Determinants of Financial Statement Accountability

Fa'iz Naufal Alphen *, Heppy Purbasari **

[*] Accounting Department, University of Muhammadiyah Surakarta
[**] Accounting Department, University of Muhammadiyah Surakarta

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Abstract – This research is motivated by the accountability of financial statements which is a benchmark for the quality of a region's financial reports. The population is 121 regencies/cities on the islands of Java and Bali. Samples were taken by purposive sampling method. Testing using logistic regression. The results showed that the decrease in poverty level affected the accountability of financial statements, the size of the local government did not affect the accountability of financial statements, and the amount of capital expenditure did not affect the accountability of financial statements. The ability of the variable to decrease the poverty level, the size of the local government, and the amount of capital expenditure explained the financial statement accountability variable by 6.6% while the remaining 93.4% was explained by other factors outside the study.

Indeks Terms - Poverty Reduction, Size of Local Government, Total Capital Expenditure, and Accountability of Financial Statements.

I. Introduction

Accountability is the obligation of the trust holder to provide accountability, present, report, and disclose all activities and activities that are his responsibility to the trustee who has the right and authority to demand such accountability, public accountability consists of two types, namely vertical and horizontal accountability (Mardiasmo, 2002). Vertical accountability is accountability for the management of funds to higher authorities, for example the accountability of work units to local governments, and local government accountability to the central government. Horizontal accountability is accountability to the wider community (Mardiasmo, 2002).

According to (Yacoub, 2012) in his research states that poverty is one of the fundamental problems, because poverty concerns the fulfillment of the most basic needs in life and poverty is a global problem because poverty is a problem faced by many countries.

A government with a large number of assets is considered to have the potential to serve the community better. The government's performance will automatically increase according to the size of its assets (Alvini, 2018). Rahman, (2013) states that large assets will spur the government to publish government financial reports as an indication that the government has carried out government performance well.

Regional expenditures affect financial statements. Regional spending can be a motivating factor for the government to publish financial reports because the larger the regional expenditures should indicate better and quality services to the community (Pratama et al., 2015). Capital expenditure is an expenditure made to increase existing fixed assets/investments to provide benefits for a certain period. Capital expenditures will affect the financial position, the ratio of capital expenditures to total regional expenditures reflects the portion of regional expenditures spent on capital expenditures, capital expenditures are expected to have a significant influence on the economic growth of a region apart from the private sector, households, and abroad. Therefore, the higher the spending ratio, the better the effect on economic growth. On the other hand, the lower the number, the worse the effect on economic growth (Nora et al., 2020).

II. Literature Review and Hypothesis Development

Stewardship Theory

Stewardship theory argues that humans are essentially capable of acting responsibly, with high integrity, and honesty and can be trusted. Stewardship theory views management as a party that can carry out very good actions that function to meet the needs of stakeholders. This theory is the basis for the theory which states that this theory does not have the desire to fulfill personal interests as a form and effort to avoid conflicts with stakeholders. Stewardship theory can function as an accountability mechanism to ensure good monitoring, auditing, and reporting to help achieve organizational goals (Jefri, 2018).

Signaling Theory

Signaling theory explains that the government wants to give a good signal to the community because the government has a responsibility and a mandate to build this country in a more advanced direction in the future. The way to make it happen is to present financial reports accurately, not cover up in the process of delivering government performance information, then improve services to the community and include achievements and financial performance that are simple and interesting to read (Hilmi & Martani 2012).

Financial Report Accountability

Financial Report Accountability is the obligation of local governments to account for and report the results of the regional financial accounting process in the form of financial reports on the management of the resources that have been provided (Mahmudi, 2011). According to Athifah et al., (2018), Accountability comes from other words compare which means reliable, especially from the word essential computare which means to consider. In English it is a responsibility that implies a duty or condition to be represented or a condition to be held responsible. Accountability is a model of 3 dimensions; responsibility, transparency, and accountability (Zahavy & Leonenko, 2019).

Poverty level

According to Presidential Regulation Number 166 of 2014 concerning the Program for the Acceleration of Poverty Reduction that poverty is an urgent national problem and requires systematic, integrated, and comprehensive handling and approaches, to reduce the burden and to fulfill rights as citizens properly through inclusive, equitable, and equitable development. and continue to live a dignified life.

Local Government Size

The size of a regional government is expressed by the size of the wealth owned by a region. Assets can be the size of the government, the larger the assets, the more capital invested (Nosihana and Yaya, 2016). Asset Represents the amount of resources owned by the entity to carry out its operating activities. Assets owned can also be used to prepare the entity's financial statements. The greater the number of assets, the more resources that can be used to disclose greater information (Hilmi & Martani, 2012).

Capital Expenditure

According to Government Regulation Number 71 of 2010 concerning Government Accounting Standards, capital expenditures are budgetary expenditures for the acquisition of fixed assets and other assets that provide benefits for more than one accounting period. Capital expenditures include, among others, capital expenditures for the acquisition of land, buildings and buildings, equipment, and intangible assets. Capital expenditures are used to acquire local government fixed assets such as equipment, infrastructure, and other fixed assets. How to get capital expenditure by buying through an auction or tender process.

The poverty rate is following the signal theory because the government must be able to make policies that cover the needs of the community and the high and low levels of poverty depend on how the government can provide good financing for economic development and growth. This is in line with research conducted by Syamsudin et al., (2016), Astuti (2018) that the poverty level affects the financial performance of local governments. Based on the explanation that has been explained previously, the hypotheses in this study are:

H1: The reduction in the poverty rate affects the accountability of financial statements

The size of the area describes the size of an area and the magnitude of the demands on the area. Areas with large sizes have a better chance to improve their performance than areas with small sizes because the resources they have are better in terms of quality and quantity (Anzarsari, 2014).

Several indicators can be used to assess the size of local government, including the number of employees, assets, income, and productivity levels. (Mayora, 2015) uses the total assets in the local government balance sheet to get the size of the local government. Research conducted by Mustikarini & Fitriasari (2012) shows a significant difference in performance scores between government groups with large sizes compared to government groups with small assets. Aziz (2016) in his research concluded that the larger the size of an area, the better the performance of the government. Based on this description, the hypotheses in this study are:

H2: The size of the local government affects the accountability of financial reports

Regional spending is a driving factor in economic growth, and is also an instrument of fiscal policy carried out by the government. According to Law No. 32 of 2004 article 167 paragraph 1 concerning Regional Government, regional expenditures are used to protect and improve the quality of people's lives. This is manifested in the form of improving services to the community. Therefore, the higher the government spending, the higher the quality provided to the community.

Based on this description, the hypothesis in this study:

H3: The amount of capital expenditure affects the accountability of financial statements

III. Research Method

Population and sample

The population used in this study is the regency/city government in Java and Bali. The sampling technique was carried out by purposive sampling. The sampling criteria in the study are:

1. Regencies/Cities that have LKPD from 2016-2018
2. Regencies/Cities that have decreased poverty rates from 2016-2018
3. Regencies/Cities that have government size from 2016-2018
4. Regencies/Cities with total capital expenditures from 2016-2018

Each of these research variables has a definition that will be explained in this study. Variables (X1) Poverty Level Reduction, (X2) Local Government Size and (X3) Total Capital Expenditure, (Y) Financial Report Accountability.

1.Poverty

According to BPS, Poverty is a condition in which a person is unable to meet basic food and non-food needs. This poverty data is taken from the percentage of district poverty in the 2016-2018 period

2.Size of Local Government

The size of the local government shows the size of an object (Sumarjo, 2010). The proxy for the variable size of local government in this study uses total assets. Total assets are obtained in the regional balance sheet.

3. Total Capital Expenditure

Total expenditures realized in the context of capital formation which are fixed assets to finance maintenance which are to increase benefits, increase capacity and quality of assets. Obtained from the realization of capital expenditures.

4.Accountability of Financial Statements

Accountability of Financial Statements proxy with opinion from BPK. The measurement of opinion from BPK is categorized as follows : Disclaimer of Opinion, Unfair, Fair with Exception with a value of 0 and Fair without Exception with Explanatory Paragraph, and Fair without Exception with a value of 1

IV. Result and Discussion

Table 1 Feasibility Test of Regression Model

Step	Chi-square	Df	Sig.
1	13.437	8	.098

The following information is provided from the table as follows:
That the statistical value of Hosmer and Lemeshow Goodness of Fit is 13,437 with a significant probability of 0.098, which is greater than 0.05. Because the probability value is 0.098 0.05, then H0 is accepted. This means that the regression model is suitable for further analysis. It can be seen that the number -2 log-likelihood Block Number = 0 is 211,820 while it can be seen that the number -2 log-likelihood Block Number = 1 is 201.002. From the model, it turns out that the overall model fit test at -2 log-likelihood Block Number = 0 indicates a decrease in -2 log-likelihood Block Number = 1. This decrease in likelihood indicates a better regression model or in other words, the hypothesized model fits the data.
Tabel 2 Nagelkerke's R Square test

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	201.002[a]	.029	.066

Table 2 above shows that the value of Cox and Snell's R Square is 0.029 and the value of Nagelkerke's R Square is 0.066. The value of the coefficient of determination in the logistic regression model is indicated by the value of Nagelkerke's R square. The value of Nagelkerke's R Square is 0.066, which means that the variability of the dependent variable can be explained by the independent variable by 6.6%, while the remaining 93.4% is explained by other variables outside the study. Examples of other variables outside the study include fiscal decentralization, internal control systems, and local government performance.
Table 3 Regression Coefficient and Logistics Test

	B	SE	Wald	df	Sig.	Exp(B)
Step 1 [a] PTK	-.134	0.41	10,438	1	.001	.875
UPD	-.090	.462	.038	1	.845	.914
BM	.000	.000	.186	1	.666	1,000
Constant	5.457	6,828	.639	1	.424	234.375

Based on table 3 it can be concluded that:

1. The Effect of Poverty Reduction on Financial Statement Accountability has a significance value of .001 or less than 0.05, which means H1 is accepted. The decrease in the poverty rate affects the accountability of financial reports because when a region decreases the percentage of poverty, it means that there are programs that are planned and implemented on target by the regional government.
2. The influence of the size of the local government on the accountability of financial statements has a significance level of 0.845 or greater than 0.05, which means H2 is rejected. The size of the local government does not affect the accountability of financial statements because the assets owned are not necessarily relevant to the needs of the community, so they cannot be maximized to make financial statement accountability. For example, the total assets of Semarang Regency in 2016 amounted to Rp. 2,759,751,487,194 have an opinion from the Unqualified BPK while the total assets of the Semarang district in 2017 are Rp. 3,112,499,506,159 has an opinion from the Unqualified BPK which proves that a larger total asset does not affect the accountability of financial statements.
3. The effect of Total Capital Expenditure on Financial Statement Accountability has a significance level of 0.666 or greater than 0.05, which means H3 is rejected. The realization of capital expenditures does

not affect the accountability of financial statements because the size of the realization of capital expenditures does not ensure that the accountability of financial statements is made properly. For example, the realization of the Cianjur regency capital expenditure in 2017 was Rp. 823,214,700,634 has an opinion from the Unqualified BPK while the realization of the Cianjur Regency capital expenditure in 2018 is Rp. 928,610,308,238 have an opinion from BPK Fair with Exceptions, this proves that a large realization does not necessarily get a better opinion value.

V. CONCLUSION

The decrease in the poverty rate affects the accountability of financial statements. This is evidenced by a significance value of 0.001 or less than 0.05, so H1 in this study is accepted.
The size of the local government does not affect the accountability of financial statements. This is evidenced by a significance value of 0.845 or greater than 0.05, so H2 in this study was rejected.
The amount of capital expenditure does not affect the accountability of financial statements. This is evidenced by a significance value of 0.666 or greater than 0.05, so H3 in this study was rejected.

In this research process, it is inseparable from limitations so improvements are needed for further research. The limitations in this study are that data collection is only in 2016-2018, while good research uses more years so that it can explain the real variability of the data. The limited number of references is because the appropriate variables are still rarely studied.

Suggestions to further researchers can use more diverse independent variables that can affect the accountability of financial statements. Future research is expected to increase the number of research periods to more than three years to make it more maximal.

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AUTHORS

First Author – Fa'iz Naufal Alphen , University of Muhammadiyah Surakarta, b200180197@student.ums.ac.id.
Second Author – Heppy Purbasari , University of Muhammadiyah Surakarta . hp123@ums.ac.id.
Correspondence Author – Heppy Purbasari , University of Muhammadiyah Surakarta . hp123@ums.ac.id.
