FACTORS THAT ROLE IN DISCLOSURE OF LOCAL GOVERNMENT FINANCIAL REPORTS (LKPD)

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ABSTRACT

This study aims to analyze the factors that play a role in disclosing of local government financial *statements* (LKPD). The research was conducted because regions that had problems in disclosing Financial Statements in 2017-2019. The results of the audit of the Supreme Audit Agency (BPK), there were several LKPD problems, one of which occurred in South Kalimantan Province. Some several notes or findings were warned by BPK, including the management of fixed assets and inventories that were not prepared properly and the monitoring system of the APBD implementation which was still very low. This study aims to analyze the factors that play a role, including local government wealth, functional differentiation, audit findings, and financial independence. The population in this study were all regencies/cities in Kalimantan for the 2017-2019 period which consisted of 56 regencies/cities. The sample in this study used a census sample. Hypothesis testing in this study uses Multiple Regression Analysis with the SPSS program. The results of hypothesis testing show that (1) Local government wealth has a significant effect the disclosure of local government financial statements (2) Functional differentiation have a significant effect on disclosure of local government financial statements (3) Audit findings has a significant effect on disclosure, local government financial statements, (4) financial independence has a significant effect on disclosure, local government financial statements. With this research is hoped that the local government will made policies to increase the disclosure of LKPD to create good governance that is transparent between the government and the community.

Keywords: Wealth, Functional differentiation, Audit findings, Independence, LKPD.

INTRODUCTION

To create good management of public affairs (*good governance*) and encourage transparency and accountability, the regional government and the central government must make financial reports as a form of accountability [1]. According to regulation UU:23/2014 which replaces Law Number UU:32/2004 concerning regulation Government is explained that every level of government, be it city, district, or province, is required to prepare their respective Financial Statements independently. In addition, according to Law No. 17/2003 concerning State Finance, it is stated that the submission of accountability reports on the implementation of the APBN/APBD must be submitted to the highest leadership.

At this time, many phenomena occur regarding the issue of disclosure of financial statements. Some areas that have problems disclosing Financial Statements in 2017-2019 are Provinces in Kalimantan. According to the results of an audit by the Supreme Audit Agency (BPK), there were several problems or cases regarding the Regional Government Financial Statements, one of which occurred in the Province of South Kalimantan. There are several notes or findings that were warned by BPK, including the management of fixed assets and inventories that were not prepared properly. In addition, the arrangement of income and liabilities is also not orderly and neat it can cause negligence at the time of collection. The budget for goods and services expenditures has not yet been grouped and also for capital expenditures which have not yet been completed. In addition, the mechanism for depositing and reporting regional revenues and grants still does not follow the regulations that have passed. Then also, that the control system from the implementation of the APBD is still very low (banjarmasinpost.co.id)

Regional governments with significant regional assets have an enormous obligation to notify the public openly regarding the use of finance. Local government wealth is described by PAD (Regional Original Income). In research Feriyanti, Hermanto, and Suransi [2] dan Hidayah, Yusralaini, and Al Azhar [3] said that the wealth owned by the local government had an impact on the delivery of Local Government Financial Report (LKPD). However, insignificant research conducted by Andriani, Santi, and Mustika [4] dan Amaliah and Haryanto [5] which explains that local government wealth has no influence on LKPD Disclosures. The next factor is Functional Differentiation or Functional Differentiation, where this functional differentiation proxied by the number of Regional Apparatus Organizations.

The more the number of SKPD (Regional Work Units) in a local government, the more complicated the government will be. This means that the more complex the government, the higher the level of disclosure, research conducted by Lutfia and Bagana [6], Simbolon and Kurniawan [7] stated that it affects the disclosure of LKPD. However, this was denied by Andriani, Santi, and Mustika [4]. Audit Findings are the results of audits of financial statements conducted by BPK. Research conducted by Amaliah and Haryanto [5] stated that audit findings effected LKPD disclosure Khasanah and Rahardjo [8]. Financial independence can be seen by local governments to financing their own activities. Research conducted by Hidayah, Yusralaini, and Al Azhar [3] and Lutfia and Bagana [6] states that financial independence affects LKPD disclosure. This was denied and Simbolon and Kurniawan [7].

This study aims to analyze the effect of local government wealth, functional differentiation, audit findings, and financial independence on the disclosure of the Regional Government Financial Statements (LKPD) of the Regency/City of Kalimantan. Based on the formulation of the problem described, the objectives of this study are as follows: To find empirical evidence and analyze the effect of local government wealth, functional differentiation, audit findings, and financial independence on the disclosure of LKPD Regency/City in Kalimantan. Benefits for the Regional Government to analyze various factors that can influence or impact the delivery of LKPD Regency/City Kalimantan is also helpful as a material for consideration and input to improve the performance of local government financial administration. This study combines variables from several previous researchers. The sample used in this study is different from the primary reference in previous studies. The addition of the independent variable of financial independence distinguishes this study from previous research. In addition, another difference lies in the sample and also the period. The sample used in this study is Lap. District/City Regional Government Finance in Kalimantan. As for the period, the researcher took the 2017-2019 LKPD.

Agency theory involves two parties who have their own interests, called agents and principals. The principal delegates decision-making authority to the agent, and the agent must take predetermined actions to fulfill the principal's request. The relationship

between the agent and the principal is not always harmonious. There is a problem that arises due to the relationship between the agent and the principal. This problem is more commonly known as information asymmetry and conflict of interest. The local government obtains more information than the public, which causes the government to only focus on its interests. In contrast, the people who have very little information do not know how to take action. Therefore, the public is often never aware of the budget because the local government is not transparent and accountable [9].

This study uses the level of disclosure of Local Government Financial Statements (LKPD) in the Notes to Financial Statements (CaLK) components according to Government Accounting Standards (SAP) and also disclosures other than those required in SAP (voluntary disclosure). This study is similar to Suparno and Nanda [1], Feriyanti, Hermanto, and Suransi [2], dan Yunanto [10] where to calculate the disclosure of LKPD applied by the local government is according to the scoring system. The scoring system here is to use the disclosure checklist described in SAP is mandatory according to PP:71/2010. However, here the researcher uses additional voluntary disclosure to measure the dependent variable. The disclosure items that will be assessed include fiscal policy, macroeconomic information, local budget targets, financial performance, accounting policies, financial statements, non-financial information, and intellectual capital. The scoring system will later be added up, and then the level of disclosure can be calculated using the formula for the amount disclosed divided by the total that must be disclosed.

Local revenue can be used as a goal to exercise regional authority in funding the implementation of regional autonomy regardless of central government assistance according to their respective regional assets as a manifestation of decentralization [11]. There are various methods to measure the wealth owned by local governments. Hidayah, Yusralaini, and Al Azhar [3] dan Lutfia and Bagana [6] to explain the wealth of the local government using the amount of Regional Real Income as its proxy.

Regional apparatus organizations in PP No. 12/2019 Regional Apparatus Work Units (SKPD) are components of regional governments that implement various regional government functions. The number of SKPD indicates the number of local government development priorities [6].

According to Permendagri Number 13/2006 contains Regional Financial Management Guidelines. Regional Apparatus Organizations are instruments used by regional governments as parties that use the budget. The highest power holder is the regional leader who has the authority to manage regional budgets and finances and can assign work units to assist him in managing regional finances or SKPD [12]. Simbolon and Kurniawan [7] with a proxy for the number of SKPDs to measure government complexity. The size of the SKPD indicates the level of the functional department of an organization. The number of SKPD is used as a proxy to determine functional differentiation.

Audit findings can be in the form of violations or errors in making Financial Statements by the local government. Amaliah and Haryanto [5] by using the number of audit findings in the previous year, the BPK's examination of the local government's non-compliance with the rules used as a proxy to determine the value of audit findings. Regional financial independence is relevant to the disclosure of financial statements, namely regional financial independence is a tool to analyze how successful the regional government is in managing funds by analyzing financial ratios to the APBD. Its mean a local government with a significant level of independence can be said to be successful in managing its governance structure, which means that the amount of its own local revenue is greater than the revenue it receives from the central government [3].

According to Mahmudi [13], To calculate the ratio of regional independence is to make a comparison of the amount of revenue from the Regional Original Revenue (PAD) comparison the amount of transfer income from the central and provincial governments as well as regional loans. Financial independence is measured by dividing PAD by the sum of central, provincial and loan transfers.

METHODS

The population for this research is the Financial Statements of the district/city governments on the island of Kalimantan for the 2017-2019 period. Thus, all populations are used as samples, namely local government financial statements in 56 districts/cities on the island of Kalimantan, with a total sample of 168 samples for 3 years. In this study, researchers used secondary data derived from documentation and records obtained indirectly. This includes the District/City Government Financial Reports in Kalimantan which have been audited for the 2017-2019 period. The sample method used is census sampling, the sample used is from the entire population. This study uses a ratio scale to measure all variables.

The researcher collected all data related to the Regency/City Government Financial Reports in Kalimantan for the period 2017-2019 contained at BPS. Data collection was carried out from July to October 2020. Data processing and analysis lasts until 2021

Hypothesis testing using multiple linear regression analysis. In this case, testing the role of LKPD Disclosures that can affect the variables to be studied are local government wealth, functional differentiation, audit findings, and financial independence. This regression analysis has the following equations:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where Y is LKPD Disclosure, X1 is local government wealth, X2 is functional differentiation, X3 is audit findings and X4 is financial independence, 0 is a constant number, 1-4 is regression coefficient and is error.

This research does not violate the code of ethics by not offending humans, animals and others.

RESULTS

The research sample used for three years was 56 district/city government financial reports on the island of Kalimantan with a total sample of 168 samples for three years. A framework of thought has been drawn up to facilitate the completion of the problems in this research, based on the explanation above. The following is the form of the research model framework:

F i g u r e 1

Research Model Framework
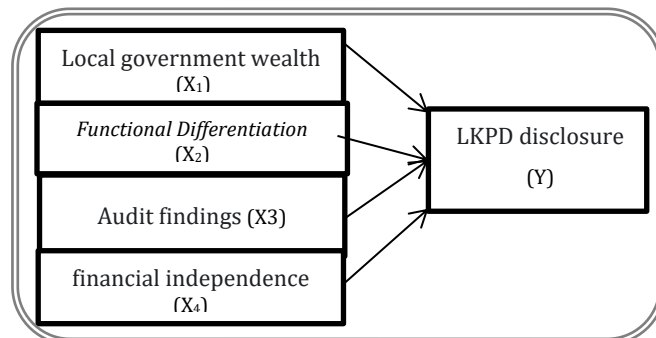
Descriptive analysis in each research variable were obtained by utilizing the SPSS 25 for windows program. Retrieval of research data for 168 district/city government financial reports on the island of Kalimantan from BPS.

Table 1. Descriptive Statistics					
	N	Min	Max	Mean	Std. Def
local government wealth	168	24,3	27,14	25,45	0,773
Functional differentiation	168	28	96	45,22	1,698
audit findings	168	3	25	14	1,337
financial independence	168	0,04	0,49	0,16	0,073
LKPD disclosure	168	0,31	0,88	0,77	0,092
Valid N (listwise)	168				

Table 1 shows a descriptive analysis of each research variable. It can be explained that the average local government wealth is 25.45, functional differentiation is 45.22, audit findings are 14, financial independence is 0.16 and LKPD disclosure is 0.77. This shows that the sample of districts/cities on the island of Kalimantan is evenly distributed to represent the research sample.

The normality test using the Kolmogorof-Smirnov statistical test considers the results of non-standardized residual values. The table shows the results of the normality test estimates have been met.

Table 2. Kolmogorov-Smirnov. Statistical Test Results

One Sample Kolmogorov Smirnov Test		
		Unstandardized Residual
N		168
Normal Parameters[a, b]	Mean	0
	Std. Deviation	0,09206
Most Extreme Differences	Absolute	0,078
	Positive	0,047
	Negative	-0,067
Test Statistic		0,067
Asymp. Sig. (2-tailed)		
a. Test distribution is Normal. b. Calculated from data. c. Lilliefors Significance Correction.		

The multicollinearity test looks at the existence of a relationship between independent variables in the regression model. The multicollinearity test in this research uses Variance Inflation Factors (VIF) and tolerance. The results show the VIF value of each independent variable>10. The tolerance value for each independent variable shows that all of them are > 0.1. So, there is no multicollinearity relationship on the independent variables.

Table 3. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
local government wealth	0,338	3,254
Functional differentiation	0,888	1,165
audit findings	0,967	1,048
financial independence	0,356	1,874
a. Dependent Variable: LKPD disclosure		

To strengthen the test results, heteroscedasticity testing was carried out using the glejser test. Table 4 shows the sig value for the local government wealth variable 0.897, Functional differentiation 0.223, audit findings 0.756, and financial independence 0.977 which exceeds the value of 0.05. Its mean is no heteroscedasticity in the regression model, so this regression model is appropriate to be used in further analysis.

Table 4. Glaser Test Results

Coefficients		
Model	t	Sig.
(Constant)	0,149	0,892
local government wealth	0,133	0,897
Functional differentiation	0,275	0,623
audit findings	0,365	0,756
financial independence	0,004	0,977
a. Dependent Variable: LKPD disclosure		

To test for autocorrelation, the Durbin Watson (D-W) test is commonly used. The results of the analysis using the SPSS 25 program are shown in Table 4.

Table 5. Autocorrelation Test Results	
Model Summaryb	
Model	D-W
1	1.798
a. Predictors: local government-wealth, *Functional differentiation*, audit-findings, financial-independence	
b. Variabel Terikat: LKPD disclosure	

Table 5 shows the value of DW = 1.798 which is in dU (1.7911) and 4-dU (2.2089), The discription of the table above show that there is no autocorrelation problem in the model. This analysis tests the effect of 2 or more independent variables on 1 dependent variable. The results of the analysis using the SPSS 25 program are shown in the following table:

Table 6. Regression Model Results			
Coefficientsa			
		Unstandardized Coefficients	Standardized Coefficients
Model	B	Std. Error	Beta
(Constant)	0,002	0,001	
local government wealth	0,003	0,015	0,034
Functional differentiation	0,004	0,002	0,039
audit findings	0,013	0,011	0,042
financial independence	0,042	0,009	0,029
a. Dependent Variable: LKPD disclosure			

Table 6 shows the values of the regression coefficients and constants to be made into a linear regression equation below:

LKPD disclosure = 0,002 + 0,003 local government wealth + 0,004 *Functional differentiation*+ 0,013 audit findings +0,042 financial independence.

The Coefficient of Determination show that the independent variables is able to clarify the variability of the dependent variable, the value of the coefficient of determination is 0.695, which shows that local government wealth, functional differentiation, audit findings, and financial independence affect 69.5% of LKPD disclosures. While the remaining 30.5% is the influence of other factors outside this study such as such as audit opinion, capital expenditure, population etc.

Table 7. Coefficient of Determination Results				
Model-Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,829a	0,795	0,695	0,00798
a. Predictors: (Constant), local government wealth, *functional differentiation*, audit findings, financial independence				

The t-test looks at whether the variable coefficients of local government wealth, functional differentiation, audit findings, and financial independence show a significant correlation to the LKPD disclosure variable. The results of the partial test are as follows:

Table 8. T-test results		
Coefficientsa		
Model.	t.	Sig..
(Constant)	3,642	0,002
local government wealth	1,157	0,021
Functional differentiation	1,311	0,033
audit findings	1,393	0,036
financial independence	1,466	0,042
a. Dependent Variable: LKPD disclosure		

Based on the table above partially, the variables of local government wealth, functional differentiation, audit findings, and financial independence show a significant correlation to the LKPD disclosure variable.

Regional Government Wealth (X1) is proxied by Regional Original Income. Regional original income describes the prosperity of an area [2]. PAD can determine whether the government discloses in the Lap. The finances. Based on research conducted by Amaliah and Haryanto [5] states that PAD includes from taxes, levies, the results of separated wealth management, and other legitimate regional original income. The greater the PAD of a region, the greater the information that must be conveyed to the public on the receipt of the PAD as a form of accountability of the regional government to the community.

According to PP No.12/2019 SKPD are elements of regional apparatus in regional governments that implement local government components. SKPD has a position as an assistant element to the regional head [1]. The more regional work units within the regional government, the more ideas, findings, inputs and information for disclosure can increase the disclosure of the Lap. Local finances are getting better. North Kayong Regency in 2018 had 28 SKPDs, and 46.7% of LKPD disclosures were made. Meanwhile, Banjar Regency in 2019 had 96 SKPD, and disclosed 66.7% of LKPDs. This shows that the large number of SKPD will affect local governments in disclosing their financial statements.

The audit findings are the result of the performance inspection process in government agencies conducted by the BPK, where the findings can be in the form of violations or fraud in the Lap. Regional finances carried out by related agencies that are not in accordance with applicable regulations. The more audit findings found by BPK, the higher BPK's request to the government to make corrections and to make adjustments according to SAP, including in terms of disclosure of Lap information. Finance. Therefore, if there are many audit findings, the number of disclosures is also large [5].

Hidayah, Yusralaini, and Al Azhar [3] states that a local government with a high level of independence can be said to be successful in managing its governance structure. Lutfia and Bagana [6] states that if the regional financial independence is higher, it shows that participation in paying taxes by the community is also high, therefore the disclosure of information is also higher. This means that if the regional original income is higher than the income received from central transfers, then the conclusion is that the level of regional independence is high. In the end, it will have implications for the disclosure of LKPD, where when the independence of a region is high, the local government is obliged to fully disclose how much and where PAD is obtained and also how much central transfers are received. Because in the end the information from the disclosure can be helpful for the central government to make decisions regarding how many transfers must be made.

Results Based on research on the variables of local government wealth, functional differentiation, audit findings, and financial independence showed a significant effect on the LKPD disclosure variable. However, there are still other variables that will affect the disclosure of LKPD, especially in 2019 the case of the COVID-19 pandemic began to affect the world economy, so further research will use this condition as a variable in the study.

CONCLUSIONS

After conducting research and a series of related hypothesis testing, it can be concluded as follows: Variables of local government wealth, Functional differentiation, audit findings, and financial independence show a significant correlation to the LKPD disclosure variable. A sample of 168 representing the Kalimantan region during the three years of the study, shows the transparency of local governments in realizing good corporate governance by disclosing LKPD well through local government wealth,

functional differentiation, audit findings, and financial independence. With the coefficient of determination is 69.5% which shows that all variables affect the LKPD Disclosure. The value of 30.5% is that it can be influenced by other factors outside the variables studied such as audit opinion, capital expenditure, population etc.

With this research, it is hoped that the local government will made policies in order to increase the disclosure of LKPD in order to create good governance that is transparent between the government and the community.

The suggestions that the author can give are expected to overcome the limitations of the research by using a longer time span so that the research results can better reflect the actual conditions and are associated with the conditions of the covid pandemic that occurred in 2019. Further research is expected not only to examine mandatory disclosures but also to examine disclosures. Volunteer the research conducted does not cause a conflict of interest with other parties. This research was only funded by UPN Veteran Jakarta. Research data can be accessed by the public for further research.

AUTHOR CONTRIBUTIONS

In this study, the authors have their respective duties and responsibilities. Praptiningsih as the first author has the task of designing research models, interpreting results, journal summits. Andy Setiawan as the second writer in charge of designing and designing research methods, data processing, tabulation and statistical tests, interpretation of results. Prima Dwi Priyatno as the second author is in charge of collecting data, processing data, interpreting results, and managing book copyrights. This research is committed to ensuring that research is as free as possible from bias, and appears to be. We have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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