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Disclosure of Local Government Financial Reports in Indonesia and Public Accountability

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ABSTRACT: *Understanding accountability in the perspective of agency theory, the requirement for mandatory disclosure is a form of government supervision and accountability to the public for government activities in managing finances. This study aims to determine the effect of disclosure (X) of adequate disclosure criteria according to Government Accounting Standards on the public accountability variable (y) which is measured using the opinion of the Audit Board of the Republic of Indonesia (BPK). The sample selection criteria were based on the ranking and performance status of local government administration nationally in 2017-2019, obtained 450 observations from 150 District Governments. Eviews 9 software is used to process data in the form of descriptive analysis and panel data regression. The results of descriptive statistics show that the average level of adequacy of local government financial statement disclosure is in the percentage of 81.3%, while the level of public accountability is dominated by the Unqualified Opinion assessment of 93.5%. While the results of the regression analysis presented that the disclosure variable (Y) had a significant effect on Public Accountability (Z). The implication of the research is that the level of mandatory disclosure of local government financial reports in Indonesia is not perfect according to the standards set, this finding can be used as an evaluation for government agencies and BPK so that rewards and punishments for enforcing laws and regulations are not just a formality in pursuing opinions.*

KEY WORD*: Financial Statement, Disclosure, Local Government, Accountability*

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I. INTRODUCTION

The presence of public sector reforms that gave birth to regional autonomy gave local governments the authority, which consists of provincial level 1 local governments, city and district level II governments to manage their own government affairs but still based on the principles of autonomy and state assistance tasks (Constitution of the Republic of Indonesia). It is always the stakeholder who occupies the position of agent, the local government is obliged to realize the implementation of the regional government that is fully responsible horizontally to the main stakeholder, namely the community or the principal.

After the enactment of Law No. 1 of 2004 concerning the State Treasury, post-reform developments in government financial management increased dramatically. This is also confirmed by Mardiasmo (2009) that the government has obligations and demands from the community to compile an external financial report. The forms include formal financial reports and reports on performance made using financial and non-financial parameters.

For local governments, there are additional specifications for the preparation of Financial Reports, this specialization requires the preparation, presentation, and reporting of Local Government Accountability Reports (LPPD) to the central government in accordance with government regulations PP No. 3 of 2007, so that overall local governments are required to prepare LPPD, LAKIP, and Local Government Financial Reports which contains disclosure activities on financial statements in the Notes to Financial Statements (CaLK).

Benchmarks and standards are absolutely necessary, not only as guidelines and guidelines for preparation but also uniformity in the method of presenting information in order to obtain valid financial statements. Responding to this need, the Government Financial Report must refer to Law Number 17 of 2003 concerning State Finance which mandates that the APBN/APBD accountability report is presented following the basis of Government Accounting Standards (SAP). This obligation is also strengthened by the establishment of Government Accounting Standards (SAP) in accordance with governmenr regulations PP No. 71 of 2010.

The order mandated through the law on new reporting standards that replaces PP No. 24 of 2005 with the main difference in the aspect of implementing cash-based accounting towards accruals has become the driving force for the increasing needs and demands for accountability of public sector institutions, including local government institutions. The existence of an increasingly strong demand for accountability from the community is also a solution to reduce information asymmetry between the trust holder and the trustee, where the community has the right and authority to hold public accountability and accountability for the government's performance.

The mechanism for transparency and accountability of financial reports also extends to demands not to cover up accounting information that is used as the basis for decision making for external parties with an interest in government financial reports. The disclosure attachment becomes an important component of a Local Government Financial Reports after being examined by the BPK. The form of disclosure in the financial report based on its nature is divided into two, namely, mandatory disclosure which requires disclosure of information according to the regulations and standards previously set by the Government Accounting Standars (SAP), while the second form of disclosure is voluntary disclosure which is voluntary without any demands and definite guidelines to measure adequacy of the information presented.

In fact, although it is required according to Government Accounting Standards, the level of compliance with the disclosure of Local GovernmenT Financial Reports in Indonesia has not been fully met. The level of compliance with mandatory disclosure to laws and regulations is still moderate. This statement received support from the results of previous research conducted by Suhardjanto et al. (2010) explained that the level of mandatory disclosure has an average of 52.57%, while Martani & Liestiani (2012) is 35.45%, Khasanah & Rahardjo (2014) is 59.99%, and the results of Arifin's research (2014) which show an average the average disclosure is 69.6%. It can be concluded that the level of mandatory disclosure has developed towards the intermediate category from the previous year even though it comes from different researchers.

Supervision of government activities in order to prevent agency problems also continues on auditing. After the presentation and reporting process, the government financial report enters the auditing stage which is carried out by the Indonesia Audit Board (Badan Pemeriksa Keuangan) in line with the instructions of Law Number 15 of 2004 concerning the Audit of State Finance Management and Responsibility. Furthermore, opinions that interpret the transparency and accountability of financial reports are generated through an independent audit process. The results of the audit by the BPK, including the opinion on the fairness of the Local Government Financial Reports, are prepared and presented in the form of an audit report (LHP).

Referring to several research gaps and phenomenon gaps that have been described above, this study aims to examine the effect of the mandatory disclosure of local government financial reports on public accountability.

II. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

Agency Theory

With the aim of evaluating the work of agents against the principal and increasing the expertise of stakeholders when faced with conditions to make good decisions, agency theory explains the concept of cooperation between two parties, where one party acts as an agent who acts on the interests of the other party as the principal (Jensen & Meckling, 1976).

The principal here is the giver of authority to the agent to manage activities related to decision making. If it is associated with government organizations, the people are the principal parties who give the mandate to the government as an agent to carry out their duties and obligations in accordance with the provisions of the mandate of the opening of the 1945 Constitution.

As a party that has more information about the resources being managed, it is very possible for the government to carry out policies according to their wishes by ignoring the interests and welfare of the people. The emergence of agency problems in the adverse selection and moral hazard categories due to the gap in interest is caused by asymmetric information where the agent is more powerful than the principal (Scott, 2009).

In relation to agency problems, the practice of financial reporting in public sector organizations is an activity based on agency theory to prevent problems. The government is obliged to present and disclose relevant information for users of local government financial statements who act as principals to prevent financial manipulation.

The solution to agency problems does not only stop at the disclosure of financial statements, monitoring in the agency between the government and the public also requires a Indonesian Audit Board (BPK) process to ensure that the financial statements produced are in accordance with standards without any deviations. It can be concluded that the disclosure of financial statements controls the government apparatus as agents in accountability for government performance to the people through the opinion of the results of the examination.

Public Accountability

Mulgan (2000) asserts that the scope of the notion of accountability goes beyond the demands of individual behavior accountability but also the obligation of accountability to the controlling institution. This is also justified by Sinclair (1995) saying that government accountability that comes from independent institutions is more trusted by the community. The form of giving responsibility by reporting all activities to the community from the agent, namely the government, is the definition of accountability of government organizations (Mardiasmo, 2009).

Regarding the scope of public sector agencies, Mardiasmo (2009) states that public accountability consists of two types, namely: vertical accountability and horizontal accountability. Mardiasmo (2009) also describes four dimensions of accountability which consist of: accountability for probability and legality; process accountability, program accountability, and policy accountability. Meanwhile, the State Administration Agency (2015) classifies the concept of accountability into three categories, namely: financial accountability, benefit accountability, and procedural accountability.

Based on the literature review above, accountability in this study refers to the category of public accountability and the types of financial accountability reported by local governments through Local Government Financial Reports

Disclosure of Local Government Financial Reports in in Notes to Financial Statement (CaLK)

In government agencies in Indonesia, disclosure must be regulated in the Government Accounting Standards (SAP). Often uses the Adequate Disclosure method by presenting in full the information required by users of financial statements in the form of additional information in the Notes to Financial Statements (CaLK).

Notes to Financial Statements (CaLK) is one of the important components in financial statements. Government Regulation No. 71 of 2010 states that the Notes to Financial Statements (CaLK) contain narrative explanations or details of the figures written in the Budget Realization Report, SAL Change Report, Operational Report, Equity Change Report, Balance Sheet, and Cash Flow Statement.

Notes to the Financial Statements also contain the accounting policies used by a reporting entity as well as other information that is required to be disclosed in Government Accounting Standards so that the presentation and disclosure of financial statements results in a fair report based on applicable standards.

IFRS 7 Financial Instruments (2006) stated that disclosure is information about the significance of financial instruments, the nature, and extent of risks arising from the entity's financial instruments both qualitatively and quantitatively. While IPSAS (2006) explains that the disclosure of local government financial reports must comply with standards, then International Public Sector Accounting Standard No. 22 also requires the disclosure of General Government Sector financial information to be included in the General Parallel File System according to IPSAS.

The concept of disclosure according to Evans in Suwardjono (2008) is divided into three, namely: adequate disclosure, fair or ethical disclosure, and full disclosure. Meanwhile, Dye (1990) describes the nature of disclosure in two categories, namely:

a. Voluntary Disclosure is a form of disclosure that is carried out voluntarily by an entity without being required by applicable accounting standards.
b. Mandatory Disclosure (*Mandatory Disclosure*) is the minimum disclosure that must be made in accordance with the requirements of applicable accounting standards.

Based on the literature review above, disclosure can be concluded as a process that communicates accounting measurements to users of financial statements to make decisions.

Government Accounting Standards

Government Accounting Standards (SAP) are applied in the scope of government, namely the central government, regional governments, and organizational units within the central or regional government, if according to the laws and regulations the organizational unit in question is required to present financial reports.

Hypotheses

As previously described, agency theory is skeptical of the government's performance as a trustee. It is assumed that there is a lot of information asymmetry between agents who have direct access to information and the principal. The goals, conditions, functions, and desires of the government may differ from those of the people, so that this situation will trigger a conflict of interest.

Finally, the agency problem arises, acting on its own terms and the emergence of information asymmetry that allows fraud or fraud by the government to occur. As a consequence, local governments must be able to increase accountability for their performance as a mechanism of checks and balances to prevent information asymmetry caused by adverse selection and moral hazard.

To reduce information imbalance events that lead to agency conflict, it is necessary to understand how financial accounting can help control these problems. Accountability in the context of public sector organizations emphasizes that financial accountability as one of the dimensions of public accountability can be evidence of financial integrity, disclosure, and compliance with laws and regulations.

The public as principals need to control government activities by relying on the information presented in the financial statements, in addition to monitoring the manipulation of Local Government Financial Reports through the need for adequate disclosure is also one of the agency concepts to reduce information asymmetry. It is not enough only through the disclosures presented in the Notes to the Financial Statements (CaLK), an audit process from an independent party, namely the Indonesian Financial Audit Board (BPK) is needed to check whether the Local Government Financial Reports has met the quality and feasibility standards set without any deviations.

Financial reports are the target of local government public accountability because they are used as a measure to describe the level of conformity of the implementation of financial management with Government Accounting Standards (SAP), used as a basis for decision making for BPK auditors and then interpreted in audit opinions. This follows the steps of the Indonesian government in 2010 which issued the latest Government Regulation concerning Government Accounting Standards, namely PP No. 71 of 2010 concerning SAP which replaced PP No. 24 of 2005 with a fundamental difference in the transition from cash transaction basis to accrual basis.

Achieving accountability through an audit process on disclosure and government financial performance reports in order to maximize the welfare of the principal has an impact on the emergence of agency costs or costs incurred by the people to ensure that the government does not behave fraudulently. The agency costs include the monitoring expenditures by the principal; the bonding expenses by the agent; and the residual loss.
One of the purposes of disclosure is to present information that is deemed necessary and to describe several accounting issues other than those presented in the financial statements for interested parties (Johnson, 1992). In line with this goal, agency theory asserts that people want good performance from government agents as parties who are trusted to manage the state.

However, agency assumptions about human nature tend to be concerned with nature *self interest*, bounded rationality, and risk aversion (Eisenhardt, 1989), it is very possible for agents to perform moral hazard and adverse selection such as manipulating financial statements by not conveying all information held by local government agencies to the public.

To reduce the information asymmetry between the two parties who have different interests, Soctt (2006) explains that full disclosure (*full disclosure*) is an idea as well as a solution to the agency problem. Although not eliminating, several empirical studies prove that disclosure of financial statements is able to reduce information imbalances between agents and principals (Diamond & Verrechia, 1991; Elliott & Jacobson, 1994; Welker, 1995) through the publication of financial statements that reveal relevant information.

Understanding accountability in perspective *agency theory*, Bogart (1995) requires supervision and monitoring of financial statements. The reduction in agency problems through compliance with applicable SAP disclosures also leads to answers to the challenges of accountability and transparency by fulfilling the obligation to provide information or information on activities carried out to principals (Gray et al., 1987). Several studies conducted by Styles & Tennyson (2007), Torres et al. (2010), Gajewski & Lili (2015), and Adiputra (2018) confirm that the quality of the preparation of accounting reports, one of which is contained in disclosure, affects transparency and accountability.

H1 :Disclosure of Local Government Financial Reports affects Public Accountability

III. RESEARCH METHODS

When viewed from the analysis that emphasizes numerical data, this study has a quantitative approach at the level of explanation by using causal analysis to detect a causal relationship between two or more variables. This research model leads to the modification and development of previous studies with the addition of several independent variables that have not been tested. This study consists of independent variables (X) and dependent variable (Y)

Table 1. The Variables Definition

No	Variable	Variable Definition
1	Public Accountability (Y)	The demands and obligations of the agent's responsibility to the controlling agency or principal (Mulgan, 2000)
2	Mandatory Disclosure of Financial Statement (X)	The process of communicating qualitative and quantitative accounting measurements according to applicable standards to users of financial statements to make decisions (IFRS 6, 2003)

Source: Author (2020)

The choice of operationalization of variables is done by paying attention to the right indicators to measure the research variables so that accurate results are obtained. Operationalization of research variables are as follows:

Public Accountability

The second endogenous variable of this study is public accountability for local government financial reports as measured using BPK's audit opinion. Opinions issued by BPK on Financial Reports consist of: Unqualified opinion, Unqualified opinion with Explanatory Paragraph, Qualified opinion, Adverse opinion, and Disclaimer opinion. The measurement of this independent variable refers to the research of Rahim and Martani (2016) with a rating measurement of one to five, adjusted for the best audit opinion so that it does not provide an opinion as the worst opinion category. Audit opinion is measured using an ordinal scale that has different ratings from each other, with the provision that a larger value indicates a higher rating.

Disclosure of Local Government Financial Reports

Disclosure rate Financial Reports which is the intermediary as well as dependent variable (Y) in this study is the disclosure that has been presented in the Financial Report compared to the disclosure according to Government Accounting Standards (SAP), the local government financial report standard requires accurate reporting of the information disclosed in Local Government Financial Statement according to Government Regulation No. 24 of 2005 and PP No. 71 of 2010.

$$\text{DISCLOSURE: } \frac{\text{Disclosure on Local Government FR}}{\text{Government Accounting Standar (Disclosure Checklist)}}$$

The level of disclosure of local government financial reports for 2017-2019 is measured using the formula from Hilmi & Martani (2012) and 36 summary mandatory disclosures according to SAP from Suhardjanto et al. (2010) as follows:

Table 2. Government Accounting Standards Disclosure Items

No	Disclosure Items
1	*PSAP 05: Accounting for Inventory*
2	*PSAP 06: Accounting for Investment*
3	*PSAP 07: Accounting for Fixed Assets*
4	*PSAP 08: Accounting for Construction in Progress*
5	*PSAP 09: Accounting for Bonds*

Source: Government Accounting Standards (2020)

Research Data

This research uses panel data type (pooled data), which is a combination of time series data and cross section data. The data panel is an amalgamation of data from 150 district governments in Indonesia from 2017-2019. If it is described by its nature, it consists of Quantitative data contained in the Budget Realization Report, Balance Sheet, Cash Flow Statement, and Notes to the Regional Government Financial Statements to be documented according to the required data.

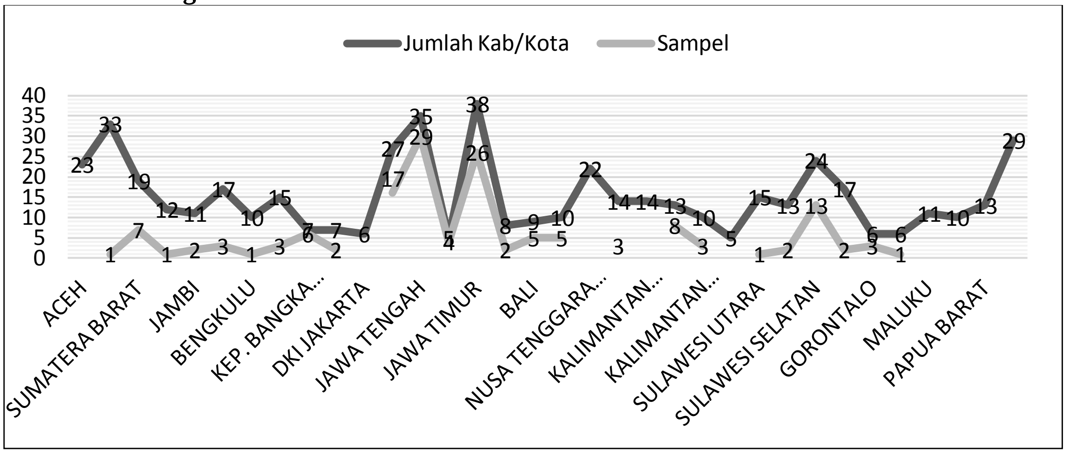
The data analysis process begins by reviewing all the data obtained. The results of data processing through the help of Eviews 09 software aims to answer the problems that have been formulated. The data analysis carried out by the researcher is: Descriptive Statistical Analysis, Panel Data Regression Analysis, Panel Data Regression Estimation Method, Panel Data Regression Model Selection, Classical Assumption Test and Hypothesis Testing.

IV. RESEARCH RESULTS

Overview of Indonesian Local Government

Based on Article 18 Paragraph (1) of the 1945 Constitution of the Republic of Indonesia, the Unitary State of the Republic of Indonesia is divided into provinces and provinces are divided into districts and cities. Provinces, districts and cities have local governments which are regulated by Law no. 23 of 2014 concerning Regional Government. The local government which is a sub-system of the national government administration system has the authority to regulate and manage its own household. The authority to regulate and manage the household emphasizes three main elements: assignment and authority; granting trust and authority; and in an effort to think, take the initiative and make decisions, involve the community both directly and through the Regional House of Representative (DPRD).

Figure 1. Overview of the Number of Local Governments in Indonesia

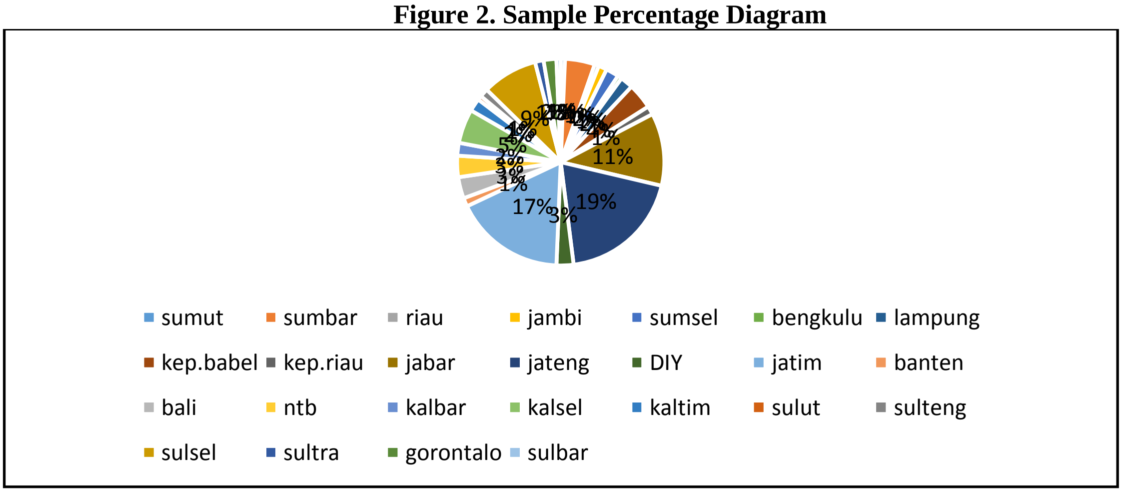


Source: Processed data (2021)

The provincial area, apart from being a region, is also an administrative area which is the working area of the governor as the representative of the Central Government and carries out general provincial government affairs. Regency/city is not only a region but also an administrative area which is the working area for the regent or mayor to administer the regency/city general government. Figure 4.1 above illustrates that in Indonesia there are 548 local governments consisting of 34 provincial governments, 6 DKI Jakarta administrative regional governments, 93 second-level local governments with the status of municipalities, and 415 district level II governments.

The object of this research is the local government in Indonesia which is obtained through the selection of certain criteria based on the purposive sampling method. After excluding provincial governments, administrative local governments, and municipal governments, a sample of 415 districts was selected. Of all the total districts in Indonesia, the sample was selected through characteristics based on the ranking and performance status of local government administration nationally in 2017-2019, the availability of data on the website of each local government and the completeness of information about technology in 2017-2019, so that the results obtained a sample of 150 district governments spread throughout Indonesia in three years of observation so that the research data collected were 450 observations.

Figure 2. Sample Percentage Diagram



Source: Data processed (2021)

Based on the diagram above, it can be explained that the most sampling was in the provinces of Central Java (19%), East Java (17%), West Java (11%), South Sulawesi (9%), South Kalimantan (5%), West Sumatra (5%), the Bangka Belitung Islands (4%) and several provinces that contributed to the percentage of the sample in point 3, namely DIY, West Nusa Tenggara, and Bali. While the rest are spread through several districts in the provinces of North Sumatra, Riau, Jambi, South Sumatra, Bengkulu, Lampung, Riau Islands, West Kalimantan, South Kalimantan, East Kalimantan, North Sulawesi, Central Sulawesi, Southeast Sulawesi, and West Sulawesi. The sample selection in this study did not include districts on the island of Maluku and provinces in Papua because they did not meet the established criteria.

Table 3. List of Sample Distribution

No	Province	Districts	
1	Kep. Bangka Belitung	Central Bangka, Bangka, East Belitung, Belitung, West Bangka, South Bangka	6
2	Bali	Gianyar, Jembrana, Badung, Buleleng, Klungkung	5
3	Banten	Tangerang, Pandeglang	2
4	Bengkulu	Kaur	1
5	In Yogyakarta	Bantul, Kulon Progro, Sleman, Gunung Kidul	4
6	Gorontalo	Gorontalo, Pohuwato, Bone Bolango	3
7	West Java	Kuningan, Garut, Majalengka, Subang, Tasikmalaya, Bekasi, West Bandung, Indramayu, Karawang, Sumedang, Bogor, Ciamis, Cirebon, Bandung, Cianjur, Purwakarta, Sukabumi	17
8	Jambi	Merangin, Sarolangun	
9	Central Java	Karanganyar, Kudus, Pati, Semarang, Jepara, Sragen, Sukoharjo, Purbalingga, Demak, Temanggung, Pekalongan, Blora, Boyolali Grobogan, Kendal, Banjarnegara, Purworejo, Klaten, Banyumas, Bojonegoro, Wonogiri, Magelang, Wonosobo, Kebumen, Brebes, Cilacap, Rembang, Pemalang, Tegal	29
10	East Java	Sidoarjo, Tulungagung, Banyuwangi, Malang, Pasuruan, Gresik, Trenggalek, Lamongan, Pacitan, Madiun, Mojokerto, Sumenep, Jombang, Probolinggo, Tuban, Nganjuk, Magetan, Ngawi, Blitar, Bondowoso, Lumajang, Sampang, Kediri, Situbondo, Bangkalan, Jember	26
11	West Kalimantan	Sintang, Hedgehog, Kubu Raya	3
12	South Borneo	Barito Kuala, Banjar, Tanah Bumbu, Tabalong, Balangan, Tapin, Hulu Sungai Tengah, Hulu Sungai Utara	8
13	East Kalimantan	Kutai Kartanegara, North Panajam Paser, Berau	3
14	Riau islands	Bintan, Karimun	2
15	Lampung	Central Lampung, West Lampung, North Lampung	3
16	NTB	West Lombok, Central Lombok, East Lombok, Bima, Sumbawa	5
17	Riau	Siak	1
18	West Sulawesi	Polewali Mandar	1
19	South Sulawesi	Bulukumba, Bone, Sidenreng Rappa, Pinrang, Sinjai, Gowa, Soppeng, Bantaeng, Tana Toraja, Barru, East Luwu, North Luwu, Wajo	13
20	Central Sulawesi	Sigi, proud	2
21	Southeast Sulawesi	Wakatobi, Kolaka	2
22	North Sulawesi	Minahasa	1
23	West Sumatra	Agam, Dharmasraya, Padang Pariaman, Tanah Datar, Pasaman, Solok, Sijunjung	7
24	South Sumatra	Musi Rawas, Muara Enim, Ogan Komering Ilir	3
25	North Sumatra	Mr. Bharat	1
Total			**15**

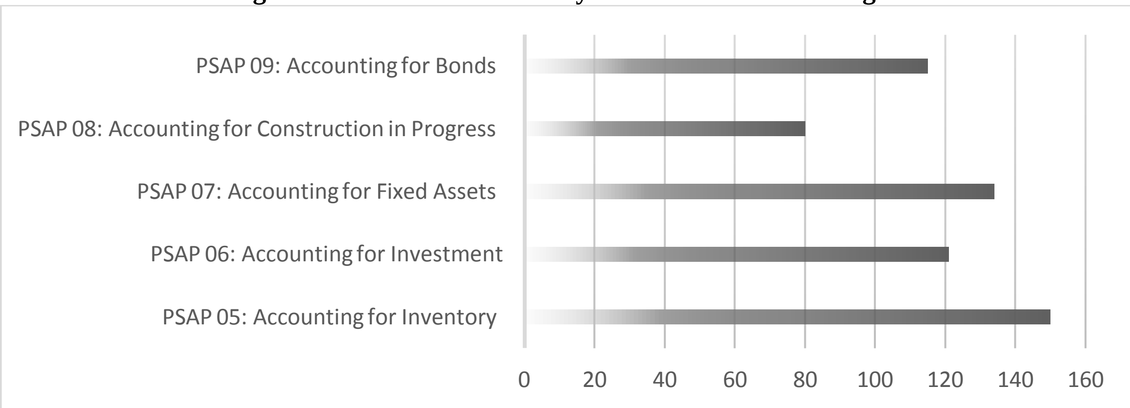
Source: Processed data (2021)

Based on table 3. above, it can be concluded that from the population of all local governments in Indonesia, the largest sample comes from level II local governments (districts) located on the island of Java with a total of 78 districts (52%), while the rest comes from areas located on the island of Sumatra. with a total of 26 districts (17.3%), Sulawesi as many as 22 districts (14.7%), Kalimantan with 14 districts (9.3%), and the last sample contributors are in the islands of Bali and Nusa Tenggara with a percentage of 6.7% or equivalent to a total of 10 Local Government.

Descriptive Analysis Results

The level of mandatory disclosure of Local Government Financial Reports which is measured using a comparison of the formula for the number of disclosures presented in the Financial Statement divided by the number of disclosures according to the Government Accounting Standards (SAP) guidelines produces the highest percentage at 91.6%, this largest value is held by Sidoarjo district, East Java which is also the highest ranking district/ cities based on the criteria for the performance status of local government administration nationally in 2017 issued by the Ministry of Internal Affairs through the Decree of the Minister of Internal Affairs Number 100-53 of 2018.

Figure 3. Level of Disclosure by Government Accounting Standards

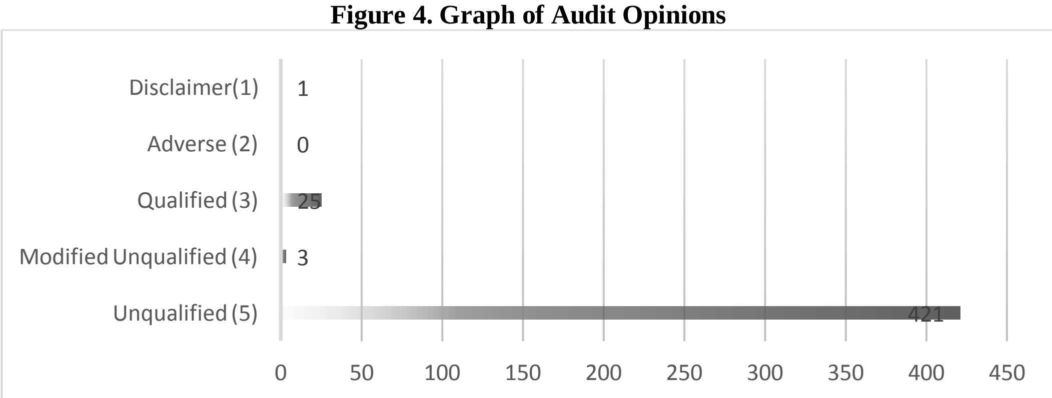


Source: Author (2021)

Switching to the lowest number in the percentage of 61.1% owned by East Belitung Regency, Bangka Belitung Islands province in 2017 and 2018. Comparison of the disclosure formula demonstrated in the disclosure number divided by 36 indicators gives the average disclosure value of all district governments in Indonesia in the number of 81.3 %. If referring to the Government Accounting Standards (SAP) as presented in Figure 4.4, it can be concluded that the disclosure of each PSAP item by the district government is as follows: the highest rank is filled by disclosure of inventory accounting, then fixed asset accounting, liability accounting, investment accounting, and construction in progress accounting at the last.

The endogenous variable of public accountability in this study was measured using the opinion issued by the Indonesian Audit Board (BPK). Based on the descriptive summary, the variable has the highest value at number 5 which represents Unqualified Opinion (WTP), the lowest value is at number 1 which means that the audit opinion does not give an opinion or Disclaimer (TMP), while the average value of public accountability through the BPK opinion measure is at level 4.87 which if narrated in the opinion is in the Modified Unqualified Opinion

Figure 4. Graph of Audit Opinions



Source: Processed data (2021)

Meanwhile, the percentage of audit opinion on all Local Government Financial Reports in 2017-2019 is presented in Figure 4 which describes that the number of disclaimer audit opinions or TMP only amounts to one local government (0.22%), this lowest figure represents the audit opinion on financial reports's Jember district in 2019, while the Adverse opinion was zero, then the Qualified opinion was 25 Financial Reports (5.46%), several Local Government who received the opinion including the district of Tulungagung 2018, Subang 2017, Tasikmalaya 2018, Belitung 2017-2018, and Brebes 2017-2018. The Modified Unqualified opinion consists of 3 Financial Reports, namely North Lampung 2019, Pakpak Bharat North Sumatra 2018-2019.

Regression Analysis

The equation that relates the direct effect of the disclosure variable (Y) to public accountability (Z) chooses the fixed effect as the best model.

Table 4.Comparative Results of Regression Model Test Equation

Test	Prob. (p)	Sig.	alpha	Conclusion
Chow Test	0.0001	<	0.05	H1 is accepted, Fixed Effect is better than Common Effect
Hausman Test	0.0491	<	0.05	H1 is accepted, Fixed Effect is better than Random Effect
Conclusion of the Best Model of Panel Data Regression Equation (Effect of Y to Z)				*Fixed Effect Model (FEM)*

Source: Eviews (2021)

Table 5. Summary Regression Test

Variable	*Standardized Coefficients Beta*	*t-statistics*	*Sig.*	Hypothesis Direction	Results
Disclosure Y)	4.507527	8.733369	0.0000	+	
Constant	59.33731	23.45264	0.0000		
R-square			0.144736		**H1 Accepted**
Adjusted R-square			0.142827		
F-Statistics			75.81512		
Sig. F- statistics			0.000000		
Note: Dependent variable: Public Accountability (Z)					

Source: Eviews (2021)

The results of a simple linear regression analysis linking the Local Government Financial Statement disclosure (Y) to public accountability (Z) yielded a *p* value of 0.000. The probability described in numbers less than the 5% significance level interprets that the Y variable directly affects the Z variable. Based on the partial analysis (t-test) above, it can be written equation 2 panel data regression as follows:

$$Z = 59.3371 + 4.50752Y + e$$

The results of the regression analysis of equation 2 using the random effects model produce an Adjusted R-Square value of 0.1428 which explains that the contribution of Local Government Financial Statement Disclosure (Y) to public accountability (Z) is 14.28% while 85.72% was explained by other predictor variables that were not used in the second equation models.

Through the significance value < 0.005, the variable of Disclosure is statistically proven to have a positive effect on public accountability (Z). Acceptance of Hypothesis means that the higher the accounting information disclosed by the local government in the financial statements, the higher the level of accountability as measured by the Indonesia Audit Board opinion. The results confirm the agency theory which states that agents and principals have unequal interests (Jensen & Meckling, 1976; Eisenhardt, 1989; Johnson, 1992; Soctt, 2006). The public as principals need performance accountability from government agents who are obliged to realize financial statement accountability as a form of public accountability dimension.

The results of this study are also in line with several empirical studies that prove that disclosure of financial statements is able to reduce information imbalances between agents and principals through the publication of financial statements that reveal relevant information (Diamond & Verrechia, 1991; Elliott & Jacobson, 1994; Welker, 1995). . This positive correlation also supports previous research conducted by Styles & Tennyson (2007), Torres et al. (2010), Gajewski & Lili (2015), and Adiputra (2018) that the quality of the preparation of accounting reports, one of which is contained in the disclosure affects accountability.

V. CONCLUSIONS AND SUGGESTIONS

Conclusions

Through the results of simple regression analysis, Disclosure has a significant direct effect on Accountability (Z). The results of the research conclude that the variable of disclosure of local government financial statements has implications for public accountability so that it can add to the treasures of knowledge in the field of accounting so that it can be used as reference material and a source of comparison for further research to improve the scope of the discussion. The results of this study indicate that although it is mandatory, the level of mandatory disclosure according to SAP for each district government in Indonesia is still diverse, and it can be said that it is not perfect according to the standards set. This can be an evaluation material for district agencies and Indonesia Audit Board (BPK) that rewards and punishments for enforcing laws and regulations are not just a formality in pursuing good opinions.

Limitations and Suggestions

Field research with this quantitative approach has several limitations, including: the measurement of the Public Accountability variable (Z) in this study is only based on the audit opinion reported by the Indonesia Audit Board or BPK RI, due to time constraints, this study eliminates the measurement on the weaknesses of the Local Government Financial Reports internal control system which is measured by the number of Internal Control Systems (SPI) cases and non-compliance with the provisions of the Financial Reports legislation as measured by the total cases of non-compliance with legislation.

This study uses the Disclosure variable which is measured through a scoring index with reference to several previous studies, where not all researchers have the same standard number of items even though they are in the mandatory disclosure category in accordance with Government Accounting Standards so that it can affect differences in research results. which is conducted. Based on the limitations and weaknesses of the research described above, it is recommended for researchers who will discuss further the disclosure of local government financial statements, and public accountability to extend the time span of the study using the latest data, adding samples to the maximum limit in order to provide a better results.

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