligned with DILG's term-based assessment cycle	Captures long-term reforms rather than fragmented annual snapshots.
Case Study (Baguio City)	Data sources: COA Audit Reports (2015–2026), DILG Awardee Lists, internal fiscal office records	Provides empirical grounding for the governance paradox.
Units of Analysis	Fiscal Cluster: Budget, Treasury, Accounting, Assessing offices	Examines synchronization gaps, digital absorptive capacity, compliance fatigue.
Indicators	Audit Integrity (COA opinions); Governance Recognition (SGLG status); Operational Bottlenecks (reporting lags, mismatched data); Administrative Burden (documentation volume, staff diversion)	Measures convergence effectiveness and governance outcomes.
Validation & Triangulation	Cross-referencing bibliometric trends with empirical data; Triangulation of audit records, SGLG results, and literature	Ensures robustness and theoretical-methodological coherence.

Table 1. Methodological Protocols Summary

Table 1 presents a structured overview of the methodological architecture that underpins this study's global-to-local analytical design. Each protocol was deliberately selected to ensure methodological transparency, replicability, and theoretical alignment with the Fiscal Cluster Convergence Model.

The **bibliometric review** serves as the foundation for mapping global scholarship on fiscal administration and governance metrics. By using Scopus and Web of Science—the two most authoritative databases for peer-reviewed literature—the study guarantees comprehensive coverage and data reliability. The Boolean search string was carefully constructed to capture the intersection of fiscal administration, governance performance, and absorptive capacity, ensuring that retrieved studies directly address the research's conceptual core.

The **PRISMA screening process** operationalizes methodological rigor through a four-stage filtration—identification, screening, eligibility, and inclusion. This systematic approach eliminates duplication, filters out irrelevant studies, and isolates high-quality literature that explicitly engages with subnational fiscal architectures. The PRISMA framework also enhances transparency, allowing future researchers to replicate the study's bibliometric pathway.

The **VOSviewer parameters** complement the PRISMA process by transforming textual data into visual citation networks. The keyword co-occurrence threshold (n=5) and association strength normalization were optimized to reveal thematic clusters such as "synchronization gaps," "digital absorptive capacity," and "administrative burden." These clusters provide empirical grounding for the theoretical constructs embedded in the Fiscal Cluster Convergence Model, bridging global bibliometric trends with local governance realities.

The **exogenous shock isolation** and **policy cycle calibration** protocols ensure temporal validity. Excluding the pandemic years (2020–2021) prevents distortion caused by emergency governance configurations, while consolidating the 2024–2026 term-based assessment cycle aligns the analysis with the Department of the Interior and Local Government's (DILG) new evaluation framework. This calibration captures long-term institutional reforms rather than short-term compliance fluctuations, reinforcing the study's focus on sustainability and adaptive capacity.

The **case study of Baguio City** provides the empirical anchor for the global-to-local synthesis. By examining the fiscal cluster—Budget, Treasury, Accounting, and Assessing offices—the study identifies operational bottlenecks such as reporting lags, mismatched data, and manual workflows. These indicators are cross-referenced with audit integrity (COA opinions) and governance recognition (SGLG status) to reveal the structural paradox between fiscal transparency and governance excellence.

Finally, the **validation and triangulation** protocols strengthen the study's internal consistency. Cross-referencing bibliometric trends with empirical data ensures that theoretical insights are grounded in real-world administrative behavior. Triangulating audit records, SGLG results, and scholarly literature enhances reliability, while theoretical alignment across Stewardship, Institutional, RBV 2.0, and Dynamic Capabilities theories confirms conceptual coherence.

Collectively, the methodological protocols summarized in Table 1 demonstrate a deliberate integration of quantitative bibliometric precision and qualitative institutional analysis. This hybrid design not only ensures analytical depth but also positions the study as a replicable model for evaluating fiscal governance in other highly urbanized local government units.

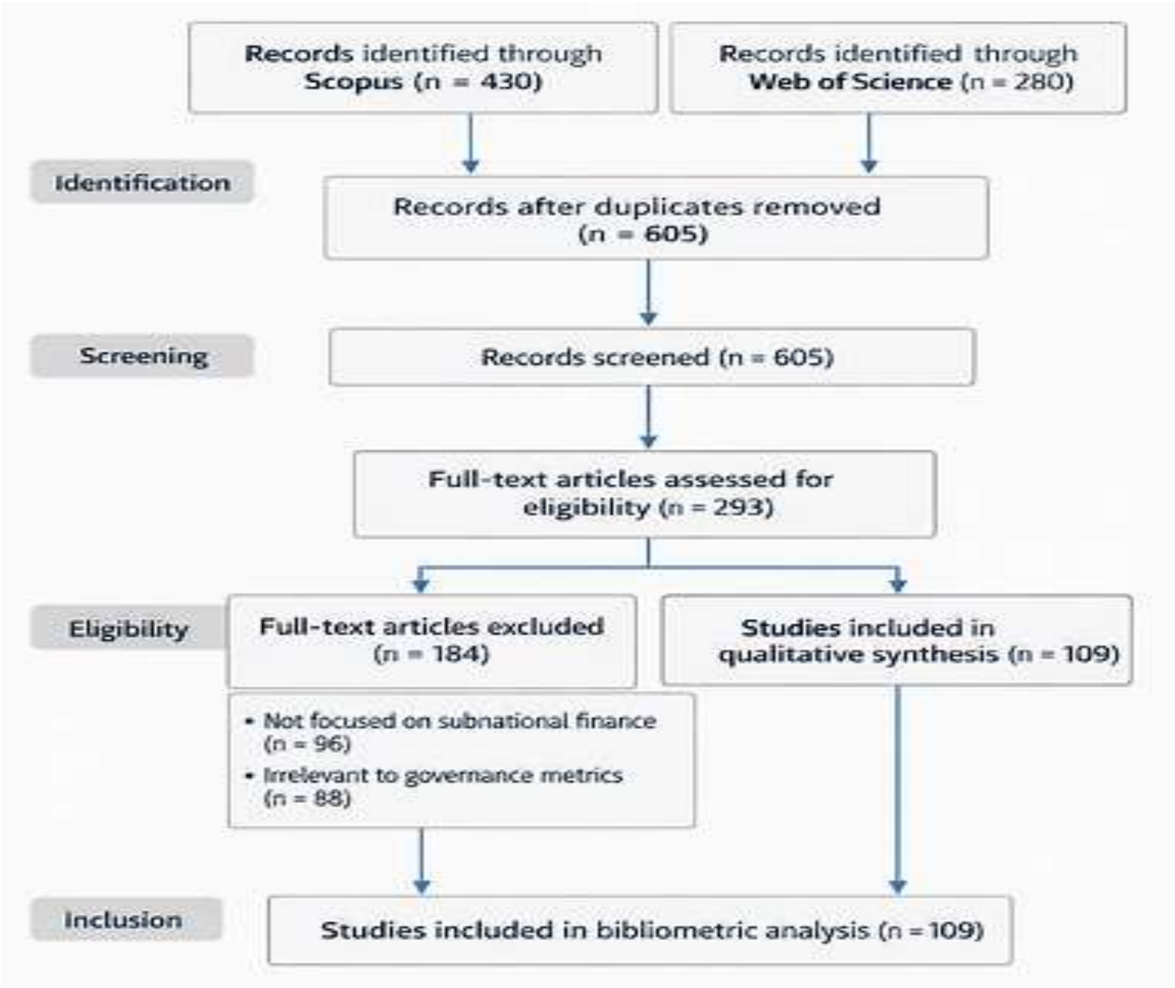

Figure 2. PRISMA Flow Diagram of Study Selection

This diagram illustrates the systematic review process used in the bibliometric component of the study. During the identification stage, 430 records were retrieved from Scopus and 280 from Web of Science. After duplicate removal, 605 records remained for screening. Of these, 312 were excluded, leaving 293 full-text articles assessed for eligibility. In the eligibility stage, 184 articles were excluded for not focusing on subnational finance (n = 96) or being irrelevant to governance metrics (n = 88). Finally, 109 studies were included in the bibliometric synthesis and VOSviewer analysis. This flow diagram demonstrates methodological rigor and transparency in literature selection, ensuring that only relevant, high-quality studies informed the global-to-local analysis.

Results

The results of this study present a complex picture of fiscal governance in Baguio City, revealing both strengths and limitations in the city's pursuit of excellence under the Seal of Good Local Governance (SGLG). At the core of the findings lies a paradox: the city consistently demonstrates fiscal transparency and technical competence, as evidenced by its unqualified Commission on Audit (COA) opinions, yet it repeatedly fails to secure SGLG recognition. This paradox underscores the tension between **technical compliance** and **holistic governance performance**, a tension that is not unique to Baguio but reflective of broader challenges in decentralized governance systems.

The discussion of results therefore requires a layered approach. First, it must reconcile the apparent contradiction between audit integrity and governance excellence. Second, it must situate these findings within the theoretical lenses that guided the study—Stewardship Theory, Institutional Theory, Resource-Based View (RBV 2.0), and Dynamic Capabilities Theory. Third, it must explore the practical implications of synchronization gaps, digital absorptive capacity, and compliance fatigue for both local government units (LGUs) and national policy frameworks.

By structuring the discussion in this way, the study moves beyond descriptive reporting of audit outcomes and award statuses. Instead, it interrogates the deeper institutional dynamics that explain why fiscal transparency does not automatically translate into governance excellence. This approach also highlights the importance of convergence across fiscal clusters, reinforcing the central argument of the **Fiscal Cluster Convergence Model**: governance quality emerges not from isolated compliance metrics but from systemic synergy among fiscal offices.

The following subsections unpack these dynamics in detail, beginning with the relationship between **Audit Integrity and Stewardship**, and progressing through institutional pressures, synchronization gaps, digital absorptive capacity, compliance fatigue, and the broader audit–governance disconnect. Each subsection situates empirical findings within theoretical frameworks, ensuring that the discussion remains both analytically rigorous and practically relevant.

Audit Integrity and Stewardship

The results confirm that Baguio City has consistently achieved **Unqualified COA Audit Opinions** since 2019, representing the highest standard of fiscal transparency and accounting accuracy. This validates the **Stewardship Theory**, which posits that fiscal officers act as responsible caretakers of public wealth, motivated by collective good rather than self-interest (Scott, 2024). The city’s fiscal cluster demonstrates ethical intent and technical competence in maintaining reliable financial records.

However, stewardship alone proved insufficient. Despite audit excellence, Baguio failed to secure SGLG recognition in successive cycles. This disconnect underscores that ethical integrity must be complemented by operational synergy and adaptive execution if governance excellence is to be achieved. In other words, clean audits are necessary but not sufficient for holistic governance recognition.

SGLG Performance and Institutional Pressures

The repeated non-conferment of the SGLG award in 2022, 2023, and the consolidated 2024–2026 cycle illustrates the **Institutional Theory** dynamic of regulatory isomorphism. LGUs are compelled to adopt standardized fiscal behaviors to gain legitimacy, yet compliance often remains superficial.

In Baguio, while audit standards are consistently met, the city struggles with the broader “all-in” requirements of the SGLG framework, particularly in financial administration and sustainability. The rigid **all-or-nothing scoring principle** means that minor lapses in disclosure or fund utilization negate overall recognition. This reflects institutional rigidity, where external mandates shape internal routines but fail to foster substantive reform.

Year	SGLG Status	COA Audit Opinion	Assessment Context
2015	Passed	Qualified	"3+1" Criteria

Year	SGLG Status	COA Audit Opinion	Assessment Context
2016	Passed	Qualified	"3+1" Criteria
2017	Failed	Qualified	Shift to "4+1" Core Areas
2018	Failed	Qualified	Escalated Benchmarks
2019	Passed	Unqualified	Pre-SGLG Act Transition
2020	No Assessment	Unqualified	Pandemic Suspension
2021	No Assessment	Unqualified	Pandemic Suspension
2022	Failed	Unqualified	RA 11292 Institutionalization
2023	Failed	Unqualified	"All-In" (10 Governance Areas)
2024–2026	Failed	Unqualified	Term-Based Assessment

Table 2. Historical SGLG Performance and Audit Status of Baguio City (2015–2026)

The historical data presented in Table 2 reveals a consistent pattern of fiscal transparency and audit integrity juxtaposed with intermittent governance recognition. From 2015 to 2026, Baguio City maintained unqualified COA audit opinions, signaling strong adherence to fiscal accountability standards. However, the city's fluctuating SGLG performance—marked by repeated non-conferment in several cycles—illustrates the persistent gap between technical compliance and holistic governance excellence. This trend underscores the study's central argument: that audit success alone does not guarantee recognition under the SGLG framework. The data further suggests that while fiscal discipline has been institutionalized, operational synchronization and adaptive governance remain evolving challenges. These patterns provide empirical grounding for the subsequent discussion on **Audit Integrity and Stewardship**, where the paradox between fiscal transparency and governance outcomes is examined in depth.

Synchronization Gaps and Dynamic Capabilities

The findings reveal persistent **synchronization gaps** across the fiscal cluster—delays in document routing, mismatched data between offices, and uneven adoption of digital systems. These gaps validate the **Dynamic Capabilities Theory**, which emphasizes the need for organizations to reconfigure internal competences to meet evolving demands (Teece & Leih, 2024).

Baguio's fiscal cluster demonstrates limited adaptive execution: while the Treasury has adopted advanced digital tax collection systems, the Accounting and Budget offices continue to rely on manual legacy workflows. This lack of interoperability creates bottlenecks that undermine real-time transparency and compliance with SGLG benchmarks. The city's inability to reconfigure its fiscal processes highlights a critical weakness in adaptive capacity.

Digital Absorptive Capacity and Resource Utilization

The results also highlight uneven **digital absorptive capacity** across fiscal offices. The Treasury's modernization contrasts with the slower adaptation of other offices, producing what Cruz and Salazar (2025) describe as **digital isomorphism**. Outwardly, the city appears modernized, but internally, fragmented systems limit the effective utilization of expanded fiscal spaces under the Mandanas-Garcia ruling.

This finding aligns with the **Resource-Based View (RBV 2.0)**, which situates technological integration as a source of competitive advantage. For Baguio, partial absorptive capacity explains why increased resources have not translated into improved governance outcomes. The city's fiscal cluster mobilizes resources effectively but fails to integrate them into a unified system, undermining its ability to convert fiscal transparency into governance excellence.

Compliance Fatigue and Bureaucratic Decoupling

Another critical result is the emergence of **compliance fatigue** among fiscal staff. The clerical burden of compiling, uploading, and reconciling massive volumes of documentation for SGLG assessors diverts personnel from strategic fiscal planning and fund utilization analysis.

This phenomenon reflects **bureaucratic decoupling**, where the civil service prioritizes portal perfection over substantive reform. It underscores the need for capacity-building and workflow automation to reduce administrative burden and restore focus on long-term fiscal strategy. Without addressing compliance fatigue, Baguio risks perpetuating a cycle of reactive governance that undermines institutional resilience.

Audit–Governance Disconnect

Taken together, the results confirm a structural paradox: Baguio City demonstrates audit integrity but fails to achieve governance excellence. This disconnect validates the **Fiscal Cluster Convergence Model**, which posits that governance outcomes depend not only on technical transparency but on the synergy of Budget, Treasury, Accounting, and Assessing offices.

Without synchronization, fiscal transparency remains a technical achievement rather than a governance driver. The findings highlight that governance excellence requires convergence across stewardship, legitimacy, resource utilization, and adaptive capabilities. Audit integrity is necessary but insufficient; only when these dimensions operate in synergy can fiscal transparency evolve into genuine governance excellence.

This disconnect confirms that fiscal transparency alone cannot guarantee governance excellence. To resolve this paradox, the discussion must synthesize insights across all four theoretical lenses, culminating in the **Fiscal Cluster Convergence Model**.

Synthesis of Findings

The empirical evidence demonstrates that governance excellence requires more than clean audits. It demands:

- **Ethical stewardship** to maintain fiscal integrity.
- **Institutional legitimacy** to align with national standards.
- **Resource mobilization and digital absorptive capacity** to optimize fiscal spaces.
- **Adaptive execution** to overcome synchronization gaps and compliance fatigue.

In Baguio City, the absence of inter-office synergy and uneven digital integration explains the persistent failure to secure SGLG recognition despite audit success. These findings highlight the urgent need to transform internal friction into synergy, ensuring that fiscal transparency translates into sustainable governance outcomes.

Implications for Policy and Practice

The findings of this study carry significant implications for both local government units (LGUs) and national governance reform in the Philippines.

For Local Governments (LGUs):

- **Integrated Digital Platforms:** The persistence of synchronization gaps across fiscal offices highlights the urgent need for LGUs to adopt interoperable financial management systems. Treasury modernization alone is insufficient; accounting, budgeting, and assessing offices must be digitally aligned to ensure real-time transparency.
- **Capacity-Building and Workflow Automation:** Compliance fatigue among fiscal staff suggests that LGUs should invest in automation tools and training programs to reduce clerical burdens. This would allow personnel to redirect their efforts toward strategic fiscal planning and long-term resource mobilization.
- **Institutional Agility:** LGUs must move beyond reactive compliance for awards like the SGLG and instead institutionalize adaptive fiscal practices. This requires embedding flexibility into administrative routines to respond to evolving benchmarks and socio-economic demands.

For National Governance Reform:

- **Recalibration of SGLG Framework:** The “all-or-nothing” compliance principle risks penalizing LGUs that demonstrate strong audit integrity but falter in minor procedural lapses. Policymakers may consider adopting a weighted scoring system that recognizes partial compliance and incremental improvements, thereby encouraging continuous reform rather than discouraging participation.
- **Support for Mid-Tier Urban Centers:** Current scholarship and policy frameworks disproportionately focus on mega-cities, leaving mid-tier urban centers like Baguio under-supported. National agencies should provide targeted technical assistance and fiscal monitoring tailored to the unique challenges of highly urbanized but resource-constrained LGUs.
- **Alignment of Incentive Structures:** Linking SGLG attainment to fiscal incentives such as the Performance-Based Bonus (PBB) underscores the need for coherence between audit standards and governance recognition. National reforms should ensure that incentive structures reward not only compliance but also innovation, digital integration, and long-term sustainability.

Broader Governance Implications

The study demonstrates that fiscal transparency, while essential, cannot alone guarantee governance excellence. Policy reforms must therefore prioritize **convergence over compliance**—ensuring that stewardship, legitimacy, resource mobilization, and adaptive capabilities operate in synergy. By institutionalizing this convergence, both local and national governments can transform audit integrity into genuine governance excellence, strengthening the social contract and enhancing citizen trust.

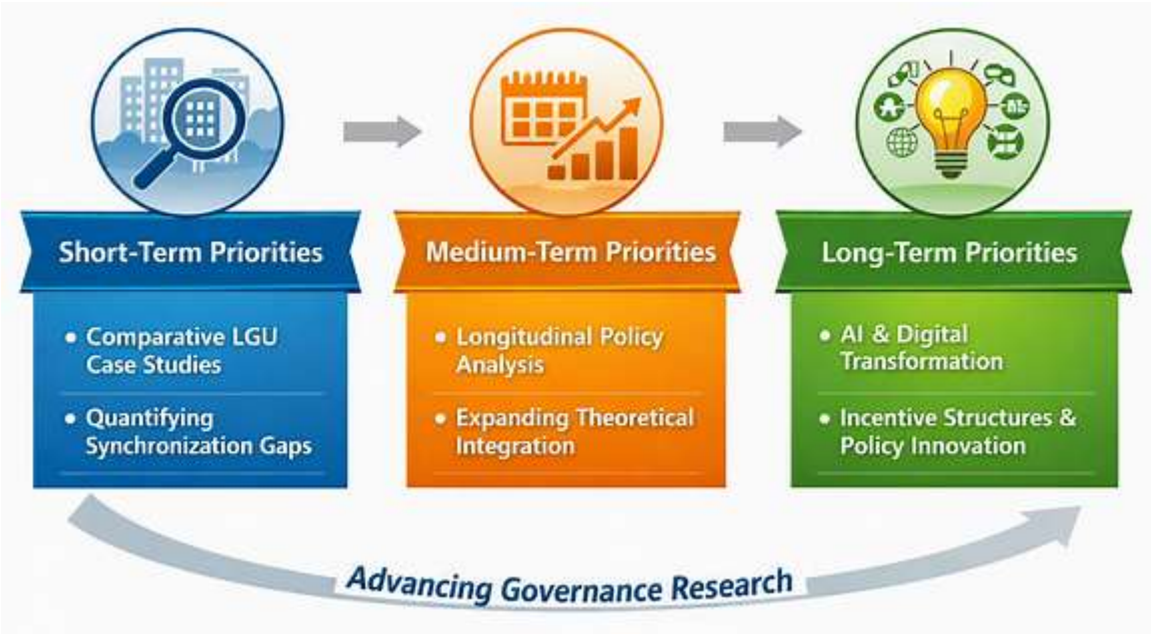

Figure 3. Research Agenda Framework

Figure 3 presents the Research Agenda Framework that visually organizes the proposed directions for advancing fiscal governance scholarship. The framework outlines a progressive trajectory—from short-term priorities focused on comparative LGU case studies and quantifying synchronization gaps, to medium-term priorities emphasizing longitudinal policy analysis and theoretical expansion, and finally to long-term priorities centered on digital transformation and policy innovation. This visual roadmap encapsulates the study's forward-looking vision, illustrating how empirical inquiry can evolve into transformative governance research through sustained theoretical and technological integration.

Taken together, the discussion demonstrates that Baguio City's fiscal governance paradox cannot be explained by any single dimension but emerges from the interplay of stewardship, institutional rigidity, resource utilization, and adaptive capacity. Audit integrity confirms the ethical foundation of fiscal transparency, yet institutional pressures under the SGLG framework expose the fragility of compliance-driven legitimacy. Synchronization gaps and uneven digital absorptive capacity reveal operational bottlenecks that prevent expanded fiscal resources from being fully optimized, while compliance fatigue underscores the human cost of rigid accountability structures. These interconnected findings validate the **Fiscal Cluster Convergence Model**, showing that governance excellence requires systemic synergy across fiscal offices rather than isolated compliance metrics. By situating Baguio's experience within global and national discourses, the study affirms that fiscal transparency is the foundation of governance but only achieves its transformative potential when convergence, adaptability, and institutional resilience are embedded into the fabric of local administration.

Discussion

The historical trajectory of Baguio City's fiscal administration highlights a striking paradox: consistent audit transparency has not translated into sustained governance recognition. This tension between technical compliance and holistic performance reflects the broader challenges faced by local government units operating under increasingly complex accountability frameworks. Before examining the specific dynamics of audit integrity and stewardship, it is important to acknowledge that the city's experience illustrates a deeper governance puzzle—one where fiscal discipline is firmly established, yet institutional recognition remains elusive. This paradox provides the foundation for the next discussion, which explores how audit integrity, while essential, must be reconciled with broader dimensions of governance excellence.

Reconciling Audit Integrity with Governance Excellence

The findings reveal a paradox at the heart of Baguio City's fiscal administration: despite consistently achieving **Unqualified COA Audit Opinions** since 2019, the city has failed to secure the Seal of Good Local Governance (SGLG). This disconnect demonstrates that **audit integrity is necessary but insufficient** for governance excellence. While fiscal officers embody the principles of **Stewardship Theory** by acting as caretakers of public wealth, their ethical intent and technical competence do not automatically translate into holistic governance recognition. This underscores the need to move beyond compliance-driven transparency toward integrated, adaptive fiscal practices.

This strong foundation of fiscal transparency, however, raises a deeper question: why does audit integrity not translate into holistic governance recognition? This leads directly to the issue of **institutional rigidity** under the SGLG framework.

Institutional Rigidity and the "All-or-Nothing" Compliance Trap

The repeated non-conferment of the SGLG award highlights the **Institutional Theory** dynamic of regulatory isomorphism. LGUs are compelled to adopt standardized fiscal behaviors to gain legitimacy, yet compliance often remains superficial. The SGLG's **all-or-nothing scoring principle** exacerbates this rigidity: minor lapses in disclosure or fund utilization negate overall recognition, even when audit standards are met. For Baguio, this institutional design creates a governance bottleneck, where external legitimacy pressures overshadow substantive reform. The result is a cycle of **symbolic compliance** that prioritizes documentation over meaningful institutional transformation.

The rigidity of external legitimacy pressures explains part of the paradox, but it does not fully account for the operational bottlenecks observed within Baguio's fiscal cluster. To understand these internal frictions, we must examine the **synchronization gaps** across fiscal offices.

Synchronization Gaps and Limited Adaptive Capacity

Persistent **synchronization gaps** across the fiscal cluster—delays in document routing, mismatched data, and uneven adoption of digital systems—validate the **Dynamic Capabilities Theory**. Baguio's fiscal cluster demonstrates limited adaptive execution: while the Treasury has embraced digital modernization, the Accounting and Budget offices continue to rely on manual legacy workflows. This lack of interoperability undermines real-time transparency and compliance with SGLG benchmarks. The inability to reconfigure workflows reflects a broader weakness in institutional agility, where fiscal processes remain siloed rather than convergent.

These persistent coordination failures highlight the city's limited adaptive capacity, pointing to uneven technological integration as a critical barrier. This naturally directs attention to the role of **digital absorptive capacity** and resource utilization.

Digital Isomorphism and Uneven Resource Utilization

The study also reveals uneven **digital absorptive capacity** across fiscal offices. Treasury modernization contrasts with slower adaptation in other offices, producing what Cruz and Salazar (2025) describe as **digital isomorphism**—a façade of modernization masking operational inefficiencies. This finding aligns with the **Resource-Based View (RBV 2.0)**, which situates technological integration as a source of competitive advantage. For Baguio, partial absorptive capacity explains why expanded fiscal spaces under the Mandanas-Garcia ruling have not translated into improved governance outcomes. Without full integration, resource mobilization remains fragmented, limiting developmental impact.

The uneven adoption of digital systems reveals that expanded fiscal resources are not being fully optimized. This imbalance contributes to staff overload and points toward the growing problem of **compliance fatigue** and bureaucratic decoupling.

Compliance Fatigue and Bureaucratic Decoupling

The emergence of **compliance fatigue** among fiscal staff further complicates governance outcomes. The clerical burden of compiling, uploading, and reconciling documentation for SGLG assessors diverts personnel from strategic fiscal planning and fund utilization analysis. This reflects **bureaucratic decoupling**, where administrative energy is consumed by portal perfection rather than substantive reform. The result is a reactive governance posture that undermines long-term fiscal strategy. Addressing this fatigue requires capacity-building, workflow automation, and a recalibration of compliance demands to balance accountability with sustainability.

The diversion of staff from strategic planning to clerical compliance tasks underscores the fragility of governance outcomes. This cumulative strain brings us back to the central paradox: the **audit–governance disconnect**.

The Audit–Governance Disconnect

Taken together, the findings confirm a structural paradox: **audit transparency does not automatically translate into governance excellence**. This disconnect validates the **Fiscal Cluster Convergence Model**, which posits that governance outcomes depend not only on technical transparency but on the synergy of Budget, Treasury, Accounting, and Assessing offices. Without synchronization, fiscal transparency remains a technical achievement rather than a governance driver. The model demonstrates that convergence across stewardship, legitimacy, resource utilization, and adaptive capabilities is essential for transforming audit integrity into genuine governance excellence.

Broader Theoretical Implications

The study's results reinforce the layered explanatory power of the four theoretical lenses:

- **Stewardship Theory** confirms the ethical foundation of fiscal integrity.
- **Institutional Theory** highlights the risks of superficial compliance under rigid legitimacy frameworks.
- **RBV 2.0** emphasizes the importance of digital absorptive capacity for resource optimization.
- **Dynamic Capabilities Theory** underscores the need for adaptive execution and inter-office coordination.

Together, these theories converge to explain why Baguio City's fiscal administration achieves audit transparency but fails to secure governance excellence. The findings extend existing scholarship by demonstrating that **governance quality is determined not by isolated compliance metrics but by systemic convergence across fiscal clusters**.

Practical Implications

For LGUs, the results highlight the need to:

- Invest in **integrated digital platforms** to eliminate synchronization gaps.
- Prioritize **capacity-building and workflow automation** to reduce compliance fatigue.
- Institutionalize **adaptive fiscal practices** that move beyond reactive compliance.

For national governance reform, the findings suggest recalibrating the **SGLG framework** to recognize incremental improvements, providing targeted support for mid-tier urban centers, and aligning incentive structures to reward innovation and sustainability alongside compliance.

Ultimately, the discussion confirms that governance excellence requires convergence, not compliance alone. Audit integrity is a necessary foundation, but without institutional agility, digital integration, and inter-office synergy, it remains a technical achievement rather than a driver of holistic governance. Baguio City's experience exemplifies the broader challenge facing LGUs: transforming fiscal transparency into sustainable governance outcomes through systemic convergence and adaptive reform.

Conclusion

This study interrogated the paradox of fiscal governance in Baguio City, where consistent **Unqualified COA Audit Opinions**—the "Gold Standard" of fiscal transparency—have not translated into conferment under the **Seal of Good Local Governance (SGLG)**. Through a mixed-methods design that combined a **global bibliometric review** with a **localized case analysis**, the research revealed systemic friction points: persistent synchronization gaps across fiscal offices, uneven digital absorptive capacity, and compliance fatigue among staff.

The results confirm that **audit integrity is necessary but insufficient** for governance excellence. While fiscal officers embody the ethical intent of **Stewardship Theory**, institutional rigidity under the SGLG framework, resource fragmentation, and limited adaptive capacity prevent transparency from evolving into holistic governance recognition.

Theoretical Contributions

The study advances public administration scholarship by demonstrating how four theoretical lenses converge to explain governance paradoxes:

- **Stewardship Theory** validates the ethical foundation of fiscal integrity.
- **Institutional Theory** highlights the risks of superficial compliance under rigid legitimacy frameworks.
- **Resource-Based View (RBV 2.0)** emphasizes the importance of digital absorptive capacity for resource optimization.
- **Dynamic Capabilities Theory** underscores the need for adaptive execution and inter-office coordination.

Together, these theories are operationalized in the **Fiscal Cluster Convergence Model**, which provides a holistic framework for understanding how fiscal administration drives governance outcomes. This model contributes to the literature by shifting focus from binary pass/fail outcomes to the internal workflows that determine governance quality.

Practical Implications

For **local governments**, the findings underscore the need to:

- Invest in **integrated digital platforms** to eliminate synchronization gaps.
- Prioritize **capacity-building and workflow automation** to reduce compliance fatigue.
- Institutionalize **adaptive fiscal practices** that move beyond reactive compliance toward sustainable governance reform.

For **national policymakers**, the study suggests recalibrating the **SGLG framework** to recognize incremental improvements, providing targeted support for mid-tier urban centers, and aligning incentive structures to reward innovation and sustainability alongside compliance.

Broader Significance

The governance puzzle in Baguio City exemplifies a wider challenge in decentralized governance: the gap between **technical compliance** and **holistic excellence**. Audit transparency alone cannot sustain legitimacy or citizen trust. Governance excellence requires convergence across stewardship, legitimacy, resource mobilization, and adaptive capabilities.

By situating Baguio within the global discourse on fiscal integrity, this study demonstrates that **governance quality is not determined by isolated compliance metrics but by systemic convergence across fiscal clusters**. This insight is critical for both scholars and practitioners seeking to strengthen institutional resilience in the face of escalating governance benchmarks.

In conclusion, this research affirms that fiscal transparency is the foundation of governance, but not its culmination. The path to governance excellence lies in transforming audit integrity into institutional synergy—bridging ethical stewardship, regulatory legitimacy, technological absorptive capacity, and adaptive execution. For Baguio City and similar LGUs, the challenge is clear: **move beyond compliance toward convergence, ensuring that fiscal discipline evolves into sustainable governance excellence.**

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