



The influence Of Complexity And Audit Findings On The Disclosure Regional Financial Statements In Indonesia

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Abstract

Purpose: The purpose of this paper is to examine the influence of government complexity, weaknesses in the internal control system, and non-compliance with the law on the disclosure of local government financial statements (LKPD) based on Government Regulation No. 71 of 2010.

Design/methodology/approach: The secondary data type is panel data with 32 provinces cross-section and time series for 5 years (2012-2016) so that the number of panel data observations is 160 observations. The analytical tool used is panel data regression with the fixed-effect method.

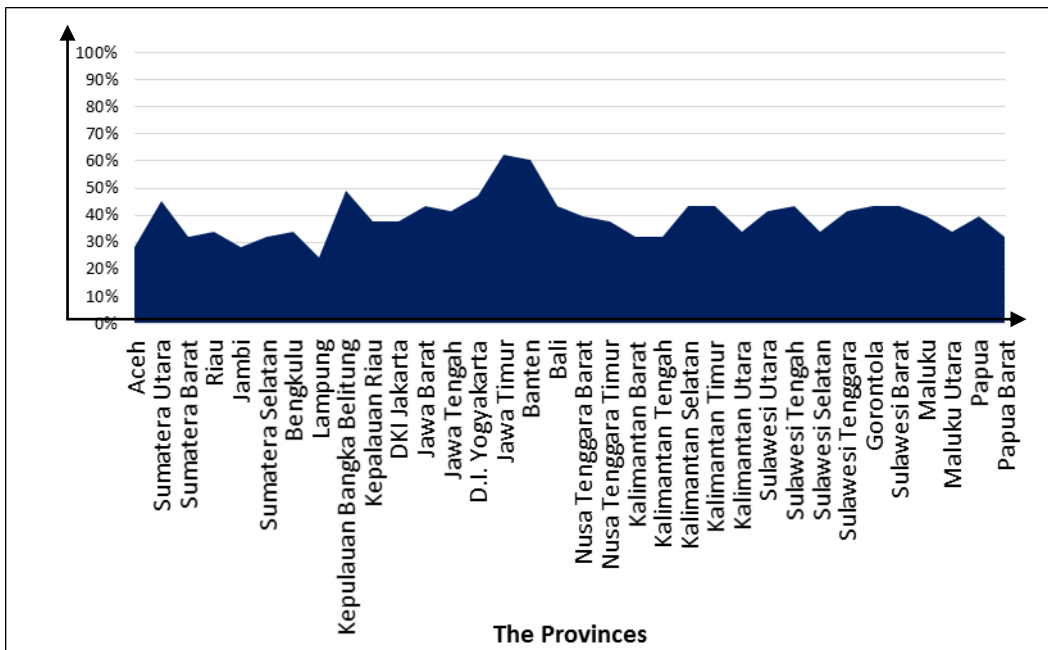
Findings: The results of the study show that the complexity of governance has a significant positive influence on the disclosure of local government financial statements, the weakness of the internal control system does not influence the disclosure of local government financial statements and non-compliance with the law has a significant negative influence on the disclosure of local government financial statements.

Originality/value: This study contributes to the public sector accounting research by increasing our knowledge and understanding on the disclosure of local government financial statements.

1. Introduction

The Regional Government Financial Report (LKPD) audited by the Indonesian Supreme Audit Board (BPK RI) must be accompanied by disclosures as mandated in Government Regulation Number 71 of 2010 that the APBN / APBD accountability report must be prepared and presented by the Government Accounting Standards (Government Accounting Standards (SAP), the form of accountability itself through the disclosure of audit results as a form of transparency to the public as actors ((Nor, Hudaya, & Novriyandana, 2019). As revealed (Laupe et al, 2018) and (Martani & Liestiani, 2010) which states that the more audit findings, the local government tends to be more motivated to increase financial statement disclosures in the following year.

Phenomenon in Indonesia, that until 2016, there are still many local governments in Indonesia that have not revealed detailed regional financial reports by the Government Regulation no. 71 The year 2010 (the Republic of Indonesia, 2010) as shown in figure 1 below, that out of a total of 34 Provinces there are 32 Provinces whose mandatory disclosure levels in their local government financial statement records are still below 50% in 2016.



Source: Audit Report of the Republic of Indonesia Supreme Audit Agency (data processed 2018)

Figure 1: Level of Disclosure of Provincial LKPD for Fiscal Year 2016

Figure 1 shows that out of 34 provinces, the average level of financial statement disclosure is 39% of disclosures of LKPD. Lampung Province has the lowest percentage of LKPD disclosure at 22% compared to all provinces in Indonesia, while East Java Province has the highest percentage at 62%. This shows that the local government has not fully disclosed its financial statements by Government Regulation No. 71 of 2010.

Each local government has diverse activities and complexities, and of course, requires greater disclosure. Several studies (Khasanah & Rahardjo, 2014), (Cristiana & Maryono, 2016), show that government complexity has a significant positive influence on the level of LKPD disclosure, whereas (Lutfia et al., 2018) complexity has a significant negative influence on LKPD disclosure. On the contrary (Hilmi & Martani, 2012); (Maulana & Handayani, 2015); (Pandansari, 2016) and (Purnama & Alfina, 2019) show that complexity does not significantly influence LKPD disclosure.

Disclosure of government financial reports in Indonesia is still low, the Indonesian government must make efforts to increase the level of disclosure of financial statements in the future (Sukmadilaga, Pratama, & Sri, 2015). The regional government has not been optimal in trying to resolve the problem of audit findings that have occurred and needs the best efforts to resolve audit recommendations, both the weaknesses of the SPI and non-compliance with the laws to minimize the occurrence of problems/cases (Pamungkas, Avrian & Ibtida, 2019). Several studies have varied research results such as (Martani & Liestiani, 2010) (Sari, Martani & Setyaningrum, 2015) that audit findings have a significant positive influence on the disclosures of LKPD. (Heriningsih, 2013); (Priharjanto & Wardani, 2017); (Arifin, 2018) which revealed that the SPI's weakness did not influence the level of disclosure of local government financial statements.

In addition to SPI irregularities, non-compliance with the law is also included in the results of audits conducted by the Auditor, (Hilmi & Martani, 2012) revealing that statutory irregularities have a significant positive influence on the disclosures of LKPD. However, in contrast to research conducted by (Heriningsih, 2013) and (Priharjanto & Wardani, 2017) revealed that non-compliance with the laws does not influence the disclosure of LKPD.

This research is intended to find out the factors that cause the low LKPD disclosure seen from the complexity of local government and the level of government accountability in the

form of findings of SPI weaknesses and findings of non-compliance with the law. This research is expected to provide benefits to the Provincial Government as information to improve disclosure of LKPD and carry out follow-up recommendations from BPK RI.

2. Literature Review And Hypothesis Development

2.1 Stewardship Theory In Regional Government

Donaldson and Davis (1991) assume that the Stewardship Theory is a strong relationship between satisfaction and organizational success. Stewardship theory describes a situation where the recipients of the mandate are not motivated by individual goals, but rather focus on the main target for the benefit of the organization (Raharjo, 2007). In its relationship with the government, the government acts as the recipient of the mandate, must try its best in carrying out its government to achieve the objectives of the government, namely improving the welfare of the trustee (the people). The people want the government to take responsibility for the management of resources entrusted to the government through periodic financial reporting mechanisms and the people through the legislature can assess and know the level of government compliance with existing regulations and the level of mandatory disclosure of regional financial reports.

2.2 The Government Complexity and Disclosure of LKPD

Complexity in government can mean a condition in which various factors with various characteristics influence the government directly or indirectly. The more complex a government is in carrying out activities it will cause more information to be disclosed as an effort to reduce information asymmetry and show the performance of the government as the holder of the mandate better. The bigger the regional government organization owned means the more complex the government is. The more complex the government, the greater the level of disclosure made. The more items disclosed, the results of the percentage the disclosures of LKPD increasingly reflect the compliance of local governments in presenting their financial reports in accordance with government accounting standards. Hilmi (2010) states that the number of Regional Government Organizations (OPD) illustrates the number of functions that are a priority of regional governments in developing regions. (Khasanah & Rahardjo, 2014), (Cristiana & Maryono, 2016), stated that the more functions that are

prioritized by the regional government, the more complex the government carries out its activities, and thus we propose the following hypothesis:

H1: There is a significant influence government complexity on disclosure of LKPD

2.3 SPI's Weakness and Disclosure of LKPD

Stewardship Theory states the recipients of the mandate (Government) are motivated to act in accordance with the wishes of the trustee (the People). The government has a lot of information and is responsible for the trust that has been given by the people and must have the awareness to continue to realize transparency and accountability. The results of the examination of the SPI by the BPK were received by the Government and as the mandate holder of the Government tried to provide information relating to the management of state finances to meet the people's desire for transparency and accountability in financial statements. BPK's Audit Findings on SPI are divided into three groups of findings, namely weaknesses in the accounting and reporting control system, weaknesses in the implementation of the regional budget, and weaknesses in the internal control structure. The finding of SPI weakness by BPK will influence the amount of disclosure as a correction. Opinions (Sari, Martani & Setyaningrum, 2015) and (Martani & Liestiani, 2010) state that the greater the number of audit findings, the greater the number of additional disclosures that will be requested by BPK in the financial statements. from the description above, the following hypothesis is formulated:

H2: There is a significant influence the weakness of SPI on disclosure of LKPD

2.4 The Non-Compliance With The Law and Disclosure of LKPD

BPK audit findings are cases of irregularities found by BPK on LKPD of a region. Findings on non-compliance are divided into seven categories, namely non-compliance findings that cause regional losses, findings of potential regional losses, findings of lack of acceptance, administrative findings, findings regarding inefficiencies, inefficiencies, and ininfluence iveness (Irman & Suryati, 2017). The greater the number of non-compliance findings, the smaller the level of disclosure of financial statements reported by the Government, because the Government is trying to make improvements and corrections of laws and regulations as well as the mismatch of financial statement presentation by applicable regulations. Disclosure is more done as an effort to improve and correct audit findings found by BPK and

to show the public that there are quality improvements made by local governments on the advice of BPK. We build our hypotheses as follows:

H3: There is a significant influence of non-compliance with the law on disclosure of LKPD

3. Research methods

3.1 Sample selection

The population of this research is 34 provinces in Indonesia in the 2012-2016 fiscal year. The type of data used in the study is panel data, which is a combination of time series data and cross-section. The sampling technique used was purposive sampling based on the criteria as outlined in table 1. Obtained a total of 160 research samples from 32 sample provinces which were cross-section units and time-series data from the 2012-2016 period.

Table 1: Population and Sample

No	Identification	Total
1.	Number of Provinces in Indonesia that have been audited by BPK for 5 years 2012-2016	34
2.	The number of provinces that do not have CaLK in Kalimantan Utara	(1)
3.	The number of new provinces in 2014 was Kalimantan Utara	(1)
4.	Research Samples (Province)	32
5.	Research Period (2012 - 2016)	5
6.	Final Research Sample (32 x 5)	160

3.2 Data Types and Sources

This research data is in the form of secondary data sourced from the Financial Statements that have been audited by BPK RI in the form of Notes to Financial Statements and LKPD Inspection Results Reports in Provincial Governments in Indonesia 2012-2016.

3.3 Operational Definition and Variable Measurement

In summary, the following table 2 explains the definition and measurement of research variables.

Table 2: Operational Variables

Variable	Formula
Disclosure of LKPD (Y) measured based on the comparison between disclosures that have been presented in LKPD with disclosures that should be presented in Notes to Financial Statements (CaLK) by Government Regulation Number 71 of 2010 concerning SAP (53 item items) (Martani & Liestiani, 2010); (Hilmi, A. Z., & Martani, 2012)	$\frac{\text{Total of LKPD disclosures}}{\text{Total of financial statement disclosures by SAP}}$
Government Complexity (X1) Total of all Regional Apparatus Organizations (OPD) in each region. (Hilmi, A. Z., & Martani, 2012)	GC=Total OPD
SPI Weakness (X2) Total of cases from the findings of the internal control system weaknesses. (Heriningsih,2013)	SPIWe = Total of cases of SPI weaknesses
Non-compliance with the law (X3) Total of cases from the findings of the non-compliances to the laws and regulations (Heriningsih, 2013)	NCL= total non-compliance with the law

Source: researcher data processing, 2018

LKPD disclosure items by Government Regulation Number 71 of 2010 concerning Government Accounting Standards, which consist of items as described in table 3 as follows:

Table 3: LKPD Disclosure Items

No.	Disclosure of LKPD
1.	General Information about Reporting Entities and Accounting Entities.
2.	Information on fiscal / financial and macroeconomic policies.
3.	Summary of the achievement of financial targets during the reporting year following the constraints and obstacles encountered in achieving the targets.
4.	Information about the basis for presenting financial statements and accounting policies chosen to apply to transactions and other important events.
5.	Details and explanations of each item are presented on the front page of the financial statements.
6.	Information required by the Government Accounting Standards Statement that has not been presented in the front page of the financial statements
7.	Other information needed for fair presentation, which is not presented in the front page of the financial statements.

PSAP No. 5, Accounting for Inventories	
8.	Accounting policies used in measuring inventory;
9.	Further explanation of supplies such as goods or equipment used in public services, goods or equipment used in the production process, goods stored for sale or delivered to the public, and goods still in the production process intended to be sold or handed over to the public.
10	Type, amount and value of inventory in damaged or obsolete condition.
PSAP No. 6, Accounting on Investment	
11	Accounting policies for determining investment value.
12	Types of investments, permanent and non-permanent investments.
13	Changes in market prices for both short-term and long-term investments;
14	Significant decline in the value of investment and the cause of the decline;
15	Investments that are valued at fair value and the reasons for their application;
16	Changes to the investment post
PSAP No. 07, Accounting for Fixed Assets	
17	The valuation basis used to determine the carrying amount
	Reconciliation of amounts recorded at the beginning and end of the period showing:
18	Addition;
19	Release;
20	Accumulated depreciation and changes in value, if any;
21	Movements in other fixed assets
	Depreciation information, including:
22	Depreciation value;
23	Depreciation method used;
24	The useful life or depreciation rate used;
25	Gross carrying amount and accumulated depreciation at the beginning and end of the period;
26	Accounting policies for capitalization relating to fixed assets;
27	Total expenditure on fixed assets under construction; and
28	The existence and limitations of ownership rights to fixed assets;
29	Total commitment for acquisition of fixed assets.
	If fixed assets are recorded at an revalued amount, the following 8 points must be disclosed:
30	Regulatory basis for revaluing fixed assets;
31	Influence ive date of revaluation;
32	If there is, the name of the independent appraiser;
33	The nature of any instructions used to determine the cost of replacements;
34	The carrying amount of each type of fixed asset.
PSAP No. 08, Construction Accounting In Work	
35	Details of the construction contract in progress along with the level of completion and the time period for its completion;
36	Value of construction contract and source of funding.
37	Amount of costs incurred and accrued;
38	Advances for work provided;
39	Retention

PSAP No. 09, Accounting For Debt	
40	The amount of short-term and long-term liability balances classified by lender;
41	The amount of the obligation balance in the form of government debt based on the type of government debt securities and their maturity;
42	Loan interest due during the period and the applicable interest rate;
43	The consequences of liability settlement before maturity;
	Debt restructuring agreements include:
44	Loan reduction;
45	Modification of debt requirements;
46	Reduction in loan interest rates;
47	Loan maturity;
48	Reduction in loan maturity value; and
49	Reduction in the amount of interest owed up to the reporting period
50	The amount of loan arrears is presented in the form of a list of debt ages based on creditors.
	Borrowing fee:
51	Treatment of loan costs;
52	Amount of loan costs that are capitalized in the period concerned;
53	The level of capitalization used.

Source: Government Regulation No. 71 of 2010

3.4 Empirical models

This study develops a regression model as shown in Equation 1. The data analysis technique used is panel data regression using the Eviews 10 program.

$$Discl_{i,t} = a + b_1GC_{i,t} + b_2SPIWe_{i,t} + b_3NCL_{i,t} + e_{i,t} \dots\dots\dots 1$$

Where:

Discl = Disclosure of LKPD, GC = Total OPD, SPIWe = Total of cases of SPI weaknesses, NCL = total non-compliance with the law.

4. Results And Discussion

4.1 Descriptive Statistics Analysis

Table 4 presents descriptive statistics for all variables used in the analysis with a total sample of 160.

Table 4: Descriptive Statistics of Research Variables

	Discl	GC	SPIWe	NCL
Mean	18.62	40.41	7.64	7.993
Maximum	33.0	74.0	26.0	27.0
Minimum	9.0	22.0	2.0	2.0
Observations	160	160	160	160

Sumber : Output data diolah (Eviews 10)

In table 4 it can be seen that the disclosure of LKPD has a mean (average) of 18.62, a maximum value of 33 disclosure items obtained by Jawa Timur Province in 2016 and a minimum value of 9 disclosure items. Government complexity can be seen the mean value (average) of 40.41, which means the average government complexity is 40 OPD, a maximum value of 74 which means there is a complexity of governance in the Indonesian Province of 74 OPD and a minimum value of 22 OPD. SPI Weakness mean or average value of 7.64, a maximum value of 26 findings and a minimum value of 2 findings, namely Jawa Barat Province in 2016, Nusa Tenggara Barat in 2012 to 2014, Kalimantan Selatan Province in 2014, Kalimantan Timur Province in 2016 and Sulawesi Barat Province in 2016.

The variable of non-compliance with the law can be seen the mean or average value of 7.99, the maximum value of 27 cases of non-compliance with the law during the 2012 fiscal year period until 2016, and the minimum value of 2 case findings, namely Sumatera Barat Province in 2016, Nusa Tenggara Barat Province in 2014 and 2015.

Classic Assumption Test

Autocorrelation Test

In this study, the autocorrelation assumption testing was performed with the Durbin-Watson Test (DW test).

Table 5: Autocorrelation Test Results

Durbin-Watson stat	2.149240	No autocorrelation occurred
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Source: *Processed data output (Eviews 10)*

Table 5 shows the results of the autocorrelation test, the Durbin-Watson stat (dw) value of 2.149240, the du value obtained was 1.7798 and dl of 1.7035. The formula to test autocorrelation is $du < dw < 4-du$ or $1.7798 < 2.149240 < 2.202$ which means that there is no autocorrelation.

Heteroskedasticity Test

Heteroscedasticity testing is done by the Glejser test that is by regressing the absolute residual value of the independent variable so that it can be seen whether there is a degree of confidence of 5%. If the significance value > 0.05 , then heteroscedasticity does not occur, otherwise if the significance value < 0.05 , then heteroscedasticity occurs.

Table 6: Heteroscedasticity Test Results

Variable	Prob.	information
C	0.0488	Heteroscedasticity does not occur
KP	0.6413	
PSPI	0.4414	
KTU	0.4033	

Source: Processed data output (Eviews 10)

In table 6, the results of the heteroscedasticity test obtained the coefficient value of the independent variables, namely KP of 0.6413, PSPI of 0.4414 and KTU of 0.4033, this means that it was not significant > 0.05, so heteroscedasticity did not occur.

Panel Data Regression Analysis

The next determination of the best model in panel data is done by using the chow test (Pool Vs Fixed influence) and thirst test (Random Vs Fixed).

Table 7: Determination of the best Regression Model

Influences Test	Statistic	d.f	P Value	information
Uji Chow	3.065133 (Uji F)	(31,125)	0.0000	Fixed Effect Model accepted
Uji Hausman	13.612259(Uji X ²)	3	0.0035	Fixed Effect Model accepted

Source: Processed data output (Eviews 10)

Thus, all the results presented in Table 8 were estimated using fixed influence estimation.

Table 8: Regression Results with Fixed Influence Model (FEM)

Variable	Coefficient	t-Statistic	Prob.
C	7.285927	2.229698	0.0014
KP	0.293842	4.135883	0.0001
PSPI	0.093012	1.324929	0.1876
KTU	-0.155971	-2.238565	0.0270
Crossid	Influence		
Aceh	-1.791832		
Sumatera Utara	-1.067918		
Sumatera Barat	-1.568193		
Riau	2.180083		
Jambi	-0.733948		
Sumatera Selatan	-0.546830		
Bengkulu	1.291920		
Lampung	-2.918381		
Kepulauan Bangka Belitung	6.392433		
Kepulauan Riau	-0.316556		
DKI Jakarta	2.171866		
Jawa Barat	-2.529720		
Jawa Tengah	-1.304886		
D.I. Yogyakarta	4.387932		

Variable	Coefficient	t-Statistic	Prob.
Jawa Timur	-1.042294		
Banten	2.633448		
Bali	-1.197126		
Nusa Tenggara Barat	-1.294394		
Nusa Tenggara Timur	-2.288437		
Kalimantan Barat	-2.657861		
Kalimantan Tengah	-3.328293		
Kalimantan Selatan	-0.127903		
Sulawesi Utara	4.974802		
Sulawesi Tengah	1.100105		
Sulawesi Selatan	-2.822180		
Sulawesi Tenggara	3.462752		
Gorontalo	-2.104857		
Sulawesi Barat	2.327598		
Maluku	4.325415		
Maluku Utara	0.844500		
Papua	-2.637696		
Papua Barat	-3.813546		
R-squared	0.472446	F-statistic	3.292426
Adjusted R-squared	0.328951	Prob (F-statistic)	0.000001

Source: Processed data output (Eviews 10)

Based on the estimation results in table 8 obtained by the fixed influence model estimation equation, the government complexity variable has a significant positive influence on disclosure of LKPD, the SPI weakness variable has no significant influence on disclosure of LKPD while the non-compliance with the law has a significant negative influence on disclosure of LKPD. If seen from the final intercept value, it can be seen that from 2012 to 2016, the Province of Bangka Belitung Islands had the highest number of influence s, which was 6.392433, which means that the Bangka Belitung Islands Province had the highest number of disclosures of LKPD in the Provinces in Indonesia.

4.2 The influence Government Complexity on Disclosure of LKPD

The results of the statistical t-test for the variable complexity of the government showed a coefficient number of 0.293842. T count value of 4.135883 is greater than t table that is 1.65468 with a significance level of 0.0001 smaller than the probability value of 0.05, it can be concluded that the complexity of government has a significant positive influence on disclosure of LKPD so that in this study **H1 was accepted**. The provincial government has been able to control the level of compliance with mandatory disclosures in each OPD in the preparation and disclosure of financial statements. The results of this study support

(Khasanah & Rahardjo, 2014), (Cristiana & Maryono, 2016), that the complexity of governance has a significant positive influence on the level of LKPD disclosure. The results of this study contradict (Lutfia et al., 2018) that complexity has a significant negative influence on the level of disclosure in local government financial statements. On the contrary (Hilmi & Martani, 2012); (Maulana & Handayani, 2015); (Pandansari, 2016) and (Purnama & Alfina, 2019) show that complexity does not significantly influence the level of disclosure in local government financial statements.

The results of this study support the Stewardship Theory that the Government as the recipient of the mandate can act responsibly, have integrity, and be responsible for the trust that has been given by the people and realize transparency and accountability. The Regional Government has carried out the obligation to present and report all activities and activities related to using public money to those who have the right and authority to hold that responsibility.

The results of the study have implications for the Government to continue to coordinate between OPD in Provincial Governments throughout Indonesia because OPD in local governments tend to have almost the same basic tasks and functions so that the programs and activities implemented can support each other.

4.3 The influence the weakness of SPI on Disclosure of LKPD

The results of the statistical t-test for the SPI weakness variable showed a coefficient number of 0.093012. T value of 1.324929 is smaller than t table that is 1.65468 with a significance level of 0.1876 greater than the probability value of 0.05, it can be concluded that the weakness of SPI has no significant influence on the disclosure of LKPD so that in this study **H2 was rejected**. The results of this study prove that the weakness of SPI is not a factor that can influence the level of financial statement disclosure of the provincial government in Indonesia. This is due to the tendency of regional governments to report LKPD, both with a high level of weakness and a low level of SPI weakness, both of which tend to disclose all financial information, SPI weaknesses referred to here include recording/not done, the process of preparing reports, not by SAP, delays reporting by entities, accounting information systems and reporting has not been supported by adequate HR competencies, without seeing much or little occurrence of SPI weaknesses so **H2 is rejected**. The results of

this study support (Heriningsih, 2013); (Priharjanto & Wardani, 2017); (Arifin, 2018) who revealed that the SPI's weakness did not influence the disclosures of LKPD.

The results of this study contradict the Stewardship Theory that the Government (trustee) will be responsible for the management of resources entrusted by the people (trustees) through the mechanism of reporting and disclosure of regional financial statements. This is indicated by the number of findings of SPI weaknesses that do not yet represent the actual numbers because the number of many findings is not necessarily of material value, which requires follow-up or presentation of disclosures in the notes to the financial statements.

The results of this study have implications for the Government to optimize the role and existence of the Government Internal Oversight Apparatus (APIP), it is necessary to establish a good environmental control system to create a good cooperative relationship between relevant government agencies and the Government also needs to pay attention and evaluate the findings of SPI weaknesses which was delivered by BPK for the improvement of accountability in the future.

4.3 The influence the weakness of SPI on Disclosure of LKPD

4.4 The influence the non-compliance with the law on Disclosure of LKPD

The results of the t-statistic test for non-compliance with the law showed a coefficient of -0.155971. T value of -2.238565 is smaller than t table that is -1.66568 with a significance level of 0.0270 smaller than the probability value of 0.05, it can be concluded that non-compliance with the law has a significant negative influence on the level of LKPD disclosure so that in this study **H3 was accepted**. The results showed that non-compliance with the laws was a factor that could influence the disclosure of LKPD in Indonesian Provinces. The total of cases of non-compliance with the laws by local governments influence s local governments to reduce the disclosure of items that must be disclosed. The results of this study do not support the research conducted (Heriningsih, 2013), but in line with research conducted by (Hilmi & Martani, 2012).

The results of this study prove, the more irregularities that occur will reduce the disclosure of LKPD, this is due to government officials trying to cover up material/in material violations of laws and regulations as well as the mismatch of financial statement presentation by applicable regulations, which they do to reduce disclosure made. As for the cases of non-

compliance with the law referred to here such as the total of spending cases, lack of work volume, spending exceeding/not by SAP, official travel responsibilities, carrying out work ahead of contracts, procurement of goods/services not by regulations (does not cause state losses), etc.

The results of this study have implications for the Government to pay more attention and implement the recommendations given by the BPK so that it does not happen again in the following years. It is necessary to apply strict rewards and punishment so that the provincial government obeys the existing laws and regulations.

F test results show a value of 3.292426 with a significance level of 0.000001. F arithmetic shows a number that is greater than the F table or $3.292426 > 3.05$ and a significance value of 0.000001 is much smaller than 0.05 so it can be concluded that the Complexity of Government, Deviations in Internal Control Systems and Disobedience of laws, together-same (simultaneous) significant effect on the level of Disclosure of Regional Government Financial Statements. This finding shows that when provinces in Indonesia have a large amount of government complexity, have large internal control system irregularities, get many cases of non-compliance with laws, it will affect the level of disclosure of the financial statements of the local government. The results of this study also show a relatively small R-value of adjusted R² of 33%, meaning that there are still many other factors that influence the level of disclosure of local government financial statements.

5. Conclusion

Disclosure of local government financial statements is the spearhead in increasing accountability and transparency. The results of this study have found that government complexity has a significant positive effect on LKPD disclosures, non-compliance with laws has a significant negative effect on LKPD disclosures, but the weakness of SPI has no significant effect on LKPD disclosures. To improve financial statement disclosure, local governments must maintain transparency effectiveness through easy public access to publish their financial reports, optimize the role and existence of the Government Internal Oversight Apparatus (APIP), and implement strict rewards and penalties for government officials to comply with the law and applicable regulation.

Limitations of studies and suggestions for the future so that future research can use other proxies such as public services, or Good Corporate Government.

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