

Disclosure Determinants of Provincial Financial Statements

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Abstract

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Disclosure and provision of information is an important element in financial statements. Therefore, local governments must provide adequate disclosure of various information in financial reports as a form of accountability and transparency of public finances to avoid errors and misunderstandings in the interpretation of financial statements. This study aims to analyze the factors that influence the level of disclosure of the Provincial Government's Financial Statements for the 2018-2020 fiscal year. The sample used in this study were 101 Financial Statements with the census method. This research analysis technique uses multiple linear regression analysis with Eviews 8.0 application. The results showed that regional wealth, government size, and the number of SKPDs had a positive effect on the level of LKPD disclosure. While the level of dependency and the number of audit findings does not affect the disclosure of LKPD.

Abstrak

Kata kunci:
Pengungkapan
LKPD;
Karakteristik
Internal; Temuan
Audit

Pengungkapan dan penyediaan informasi menjadi unsur yang penting dalam laporan keuangan. Oleh karena itu, pemerintah daerah harus menyajikan pengungkapan yang cukup memadai dari berbagai informasi dalam laporan keuangan sebagai bentuk akuntabilitas dan transparansi keuangan public. Hal ini bertujuan untuk menghindari kekeliruan dan kesalahpahaman dalam interpretasi laporan keuangan. Penelitian ini bertujuan untuk menganalisis faktor-faktor yang mempengaruhi tingkat pengungkapan Laporan Keuangan Pemerintah Provinsi tahun anggaran 2018-2020. Sampel penelitian ini sebanyak 101 Laporan Keuangan Pemerintah Daerah dengan metode sensus. Teknik analisis penelitian ini menggunakan analisis regresi linear berganda dengan aplikasi Eviews 8.0. Hasil penelitian menunjukkan bahwa kekayaan daerah, aset size, dan jumlah SKPD berpengaruh positif terhadap tingkat pengungkapan LKPD. Sedangkan tingkat ketergantungan dan jumlah temuan audit tidak berpengaruh terhadap pengungkapan LKPD.

1. Introduction

Efforts to objectify good governance, as well as increasing transparency and accountability of government financial management are the obligations of the central government and local governments by submitting financial reports as a form of accountability. Institutional Law Number 32 of 2004 concerning Regional Government stated that each government, whether provincial, district, and city governments, is obliged to make its own financial reports (D Suhardjanto & Yulianingtyas, 2011).

Financial reports produced by the government must comply Government Accounting Standards in accordance with Government Regulation No. 71 of 2010. This is confirmed by the State Treasury statement that the accountability report of APBN/APBD must be prepared and presented in accordance with Government Accounting Standards. The presentation of financial statements must be accompanied by adequate disclosures so that the information in financial statements can be understood and does not cause

misinterpretation (Lang & Lundholm., 1996). Government Accounting Standards Guidelines (PSAP) No. 1 Paragraph 24 discloses information about compliance with the budget. Likewise in the following paragraphs which explain the importance of disclosing all financial information that users need. It aims avoid errors and misunderstandings of the report interpretation (Setyaningrum & Syafitri, 2012). Disclosures and explanations for several items that are not presented in the financial statements can be presented in the Notes to the Financial Statements (Puspita & Martani, 2012; Setyaningrum & Syafitri, 2012).

The authority and ability to explore regional financial resources is needed for the implementation of broad, real and responsible regional autonomy. Local revenue (PAD) is the main source of regional income. The larger PAD will encourage local governments to disclose more transparent and accountable financial statements (Ardhani & Ardiyanto, 2011). Khasanah & Rahardjo (2014) and Hendriyani & Tahar (2015) found that PAD had no effect on the level of disclosure of local government financial statements (LKPD). Setyaningrum & Syafitri (2012) and Feriyanti et al. (2015) found that regional wealth had a positive effect on the level of LKPD disclosure.

Limited PAD revenue will lead to dependence on funding from the central government, thus making the central government to restrict local government operations and demand more disclosure as a form of monitoring local government performance. Heriningsih & Rusherlistyani (2013) explained that the level of dependence is measured by how much local government runs a work program that has been designed with funds from the central government. Accountability for the use of these funds is a form of transparency and accountability in regional financial management to create public confidence in the central or provincial governments that the funds are not misused. Research such as Hilmi & Martani (2012); and Khasanah & Rahardjo (2014) showed that the level of dependence has no effect on the level of LKPD disclosure. On the other hand, Hendriyani & Tahar (2015) indicated that the level of dependence has a negative effect, while (Feriyanti et al., 2015) declared that the level of dependence has a positive relationship to the level of disclosure of LKPD.

Assets alike economic resources owned by the government as a result of past events are expected to be obtained by government and community and measured in units of money. This includes non-financial resources required by service providers for the general public and for resources maintenance for historical and cultural reasons (Mahsun et al., 2006). Large and complex total assets will require careful asset management, thus requiring greater disclosure regarding asset maintenance and management (Halim, 2015). The greater the number of assets, the greater the resources that can be used, thus requiring more rigorous disclosure. Research by Hilmi & Martani (2012) and Heriningsih & Rusherlistyani (2013) found that total assets had no effect on LKPD disclosure. On the other hand Khasanah & Rahardjo (2014); Feriyanti et al. (2015); and Patrick (2007) found that total assets have a positive effect on the level of disclosure of LKPD.

The number of SKPDs describes the number of affairs that are prioritized by the regional government in developing the region. The more prioritized issues by the regional government, the more complex the government will be. The more complex the regional government is, the greater the number of SKPDs available. Furthermore, this will require

more extensive disclosure of local government financial statements. The more functional differentiation within the local government, the more ideas, information, and innovations available regarding disclosure (P Mandasari, 2016). Hilmi & Martani (2012) research shows that the number of SKPD (functional differentiation) has no significant effect on the level of LKPD disclosure. On the other hand, Khasanah & Rahardjo (2014) found that the number of SKPDs had a significant negative effect. Contrasting results by Feriyanti et al. (2015); and Setyaningrum & Syafitri (2012) showed that the number of SKPD has a positive relationship to LKPD disclosure.

State financial audits are carried out by auditors in the form of findings, opinions, conclusions, and can also be in the form of recommendations (Mauro, 1998). BPK audit findings are cases found by the Supreme Audit Agency (BPK) against regional government financial reports for violations committed in the regions against internal control provisions as well as against the provisions of applicable laws and regulations. The existence of this finding causes BPK to ask for increased disclosure and correction. The greater the number of findings, the greater the number of additional disclosures requested by BPK. Deviations as audit findings will be evaluated by BPK. Deviations made by government officials will reduce the level of disclosure of financial statements Robbins & Austin (1986) to cover the irregularities to reduce the disclosure. Hilmi & Martani (2012); Hendriyani & Tahar (2015) and Feriyanti et al. (2015) underlined that the number of findings has no effect on the level of LKPD disclosure. On the other hand, Khasanah & Rahardjo (2014) and Sudarsana & Rahardjo (2013) found the number of findings had a negative effect on the level of LKPD disclosure.

One of the important things to achieve is accountable performance, it is necessary to disclose the Provincial Government Financial Statements (LKPP) in a transparent manner. Because in practice many provinces make low disclosures and do not comply with the specified standards. Hilmi & Martani (2012) declared that low levels of disclosure occurred in the most remote province, namely West Papua. This finding also reinforced in Liestiani (2008), which is 35.45% means average mandatory disclosure of LKPD is still low. On the other hand, Suhardjanto & Lesmana (2010) stated 51.56% as indication that there was a lack of seriousness related to the mandatory disclosure of financial statements made by local governments.

The low disclosure also affects the opinion given by the Supreme Audit Agency (BPK). Summary of the results of the second semester of 2015 examination conducted by BPK, the Unqualified Opinion (WTP) given by BPK was 47% of the 539 LKPD examined. While the rest received opinions other than WTP, namely getting a Fair Opinion with an Exception (WDP) of 46%, a Disclaimer of Opinion (TMP) of 6% and an Unqualified Opinion (TW) of 1%.

This study aims to analyze the effect of local government characteristics and audit findings on the disclosure of provincial government financial statements. The results of this study are expected to contribute to increase transparency and accountability in financial management, in conducting performance evaluations for assessment, punishment and reward for compliance with disclosures with SAP.

2. Literature Review

Stewardship theory approach is used in this study to describe a situation where manager is not motivated by individual goals such as material and money but are more focused on the main goals for the benefit of the organization (Raharjo, 2007). This theory has a psychological and sociological basis that has been designed where the recipients of the trust (steward) are motivated to act according to the wishes of the trustee (principal). Beside that, steward behavior will not leave the organization because the steward is trying to achieve the goals of the organization. In other words, the relationship that occurs between the principal and the steward, in this case the people as the principal and the government as the steward, is a relationship that exists because of the basic human nature that can be trusted, is able to act responsibly, has integrity, and is honest with other parties (Khasanah & Rahardjo, 2014).

The government as a party has a lot of information and is responsible for carrying out the mandate and maintaining the trust that has been given by the people and has the awareness to continue to realize transparency and accountability (Laurent & S, 2019). The existence of this awareness is an effort to actualize themselves as obedient government officials and strive to maintain public trust.

The government's responsibility in carrying out the mandate and maintaining people's trust is stated in financial reports that refer to SAP. SAP is one of the significant aspects to improve the quality of state financial governance and government financial reporting. Mahmudi (2011) explained that government financial reporting is presented specifically to provide information that is useful in decision making and to demonstrate the accountability of reporting entities for the resources that have been entrusted to them.

The level of prosperity of an area shows the wealth of the local government. Such conditions can be measured through PAD. The main sources of PAD are local taxes and levies originating from local communities. A large PAD shows that the community's contribution as a form of participation is also large, this illustrates the increasing regional wealth. Therefore, the creation of transparent and accountable reporting must be carried out by local governments through adequate disclosure.

When local governments seek to make better disclosures in their financial statements, the responsibility of local governments performance for large wealth acquisition is counted as owned resources. When the local government is able to make better disclosures according to SAP, it can eliminate information asymmetry between the government and the community. Setyaningrum & Syafitri (2012); Hilmi & Martani (2012); Feriyanti et al. (2015); Suhardjanto & Yulianingtyas (2011) stated that regional wealth has a positive effect on the level of disclosure of provincial LKPD. From the description above, the following hypothesis is formulated:

H1: Regional wealth has a positive effect on the disclosure of provincial LKPD.

In carrying out its activities, local governments receive transfer funds. The higher the transfer funds received by the regional government; the higher dependence level on other sources of funds to finance their apparatus. Local governments will have pressure to disclose

more detailed information when the level of dependence on central government funding sources is also high. Transfer funds received by the regional government will have consequences in the form of monitoring from the center to the regions related to the use of transfer funds. Disclosure of information on the use of transfer funds is steward responsibility in a transparent manner and the accountability of regional financial management to reduce information asymmetry. This manifests public trust in both community and central or provincial government that funds are not misused (corruption). The research of [Feriyanti et al. \(2015\)](#) found that the level of dependency of the city government was significantly positive related to the level of disclosure of LKPD. Due to the high dependence, it is possible that the central government will limit the operations of local governments and ask for more disclosures to monitor the work of local governments with these restrictions on operations. From the description above, the following hypothesis is formulated:

H2: The level of dependence has a positive effect on the level of disclosure of the provincial LKPD.

Assets that are kept/owned by local governments acquired as a result of past transactions are economic resources with the hope that they will provide economic benefits in the future. The greater the number of assets used by the entity in carrying out operational activities, the greater the responsibility of the regional government in managing resources. Asset management responsibility is carried out through financial reporting and disclosure ([Patton & Bean, 2001](#)).

Thorough asset management will require detailed disclosure, because large asset values have complex characteristics in their maintenance and management. Regions that have a larger total asset size will have a greater demand to disclose more in the LKPD. Referring to the stewardship theory where local government in carrying out its duties and responsibilities for managing regional finances in an accountable and transparent manner must comply with SAP. Thus, when a large number of asset values and complex characteristics are owned by local governments, SAP guidelines are needed to make proper disclosures. This is considering that each asset has different characteristic specifications. [Patrick \(2007\)](#) and [Khasanah & Rahardjo \(2014\)](#) indicated that total assets have a positive and significant effect on the completeness of LKPD disclosures. From the description above, the following hypothesis is formulated:

H3: Asset Size has a positive effect on the level of disclosure of provincial LKPD.

SKPD is an accounting entity that is required to record transactions within the local government environment. The number of SKPD describes the number of matters that are priority for regional government in developing the region. The more matters that become a priority for the regional government, the more complex the government will carry out its activities. The bigger the SKPD, the more complex the government is. The more complex the government, the greater the activities carried out so as to make the wider disclosures that must be presented in the financial statements ([Hilmi & Martani, 2012](#)). The greater the number of SKPD, the more information that must be disclosed in an effort to reduce

information asymmetry. This shows that the steward's performance accountability is credibly increase. The higher the number of SKPDs, the higher the fulfillment of local government financial statement disclosures. When local governments have many SKPDs, there will be more ideas, information, and innovations available regarding disclosure [Mandasari \(2009\)](#); [Khasanah & Rahardjo \(2014\)](#); [Feriayanti et al. \(2015\)](#) and [Setyaningrum & Syafitri \(2012\)](#) found that the number of SKPDs had a positive relationship with LKPD disclosure. From the description above, the following hypothesis is formulated:

H4: The number of SKPD has a positive effect on the level of disclosure of the provincial LKPD.

BPK audit findings are cases found by BPK on local government financial reports for violations committed by regions against internal control provisions and the provisions of applicable laws and regulations. With audit findings, BPK will make corrections and increase disclosures as requested by BPK. More disclosure is made as an effort to improve and correct the audit findings found by BPK and show public the quality improvements made by the regional government on the advice of BPK. The greater the number of findings, the greater the number of additional disclosures that will be requested by BPK in the financial statements. Stewardship theory states that local governments as stewards will try their best to carry out their duties as responsibilities to the principal. The local government as a steward will seek to immediately follow up on the recommendations of the BPK audit findings as a form of responsibility for regional financial management. Therefore, the greater the number of audit findings, the more corrections and improvements will be made which can encourage increased disclosure in the financial statements ([Hilmi & Martani, 2012](#)). Better disclosure is also carried out as an effort to show the public that there are quality improvements made by the local government on the advice of the BPK ([Khasanah & Rahardjo, 2014](#)). [Liestiani \(2008\)](#) found that the number of findings had a positive effect on the level of LKPD disclosure. From the results of the above description, the following hypothesis was formulated.

H5: The number of findings has a positive effect on the level of disclosure of the provincial LKPD.

3. Method

The research population is LKPD from 34 provincial governments in Indonesia for the 2017-2019 period which has been audited by the Supreme Audit Agency (BPK) sourced from BPK RI and refers to the latest SAP regulations. The consideration of using the financial statements of the provincial government in Indonesia is that the data used can present update information so that it can describe the current condition of the provincial government. The research sample was selected based on the availability of provincial LKPD data for three years. The sampling technique used in this study was a census.

This research uses secondary data from provincial LKPD for the 2017-2019 fiscal year audited by BPK. The source of data for LKPD Provinces in Indonesia is obtained directly from the BPK RI. Data on audit findings were obtained from the summary of

examinations in the first and second semesters of 2016-2018. Meanwhile, the total population was obtained from BPS in 2016, 2017 and 2018. Meanwhile, other data were also obtained from BPS and the official website of each province. The method of data collection in this study was carried out by means of a documentation study.

Furthermore, the operational and measurement variables in this study can be explained as follows. LKPD disclosures describe how much disclosure made by the provincial government compared to the disclosures that should be presented. The measurement of this variable uses the research of Hilmi & Martani (2012), namely: (Disclosure in LKPD) / (Disclosure in PSAP). Regional wealth is regional prosperity seen in PAD. PAD is sourced from regional taxes, regional retributions, profits from regionally owned enterprises (BUMD), and other legitimate regional original revenues. The measurement of this variable uses the research of Khasanah & Rahardjo (2014), namely the total PAD. Dependency level is a type of local government revenue that comes from central government transfers to local governments to finance local government operations. The measurement of this variable uses the research of Hilmi & Martani (2012), namely: (Transfer Funds) / (Total Income). Asset size is the level of regional development which is expressed by its total assets. The greater the total assets, the larger the size of the area. The measurement of this variable uses the research of Hilmi & Martani (2012), namely Ln Total Assets. The number of SKPDs are executive function executors who must coordinate so that government administration runs well. The measurement of this variable uses research by Giligan et al. (2001) and Setyaningrum & Syafitri (2012), namely the number of SKPD. The number of findings is the cases found by BPK in LKPD for violations committed by a region against the provisions of internal control as well as the provisions of the applicable legislation. The measurement of this variable uses the research of Hilmi & Martani (2012), namely the number of findings.

This study uses multiple linear regression analysis to test all hypotheses with the following model Eq.1:

$$\text{LKPD Disclosure} = \alpha + \beta_1 \text{RW} + \beta_2 \text{DL} + \beta_3 \text{AS} + \beta_4 \text{SKPD} + \beta_5 \text{FIND} + \varepsilon \quad (1)$$

Description:

LKPD Disc	= LKPD Disclosure
α	= Constant
β	= Regression Coefficient
RW	= Regional Wealth
DL	= Dependency Level
AS	= Assets Size
SKPD	= Regional Government Work Unit
FIND	= Finding
ε	= Error

4. Result and Discussion

The following descriptive statistics describe 101 LKPDs for the 2018-2020 fiscal year as shown in Table 1.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LKPD_Disclosure	101	,41509	,71698	,5395106	,06693079
Regional Wealth	101	235369	6806346	1352494,83	1272557,557
Dependency Level	101	,10441	,87434	,4470727	,18434844
SKPD	101	22	69	43,25	8,681
Assets_Size	101	12,06	14,63	12,9395	,46303
Finding	101	0,000	128,000	23,9640	22,49930

Table 1 shows the results of descriptive statistical tests of 101 Provincial Government LKPDs in Indonesia.

- a. The minimum value for LKPD disclosure is from the province of South Sumatra and the maximum value for LKPD disclosure is from the province of Aceh. This condition shows that the overall disclosure of LKPD in the provincial government is still relatively low.
- b. The minimum value for the dependency level is from the province of West Java and the maximum value is from the province of Aceh. This condition shows that the overall level of dependence is relatively low.
- c. The minimum value of Asset Size comes from the province of West Sulawesi and the maximum value of total assets from the province of DKI Jakarta. This overall condition shows that the assets owned by the provincial government are quite large.
- d. The minimum and maximum values for the number of SKPD are in the province of North Kalimantan and the province of East Java. With a large number of SKPD, this illustrates the variety of tasks played by the provincial government is increasingly complex.
- e. The minimum value for regional wealth is from the province of South Sumatra and the maximum value is from the provinces of Aceh and DKI Jakarta. This condition shows that the PAD of the provincial government is still quite low.
- f. The minimum value of audit findings is 0, namely the provinces of Aceh, East Kalimantan, Maluku, North Maluku, NTT, Papua, West Papua, West Kalimantan, North Kalimantan, Riau Islands, West Sulawesi, and South Sulawesi. The maximum value of 128.00 is an audit finding from the province of North Sulawesi. Such conditions indicate the number of audit findings is quite high.

Normality test to meet the analysis requirements using Jarque-Berra (Ghozali, 2022). This test measures the difference in skewness and kurtosis of the data and compared it with data with normal distribution. The Jarque-Berra probability value in Table 2 is 0.24836 ($p > 0.05$), it is concluded that the data is normally distributed.

The Heteroscedasticity test is carried out with the Glejser Test using the absolute residual value as shown in Table 3. It can be seen from table 3 that coefficients for each independent variable are insignificant (t test and probability), so it can be concluded that there is no heteroscedasticity problem (Ghozali, 2022).

Multicollinearity test was conducted to determine whether there were similarities between the independent variables with one another in one model. The results of the multicollinearity test are shown in Table 4.

Table 2. Normality Test

Series: Residuals	
Sample 1 101	
Observations 101	
Mean	0.000444
Median	0.000590
Maximum	0.126795
Minimum	-0.142977
Std. Dev.	0.065435
Skewness	-0.107956
Kurtosis	2.211245
Jarque-Bera	2.814336
Probability	0.244836

Table 3. Heteroscedasticity Test

Dependent Variable: : ARESID				
Included observations : 101				
Variabel	Coefficient	t-Statistic	Prob	
C	-0.438760	-2.675966	0.0088	
REGIONAL WEALTH	-1.80E-15	-1.890315	0.0618	
DEPENDENCY LEVEL	0.022061	0.908705	0.3658	
ASSETS_SIZE	0.016850	1.083339	0.2731	
SKPD	-2.54E-05	-0.058831	0.9532	
FINDING	-0.000317	-0.988075	0.3907	

Table 4. Multicollinearity Test

Included observations: : 101			
Variable	Coefficient Variance	Uncentered VIF	
REGIONAL WEALTH	2.31E-30	2.247606	
DEPENDENCY LEVEL	0.002106	1.019654	
ASSETS_SIZE	2.44E-06	4.651108	
SKPD	7.77E-07	3.872152	
FINDING	1.04E-07	2.517131	

Table 4 shows the results of the calculation of the Variance Inflation Factor (VIF) value that does not exceed 10 so that there is no correlation between the independent variables. From the two tables above, it can be concluded that there is no multicollinearity between the independent variables in the regression model of this study.

The estimation of the regression model is presented in Table 5 as follows Eq. 2.

$$\text{LKPD Disclosure} = 1,408 + 0.198258 \text{ RW} + 0.088103 \text{ DL} + 0.014778 \text{ AS} + 0.125254 \text{ SKPD} - 0.000426 \text{ FIND} + e \quad (2)$$

The regression analysis in Table 5 resulted that regional wealth, dependency level, asset size, number of SKPD, and number of findings, jointly affect the disclosure of LKPD. This can be seen from the calculated F value of 20.23408 with a probability value of 0.003851 ($p < 0.05$). Then the regression model can be used to predict the level of disclosure of LKPD. The adjusted R² value shows 0.468162. This shows that 46.82% of the variation in the level of LKPD disclosure can be explained by regional wealth, dependency level, asset size,

number of SKPD, and number of findings. While the rest is explained by other factors outside this research model.

Table 5. Hypothesis Testing

Dependent Variable: LKPD_Disclosure				
Included observations: 101				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
REGIONAL WEALTH	0.198258	1.52E-15	4.698051	0.0028
DEPENDENCY LEVEL	0.088103	0.045890	1.798766	0.0579
ASSETS_SIZE	0.014778	0.001563	9.455633	0.0000
SKPD	0.125254	0.000882	2.393075	0.0181
FINDING	-0.000426	0.000323	-1.317872	0.1907
R-squared	0.543146	Mean dependent var		0.539511
Adjusted R-squared	0.468162	S.D. dependent var		0.066931
S.E. of regression	0.067137	Akaike info criterion		-2.506604
Sum squared resid	0.428197	Schwarz criterion		-2.351251
Log likelihood	132.5835	F-statistic		20.23408
Durbin-Watson stat	2.114949	Prob (F-statistic)		0.003861

The results of hypothesis testing in Table 5 show that regional wealth has a probability value of 0.0028 ($p < 0.05$), then regional wealth has a significant positive effect on LKPD disclosure (**H1 is supported**). The level of dependence has a probability value of 0.0579 ($p > 0.05$), then the level of dependence does not have a significant positive effect on LKPD disclosure (**H2 is not supported**). Asset size has a probability value of 0.0000 ($p < 0.05$), then Asset size has a significant positive effect on LKPD disclosure (**H3 is supported**). The number of SKPD has a probability value of 0.0181 ($p < 0.05$), then the number of SKPD has a significant positive effect on the disclosure of LKPD (**H4 is supported**). The number of audit findings has a probability value of 0.1907 ($p > 0.05$), so the number of findings does not have a positive effect on LKPD disclosure (**H5 is not supported**).

Regional wealth affects the level of disclosure of LKPD, this situation means that local taxes, regional levies and other revenues have a large enough value as a source of local/city government revenue. This means that the community has a high awareness and concern that taxes and levies are components of PAD.

This condition requires local governments to be more accountable and transparent in the realization of tax & levy revenues management and the utilization of the PAD it has collected (Setyaningrum & Syafitri, 2012). This requires local governments to present and disclose financial statements in a better and comprehensive manner in accordance with Government Accounting Standards (SAP). This finding is in line with Setyaningrum & Syafitri (2012); Liestiani & Martani (2012); Feriyanti et al. (2015) and Hilmi & Martani (2012) that underline the level of regional wealth has a significant positive effect on the level of disclosure of the Provincial LKPD.

The existence of a large PAD value requires the government to be able to maintain the quality of the preparation of financial reports, given that large PAD is a resource to

finance government activities. Huge financial resources will demand more responsibility through fuller disclosure according to SAP. The existence of complete disclosure will reduce information asymmetry so as to facilitate communication between the steward and the principal. This condition shows the credibility of the steward's role is getting better so that the trust of the principal is getting better.

The level of dependence has no effect on the level of disclosure of the LKPD. This finding shows the lack of monitoring from the central government which is less effective. This happens because the central government allocates revenue-sharing funds as a routine activity, so it does not require special time for monitoring and evaluation. The use of large transfer funds by the provincial government should be accompanied by adequate disclosure of LKPD as an effective oversight (Liestiani, 2008). If the use of regional transfer funds is not properly monitored, it will not encourage local governments to improve the quality of financial reports and appropriate disclosures. These findings do not inline with stewardship theory, provinces that have a high level of dependence will have a greater possibility of increasing transparency and accountability as stewards' responsibilities through adequate disclosure of the use of transfer funds. However, in practice, the lack of control and the low level of supervision carried out by the central government have led the local government to make disclosures that are not as appropriate. This condition shows that the roles of the stewards and principals are not being carried out properly, thus causing the steward's lack of awareness in carrying out their responsibilities. This finding is in line with research by Hilmi & Martani (2012); Heriningsih & Rusherlistyani (2013); Khasanah & Rahardjo (2014) and Suhardjanto & Yulianingtyas (2011) that the level of disclosure has no significant effect on the level of disclosure of LKPD.

Asset size has a significant positive effect on the level of LKPD disclosure. Entities that have large amounts of assets will have greater management and administrative responsibilities. The more types of assets owned will demand greater administration with various methods, because each type of asset has a different way of managing and administering it. The management and administration of assets in the local government is not good enough. This is indicated by numerous problems and irregularities in regional assets management. Therefore, the large number of assets becomes an obstacle in its presentation and disclosure. Thus, the greater the number of assets, the more difficult it will be to disclose financial statements according to SAP (Asyrofi & Ratmono, 2016).

Provinces with large total assets have a greater possibility of increasing transparency and accountability as stewards' responsibility through better disclosure of large total assets (Khasanah & Rahardjo, 2014). This situation illustrates the implementation of tasks played well by the steward and principal. Directly, the principal, who is played through DPRD members, views that the existence of a large asset value will put pressure on the local government to need to be more transparent in making adequate disclosures according to SAP. On the other hand, the steward, played by the local government, needs to make wider disclosures on the management of ownership of assets of great value to the principal. These results support Khasanah & Rahardjo (2014) and Suhardjanto & Yulianingtyas (2011) that total assets have a positive effect on the level of LKPD disclosure.

The number of SKPD has a significant positive effect on the level of disclosure of LKPD. With a larger number of SKPDs, wider disclosure will encourage provincial governments to carry out their roles and responsibilities. The existence of such conditions will show the increasingly complex role of local governments in carrying out their responsibilities, thus demanding wide disclosure. Because it will provide information transparently to understand the complexity of the activities carried out by the government. Provinces that have a large number of SKPD (more and more differentiation) can show their responsibilities through full disclosure according to SAP. This finding corroborates [Feriyanthi et al. \(2015\)](#) and [Suhardjanto & Yulianingtyas \(2011\)](#) that the number of SKPD has a significant effect on the level of disclosure of LKP.

The number of findings does not affect the level of disclosure of LKPD. This is due to small number of findings, which indicates few violations of government financial reporting, including its financial administration and management. The number of findings indicates financial statements quality is good and tends to have an adequate level of disclosure. On the other hand, the large number of findings indicates numerous problems in the financial statements, so they tend to have lower levels of disclosure.

Most of BPK's audit findings are non-compliance with laws, regulations and internal control findings that indirectly related to financial statement disclosures ([Heriningsih, 2013](#)). This results is not having much effect on improving the quality of disclosure in the financial statements. In addition, the follow-up to BPK's recommendations by the regional government has not been optimal. This results in recommendations cannot be a driving factor for improving the quality of financial reports. This condition shows that the local government as a steward does not carry out its role properly in terms of not following up on BPK's recommendations. The results of this study strengthen the research conducted by [Hilmi & Martani \(2012\)](#) that the number of findings does not affect the level of disclosure of LKPD.

5. Conclusion

Low disclosure of LKPD shows the local government's low compliance with SAP, thus it is still far from expectations towards good government governance. The government continues to improve disclosure compliance with digitalization. The existence of this effort makes the quality of reporting better and faster to respond if there is a discrepancy. Referring to the results of the analysis and testing, it is concluded that regional wealth has a significant positive effect on the level of LKPD disclosure. The level of dependence has no effect on the level of disclosure of the LKPD. Asset Size has a significant positive effect on the level of LKPD disclosure. The number of SKPD has a significant positive effect on the level of disclosure of LKPD.

To improve the low level disclosure of provincial LKPD, it is necessary to take measures of rewards and punishments firmly so that the regional government obeys the laws and regulations that have been set. To improve local government compliance with SAP, the role of the legislative body needs to be maximized in carrying out the monitoring function. It is necessary to improve coordination and better cooperation between government

management parties, namely SKPD in order to meet the principles of good government governance.

Some of the weaknesses of this research are the low ability of the model in explaining the variance of LKPD disclosure which is still limited at 46.82%. Not all local governments have made disclosures based on LKPD with reference to the latest Government Regulations. This study uses a disclosure index which is considered to have an equally important weight. The use of inappropriate proxies causes the results of the analysis to be inaccurate in showing the performance of local governments.

The hope for future researchers is to develop a mandatory disclosure model that refers to accrual-based SAP for all local governments. The development of the model for further researchers needs to be weighted for each item with a different value. The development of this model is followed by an analysis of the panel method so that it will show the differences in the conditions of PAD, balancing funds and economic growth for each region and the condition of trends over time in each local government. When it is employed, of course, will give a better conclusion. The usage of panel data will be able to capture differences between local governments and also be able to compare local government conditions between periods. It is necessary to pay attention to the quality and characteristics of human resources specifically, such as regional heads and LKPD compilers, or based on LKPD reviews by the inspectorate. Furthermore, a comparative study of each region needs to be carried out based on the number of audit findings to see the difference in the effect of the number of findings on the level of disclosure of the LKPD.

Authors' Declaration

Authors' contributions and responsibilities

The authors made substantial contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

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