Article Type: Research Paper

Analysis of local government accounting disclosure based on international public sector accounting standards (IPSAS)

Ahmad Juanda*, Setu Setyawan, and Lia Candra Inata

AFFILIATION:
Department of Accounting, Faculty of Economics and Business, Universitas Muhammadiyah Malang, East Java, Indonesia

***CORRESPONDENCE:**
juanda@umm.ac.id

DOI: 10.18196/jai.v24i2.17507

CITATION:
Juanda, A., Setyawan, S., & Inata, L. C. (2023). Analysis of local government accounting disclosure based on international public sector accounting standards (IPSAS). *Journal of Accounting and Investment, 24*(2), 487-501.

ARTICLE HISTORY
Received:
09 Jan 2023
Revised:
06 Feb 2023
Accepted:
22 Feb 2023

JAI Website:

Abstract
Research aims: This study aims to test and analyze whether there is an effect of government openness, government financing, economic growth, audit opinion, and prior experience with IFRS in the public sector on the level of local government accounting disclosure based on IPSAS.
Design/Methodology/Approach: The population in this study was all local governments in Indonesia in 2016-2020. The samples selected for use in this study were 64 local governments, following the sample criteria. The data type was secondary, which was then analyzed using multiple regression analysis.
Research Findings: The results of this study exposed that government openness, prior experience with IFRS in the public sector, and audit opinion affected the level of local government accounting disclosure based on international public sector accounting standards (IPSAS). In contrast, government financing and economic growth did not support disclosing financial statements based on IPSAS.
Implication: This research can potentially be relevant to the Government Accounting Standards Committee, the central government, local governments, and the community. By assessing the factors influencing the disclosure of local government accounting based on IPSAS, this research can be used as a consideration for Government Accounting Standards Committee in improving related standard regulations and encouraging local governments to implement an accrual-based IPSAS Public Accountant Standard Implementation Strategy.
Originality/Value: Research on analyzing factors affecting local government accounting disclosure based on IPSAS, in particular, has not been widely studied in Indonesia, especially using local government objects. Hence, this research in Indonesia is an interesting thing to study further.
Keywords: Financial Information Disclosure; IPSAS; Government Openness; Government Financing; Economic Growth; Audit Opinion; Prior Experience With IFRS In The Public Sector

Introduction

International Public Sector Accounting Standards (IPSAS) emerged on the financial information needs of consistent and comparable public sector entities. Thus, with the existence of IPSAS, it is hoped that the IPSAS implementation can help public sector entities achieve their goals, namely accountability and transparency (Baskerville & Grossi, 2019). In addition, the movement of the cash base to the accrual base and the development of an IPSAS-based public sector accounting system are some of the innovations to face the challenges of New Public Financial Management (NPFM) (Sellami & Gafsi, 2018).

Specifically, developing IPSAS in the public sector is currently a concern for countries worldwide (Fahmid et al., 2020). Substantial efforts have been made by the Board of Government Accounting Standards Committee by converging the Government Accounting Standards of the Republic of Indonesia to IPSAS. In line with globalization trends globally, Indonesia also approved the adoption of the IPSAS Plenary in 2025. It triggers the readiness of local governments to implement the Plenary Adoption of IPSAS, which will continue to arise (Castañeda-Rodríguez, 2022). The change towards the Plenary Adoption of IPSAS also motivates management to improve the transparency and quality of financial reporting and better public financial management (Abolhalaje et al., 2012).

The quality of an organization's financial reporting can be reflected in the auditor's opinion for each reporting entity (Saleh et al., 2021). It is shown by the examination results of the Financial Audit Agency (BPK), which states that the quality of Local Government Financial Statements (LKPD) has increased from year to year (Caruana, 2021). However, many LKPDs still have not obtained WTP opinions (Unqualified Opinions) due to their inconsistency with Government Accounting Standards, and local governments have not implemented the minimum requirements for disclosure of IPSAS elements in the annual report. Since the financial information disclosed by local governments in Indonesia that conduct financial reporting complying with IPSAS elements is still low, the researchers are interested in examining the factors influencing the level of financial information disclosure based on IPSAS.

Several factors as the indicators in the level of financial information disclosure based on IPSAS include government openness, government financing, economic growth, audit opinion, and prior experience with IFRS in the public sector on the disclosure level of local government accounting based IPSAS. The more open the government is to information, the higher the disclosure of financial statement information (Alozie, 2020). In this case, the increase in information disclosure by local governments encourages local governments to disclose financial information based on IPSAS to be high too. In addition to government openness, the level of financial information disclosure is also influenced by government financing. Here, debt levels are an important incentive to disclose broader accounting information because local governments are pressured to increase financial trust and credibility to control government actions better (Souza et al., 2021). Research conducted by Amiri and Hamza (2020) regarding the transition to IPSAS standards indicates that good economic governance significantly impacts IPSAS adoption, whereas close economic relations with international partners encourage countries to adopt modified accrual base IPSAS.

Moreover, economic growth, audit opinion, and prior experience with IFRS in the public sector are also factors expected to influence the local government accounting disclosure level based on IPSAS. In fact, a high level of economic growth requires large capital to strengthen infrastructure, so local governments will try to provide positive information to stakeholders and follow the provisions of international best practices (Hodelin, 2022). In addition, audit opinions are also a driving factor for local governments to disclose financial information under IPSAS. Audit opinions obtained by local governments will encourage local governments to disclose information based on IPSAS (Averio, 2020). Besides, prior experience with IFRS in the public sector encourages local governments to implement a more informative accounting system, and there is a push by accounting staff to provide information and introduce system changes in public sector accounting (Mnif & Gafsi, 2020).

Nevertheless, research on local government accounting disclosure based on international public sector accounting standards (IPSAS) in Indonesia is minimal. There is a lack of evidence regarding the local government accounting disclosure level based on IPSAS. Therefore, this research provides insight into assessing the completeness of IPSAS-based financial statements. The information disclosure in this research considers the IPSAS disclosure checklist based on a prior study (Ernst & Young, 2012). Most previous studies focused on the level of government information disclosure based on IPSAS (Mnif & Gafsi, 2020) and the speed of IPSAS adoption (Boolaky et al., 2020). Several researchers, such as Abolhalaje et al. (2012) and Babatunde (2017), also revealed that issues such as the high cost of implementing IPSAS and the lack of a skilled workforce were the causes of implementation failures. Hence, this research can be a consideration for the Government Accounting Standards Committee in improving related standard regulations, helping the central government to encourage local governments in their accounting strategies to support the implementation of financial information disclosure better in accordance with Government Accounting Standards based on accrual-based IPSAS, and providing insight into the importance of delivering financial information to increase transparency and accountability finance and prevent fraud in the public sector.

Literature Review and Hypotheses Development

Signaling theory

The signal theory was introduced by Spence (1973) in the title *Job Market Signaling*. This theory involves two parties, namely the management, which plays the role of the party that gives the signal and the investor, which plays the role of the party that receives the signal. The signal theory emphasizes the importance of the information companies provide to stakeholders to make a decision. Complete, accurate, relevant, and timely information is crucial for investors in the capital market to analyze as a basis for making investment decisions (Guthrie et al., 2004).

This signal theory is generally a theory for private sector companies. However, this theory can be applied from the point of view of the government or the public sector. In the context of the information provided by government organizations, it is an announcement that can provide a signal to interested parties in decision-making. The interested parties consist not only of investors but also of public and legislature members, employees in public sector organizations as executives, and creditors. Moreover, the signal theory states that public sector organizations with high quality will tend to provide information as a signal of excellence from the organization and follow international best practices adapted to Indonesian conditions. The signals will increase stakeholders' value-added and make more profitable decisions (Whiting & Miller, 2008). Meanwhile, local government organizations with less good capacity are more likely only to disclose mandatory information.

The Effect of Government Openness on Local Government Accounting Disclosure Level Based on IPSAS

Apart from organizational-level factors, organizational accounting practices are influenced by environmental characteristics (Lopes & Rodrigues, 2007). The transition of government accounting development leads to a more informative accounting system (Hasan & Bakar, 2015). Government openness can drive the need for an organization to disclose a more informative public sector accounting system, influence the decisions of information users, encourage information disclosure based on IPSAS, and increase transparency (Alozie, 2020). According to Luder (1992), the increase in information disclosure increases the transparency of local government accountability because of greater citizen participation. Research by Mnif & Gafsi (2020) found evidence that government openness (political culture) positively affects IPSAS disclosures across countries. In addition, stakeholders expect more transparent and simplified government information disclosure because they can oversee government actions (Grossi & Soverchia, 2011). Based on the description, the hypothesis in this study is as follows:

H_1: *Government openness positively affects the level of financial information disclosure based on IPSAS.*

The Effect of Government Financing on Local Government Accounting Disclosure Level Based on IPSAS

In the context of funding, government financing means funding to meet the needs or procure certain goods/assets/services (Djaenuri, 2015). Here, debt levels are an important incentive to disclose broader accounting information because low or high debt levels can affect an organization's financial credibility and commitment to its ability to meet its payments. An increase in debt levels can encourage the government to improve sound financial management for the public (Luder, 1992). Chen (1992) argues that the existence of debt levels means that organizations will be pressured to improve the quality and quantity of financial disclosures. To improve and quantity of financial reporting, organizations need to comply with country-recognized reporting standards (Brusca et al., 2013). Therefore, local governments with poor financial conditions will encourage organizations to implement applicable reporting standards. A study by Mnif & Gafsi (2020) uncovered a relationship between government finances and adopting IPSAS. Based on the description, the hypothesis in this study is as follows:

H_2: *Government financing positively affects the level of financial information disclosure based on IPSAS.*

The Effect of Economic Growth on Local Government Accounting Disclosure Level Based on IPSAS

Economic growth is related to economic development, which aims to improve welfare with economic growth rates between regions. Increased economic growth will align with better economic growth (Hassani & Bahini, 2022). High economic growth requires relatively large capital to strengthen physical and social infrastructure. The high economic growth rate also significantly and positively impacts accounting report disclosure (Amiri & Hamza, 2020). In this regard, the need to increase assets whose purpose is to improve economic development encourages organizations to disclose more accurate and accountable information about the performance of public activities and follow the provisions of international standards. Based on the description, the hypothesis in this study is as follows:

H_3: *Economic growth positively affects the level of financial information disclosure based on IPSAS.*

The Effect of Audit Opinion on Local Government Accounting Disclosure Level Based on IPSAS

The audit opinion is the auditor's opinion in assessing the fairness of financial statements (Chung et al., 2019). The opinion includes five types of opinions: Unqualified Opinion (WTP), Unqualified with an Explanatory Paragraph (WTP DPP) Opinion, Qualified Opinion (WDP), Adverse Opinion (TW), and Disclaimer of Opinion (TMP) (Burns & Igou, 2019). The CPC's opinion is a benchmark in assessing the accountability of financial reporting. If the local government receives an Unqualified Opinion (WTP) on its financial performance, its financial statements have met the applicable accounting standards, and the disclosure of the local government's financial statements has followed applicable international standards. Based on the description, the hypothesis in this study is as follows:

H_4: *Audit opinion positively affects the level of financial information disclosure based on IPSAS.*

The Effect of Prior Experience with IFRS in the Public Sector on Local Government Accounting Disclosure Levels Based on IPSAS

Prior experience with IFRS in the public sector also drives local governments to disclose financial information under IPSAS. Prior experience with IFRS in the public sector obtained by local governments will encourage local governments to disclose information based on IPSAS (Averio, 2020). Prior experience with IFRS in the public sector also encourages local governments to implement a more informative accounting system, and there is a push by accounting staff to provide information and introduce system changes in public sector accounting (Mnif & Gafsi, 2020). Luder (1992) stated that preparing financial statements with prior experience with IFRS in the public sector with the existence of IFRS-based accounting will improve financial performance in the public sector from the other way around. Based on the description, the hypothesis in this study is as follows:

***H_5:** Prior experience with IFRS in the public sector positively affects the financial information disclosure based on IPSAS.*

Based on the hypotheses developed, the conceptual framework of this research is formulated as shown in Fugure 1.

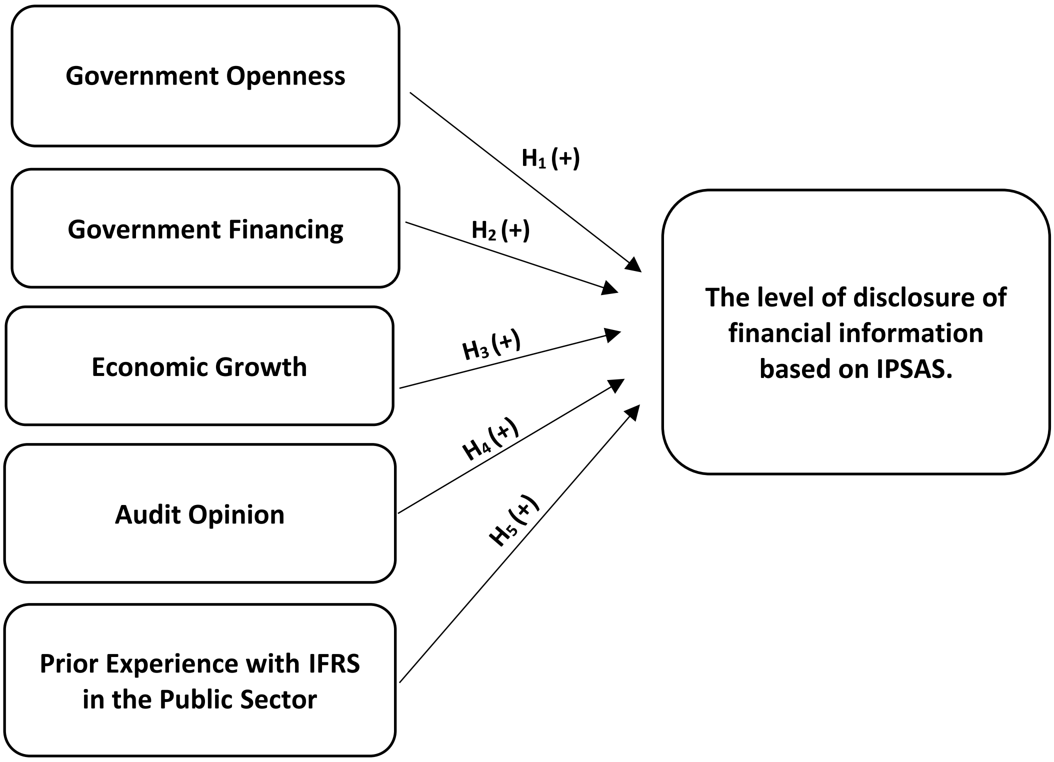

Figure 1 Conceptual Framework

Research Method

Research Population and Sample

This research examined government openness, government financing, economic growth, audit opinion, and prior experience with IFRS in the public sector on the local government accounting disclosure level based on IPSAS. The population in this study was all local governments in Indonesia in 2016-2020. The local government was chosen as the object of research because the examination results of the Financial Audit Agency (BPK) revealed that the quality of the Local Government Financial Statements (LKPD) increased from year to year due to an increase in Unqualified Opinion (WTP). Based on this, it can be stated that the financial statements of local governments can be declared to be quite good at meeting the criteria based on applicable government standards. However, many LKPDs still have not obtained WTP opinions due to LKPD's incompatibility with Government Accounting Standards, and local governments have not implemented IPSAS elements into the annual report. Thus, local government financial reporting is interesting to be studied further.

The selection of samples was carried out by purposive sampling in accordance with the objectives of this study; those that met the criteria were 64 local governments.

Table 1 Sample Selection Procedure

Sample Criteria	Amount
Total of local government	542
Local governments that did not issue local government financial statements (LKPD) for 2016-2020	(261)
Local governments that did not have complete data	(150)
Local government financial information that was not available to the public	(67)
Total sample used	64
Total observation sample	320

Operational Definition and Variable Measurement

The dependent variable in this study was the role of financial information disclosure under IPSAS. Information disclosure was measured by considering the IPSAS disclosure checklist based on prior research (Ernst et al., 2012). The research checklist consisted of 71 disclosure items from accrual-based standards. The measurements in this study used the framework elements mentioned in the assessment component of the information disclosure level based on IPSAS. Suppose the government report attaches information from each of the elements above. In that case, it is given point 1 for each of these elements, and if it does not attach, it is given 0 points and added up how much the local government has implemented the IPSAS element and divided by the number of elements of the IPSAS indicator that should be reported. The greater the number of elements attached to the local government's annual report, the company indicates that the higher the local government discloses under IPSAS.

$$Disclosure\ Level = \frac{\text{Total Reported Elements}}{\text{Total IPSAS Elements}} \quad (1)$$

This study used government openness, government financing, economic growth, audit opinion, and prior experience with IFRS in the public sector as independent variables. Government openness (political culture) is defined as a form of government openness in making budget (financial) policies so that they can be known and supervised by the public (community) and other stakeholders, starting from the process of planning, implementing, administering, reporting, accountability, and supervision. This study measured the openness of regional financial management based on three main stages of regional financial management: (1) planning, (2) implementation, and (3) reporting and accountability for the implementation of the APBD (Local Government Budget).

The instrument of openness of regional financial management used was a modification of the research instrument developed by (Huwae, 2016). The procedure for determining the government's openness index is as follows. First, measurements were conducted using dichotomous scores. If an item is available, accessible is assigned a value of 1 each for each criterion, and if it is not available, inaccessible (downloaded) will be assigned a value of 0. Second, the scores obtained for the availability and accessibility criteria were multiplied by 0.25 each.

Ritonga (2015) built a measurement model that defines the financial condition of local governments as an impact of local government activities to achieve organizational goals. Six dimensions were developed: short-term solvency, budget solvency, long-term solvency, financial flexibility, financial independence, and service level solvency.

$$Financial\ Condition\ Index = \frac{\text{Total Dimension Index}}{\text{Number of Dimensions}} \quad (2)$$

Economic growth was measured by per capita income (GRDP). GRDP is fundamentally the amount of added value generated by all business units in a particular area. The formula for economic growth is as follows:

$$R = \frac{T(PDBt - PDBt - 1)}{PDBt - 1} \quad (3)$$

The audit opinion is one of the audit examination results by the Financial Audit entity on the reasonableness of the financial information disclosed in the financial statements of local governments. For the measurement of an audit opinion, if the local government gets an audit opinion, it is given 1, and 0 otherwise.

Prior experience with IFRS in the public sector encourages local governments to implement a more informative accounting system, and there is a push by accounting staff to provide information and introduce system changes in public sector accounting (Mnif & Gafsi, 2020). It was determined by a dummy variable that takes the value "1" if a government has prior experience with IAS/IFRS in the public sector and "0" otherwise.

Data Analysis Techniques

Data analysis to test the data in this study aimed to describe the average or mean value, minimum value, maximum value, and standard deviation (Ghozali, 2016). Meanwhile, data analysis in this study used multiple linear regression to test variables in this study. The multiple linear regression equation is as follows:

$$AIit = \alpha + \beta 1KPit + \beta 2GFit + \beta 3OAit + \beta 4PEit + \beta 5PSit + \varepsilon it \quad (4)$$

The formula AI_{it} denotes the IPSAS-based disclosure level i in the t period; α shows the constant; β_1 β_2 β_3 β_4 β_5, and β indicate the regression coefficient; KP_{it} signifies the government openness i in the period t; GF_{it} represents government financing i in the period t; OA_{it} illustrates the audit opinion i in the period t; PE_{it} shows economic growth i in the period t; PS_{it} indicates the prior experience with IFRS in the public sector i in period t.

Results and Discussion

Description Statistics

This study used five independent variables: government openness, government financing, economic growth, audit opinion, and prior experience with IFRS in the public sector. Descriptive variables for the data totaled 64 samples for local governments. Based on the results of data processing with SPSS version 23.0, the following calculation results were obtained:

Table 2 Descriptive Statistics

	IPSAS	Government Openness	Government Financing	Economic Growth	Audit Opinion	Prior Experience with IFRS
Mean	0.529	0.099	0.089	0.084	0.090	0.045
Maximum	0.746	0.198	1.000	9.026	1.000	1.000
Minimum	0.051	0.017	0.003	-0.148	0.000	0.000
Std. Dev.	0.178	0.041	0.204	0.503	0.030	0.001
Obs.	320	320	320	320	320	320

Based on the descriptive statistics in Table 2, the level of financial information disclosure based on IPSAS had a minimum value of 0.051, a maximum value of 0.746, and a mean of 0.529. It signifies that the disclosure level owned by local governments in Indonesia was the highest at 74.60% in DKI Jakarta Province and the lowest at 5.10% in North Sulawesi Province. In addition, the mean IPSAS disclosure rate was 0.529, and the standard deviation was 0.178, indicating that the data dissemination for the broad variable IPSAS disclosure level tended to be normally distributed.

Classical Assumption Test

There are four stages of the classical assumption test: data normality, multicollinearity, heteroskedasticity, and autocorrelation tests. The method to test normality using Kolmogorov non-parametric analysis showed a sig. value of 0.200, so it can be concluded that the data met the requirements of the normality test. Meanwhile, the multicollinearity test results revealed that the free variables in this study had a Variance Inflation Factor (VIF) smaller than 10, which means that there were no symptoms between the free variables in this study of multicollinearity. Moreover, heteroskedasticity test results uncovered that each variable obtained a sig. value > 0.05, so it can be concluded that heteroskedasticity did not occur. Therefore, the data are said to be free from autocorrelation. Table 3 informs the hypotheses tes results.

Table 3 Summary of Hypothesis Test Results

Hypothesis		Direction	Sig.	Coefficient	Description
KP → AI	H_1	+	0.000	2.618	Supported
GF → AI	H_2	+	0.258	-0.021	Not Supported
PE → AI	H_3	+	0.062	3.031	Not Supported
OA → AI	H_4	+	0.021	0.011	Supported
PS → AI	H_5	+	0.002	0.032	Supported

Note: KP: Government Openness; GF: Government Financing; PE: Economic Growth; OA: Audit Opinion; PS: Prior Experience With IFRS In The Public Sector ; AI: IPSAS-based Disclosure Level.

Discussion

Based on the research results obtained (as presented on Table 3), government openness had a significant effect with a positive direction on the level of financial information disclosure based on IPAS. Thus, the first hypothesis stating that government openness affects the level of financial information disclosure based on IPSAS (H1) was supported. It denotes that the higher the level of openness in local governments, the more local governments will produce financial reporting that complies with the disclosure level based on IPSAS. Thus, it will increase the transparency and accountability of the government, and the information disclosed more widely. It suggests that the openness of local governments is a positive signal for informers regarding the information disclosure of public sector organizations and local governments to be higher in disclosing financial information under IPSAS. This research supports the signal theory, which states that public sector organizations with high quality will tend to provide information as a signal of excellence from their organizations and follow international best practices adapted to Indonesian conditions. In other words, the wider the information disclosure based on international standards provided will provide positive signals to interested parties, and local governments will be broader in disclosing financial information based on IPSA. The signals will increase stakeholders' value-added and make more profitable decision-making (Whiting & Miller, 2008).

The results of this study also support previous research conducted by Ademola et al. (2020), which examined the adoption of IPSAS and its implementation in the Nigerian public sector, showing that the adoption of IPSAS had a positive effect on the quality of financial reporting and credibility and comparability of financial statements. In addition, implementation costs, staff training, technological factors, knowledge and awareness of IPSAS, and availability of expertise significantly affected the IPSAS implementation. Hence, implementing IPSAS can increase accountability and supervision of public financial performance and reduce the risk of misappropriation. In addition, IPSAS-based financial statements can increase public confidence and help investors make better decisions.

Based on the research results obtained (as presented on Table 3), government financing did not positively affect the level of financial information disclosure based on IPSAS, so the second hypothesis that government financing affects the level of financial information disclosure based on IPSAS (H2) was not supported. Related to that, the high or low level of government financing indicates that it does not influence local governments to disclose financial information based on IPSAS. In other words, the presentation of information based on the provisions of international standards does not pay attention to the financial situation experienced by local governments.

Data from local government report in 2016-2019 revealed varying debt levels and uncertain amounts. It suggests that local governments' debt level did not affect local governments disclosing broader reports. The effect of this study is also due to the varying average financial condition of local governments in Indonesia, resulting in a lack of awareness of local governments to disclose information under applicable international standards and indicating a lack of supervision or guidance from the central government as a result of which local governments are not motivated to disclose information based on applicable standards.

The results of this study are not in line with research conducted by Mnif & Gafsi (2017), which investigated the factors influencing IPSAS adoption. The results showed that external public funding and high external openness had a role for countries following international standards. The government also adopted IPSAS due to the requirements of the organization and the presence of pressure.

Based on the research results obtained (as presented on Table 3), economic growth had no effect in a positive direction on the level of financial information disclosure based on IPSAS, so the third hypothesis, stating that economic growth affects the level of financial information disclosure based on IPSAS (H3), was not supported. It means that the economic growth rate of local governments in Indonesia is not a benchmark for local governments to increase information disclosure based on IPSAS (Maksyuta, 2013). An increasingly good or bad economic growth rate also cannot influence informers to encourage the disclosure of financial information under IPSAS.

This research is also supported by data, exposing that the average local government experienced a decline in economic growth year on year or fluctuating economic growth, so it can be said that the economy in the region was experiencing declining performance growth. However, the disclosure of information in local governments showed varying degrees of disclosure. The results of this study are inconsistent with the research conducted by Ogbuagu and Onuora (2019) regarding the effects of IPSAS Adoption, stating that economic growth in Nigerian public sector organizations significantly improved transparency and accountability.

Based on the research results obtained (as presented on Table 3), audit opinions had a positive direction on the level of financial information disclosure based on IPSAS, so the fourth hypothesis that audit opinions affect the level of financial information disclosure based on IPSAS (H4) was supported. If the local government receives an Unqualified Opinion (WTP) on assessing its financial performance, its financial statements have met the applicable accounting standards, and the disclosure of the local government's financial statements has followed applicable international standards (Burns & Igou, 2019). It denotes that providing an audit opinion by the Audit Board emphasizes the fairness of financial statements and will encourage local governments to improve financial reporting based on IPSAS.

This research reinforced the signal theory explaining that the form of accountability from the government will affect the level of trust given, so the government must provide financial performance information to the people. Transparency of financial reporting that follows international standards is a form of accountability to the people or other stakeholders (Mulgan, 1997). This research also supports Nor et al. (2019), who stated that the better the audit opinion of local governments, the better the government's financial performance, and the more it will encourage local governments to disclose financial statements.

Based on the research results obtained (as presented on Table 3), prior experience with IFRS in the public sector had a positive direction on the level of financial information disclosure based on IPSAS, so the fourth hypothesis that prior experience with IFRS in the public sector affects the level of financial information disclosure based on IPSAS (H4) was supported. Thus, prior experience with IFRS in the public sector implemented by local governments will encourage local governments to disclose information based on IPSAS.

Moreover, prior experience with IFRS in the public sector encourages local governments to implement a more informative accounting system, and there is a push by accounting staff to provide information and introduce system changes in public sector accounting (Mnif & Gafsi, 2020). Luder (1992) also stated that preparing financial statements with prior experience with IFRS in the public sector with the existence of IFRS-based accounting would improve financial performance in the public sector. It corroborates with research by Mnif & Gafsi (2020), revealing the positive influence of previous experience with International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) in the public sector on accounting disclosures under International Public Sector Accounting Standards (IPSAS).

Conclusion

This study aimed to test and analyze whether there was an effect of government openness, government financing, economic growth, audit opinion, and prior experience with IFRS in the public sector on the level of local government accounting disclosure based on IPSAS. Based on the research data analysis and discussions, it can be concluded that government openness, audit opinion, and prior experience with IFRS in the public sector positively affected the financial information disclosure based on IPSAS. A high level of openness is expected to be of higher quality to produce financial reporting that complies with IPSAS elements, and the audit opinion obtained by local governments will encourage local governments to improve financial reporting based on IPSAS. Likewise, prior experience with IFRS in the public sector implemented by local governments will encourage local governments to disclose information based on IPSAS.

Nevertheless, government financing and economic growth did not affect the information disclosure level based on IPSAS. In other words, the high or low level of government financing indicates that it does not affect the disclosure level. It is because the government, which has a better financial condition, tends not to disclose more information more broadly. Also, the economic growth rate of local governments in Indonesia is not a benchmark for local governments to increase information disclosure based on IPSAS.

Further, this research can potentially be relevant to the KSAP, the central government, local governments, and the community. By assessing the factors influencing the disclosure of local government accounting based on IPSAS, this research can be used to consider KSAP in improving related standard regulations and encouraging local governments to implement an accrual-based IPSAS Public Accountant Standard Implementation Strategy.

This study has some limitations. First, the literature that discusses the factors influencing the extent of financial information disclosure based on IPSAS is still very small, especially in Indonesia. Second, not all local governments disclosed up-to-date information about financial liability. Based on the limitations of this study, the next research is expected to include other variables closely related to and can add a period of data collection so that maximum and accurate results can be obtained in the research conducted.

References

Abolhalaje, M., Ramezanian, M., & Bastani, P. (2012). Accrual accounting accomplishments in Iranian universities of medical sciences: A mixed method study. *Middle East Journal of Scientific Research*, *12*(3), 294–300. https://doi.org/10.5829/idosi.mejsr.2012.12.3.666

Ademola, A. O., Ben-Caleb, E., Madugba, J. U., Adegboyegun, A. E., & Eluyela, D. F. (2020). International public sector accounting standards (IPSAS) adoption and implementation in Nigerian public sector. *International Journal of Financial Research*, *11*(1), 434–444. https://doi.org/10.5430/IJFR.V11N1P434

Alozie, C. E. (2020). Fund accounting and government-wide financial reporting during the Pre-IPSAS implementation era from a Nigerian experience. *Journal of Public Budgeting, Accounting and Financial Management*, *32*(3), 339–358. https://doi.org/10.1108/JPBAFM-01-2019-0017

Amiri, A., & Hamza, S. E. (2020). The transition to IPSAS standards: the extent of adoption and the influence of institutional, contingency and economic network factors. *Journal of Accounting and Management Information Systems*, *19*(2), 215–251. https://doi.org/10.24818/jamis.2020.02002

Averio, T. (2020). The analysis of influencing factors on the going concern audit opinion – a study in manufacturing firms in Indonesia. *Asian Journal of Accounting Research*, *6*(2), 152–164. https://doi.org/10.1108/AJAR-09-2020-0078

Babatunde, S. (2017). Implementing international public sector accounting standards in Nigeria: issues and challenges. *International Journal of Business, Economics and Law*, *12*(1), 52–61.

Baskerville, R., & Grossi, G. (2019). Glocalization of accounting standards: Observations on neo-institutionalism of IPSAS. *Public Money and Management*, *39*(2), 95–103. https://doi.org/10.1080/09540962.2019.1580894

Boolaky, P. K., Mirosea, N., & Omoteso, K. (2020). The Adoption of IPSAS (Accrual Accounting) in Indonesian Local Government: A Neo-Institutional Perspective. *International Journal of Public Administration*, *43*(14), 1252–1265. https://doi.org/10.1080/01900692.2019.1669047

Brusca, I., Montesinos, V., & Chow, D. S. L. (2013). Legitimating International Public Sector Accounting Standards (IPSAS): the case of Spain. *Public Money and Management*, *33*(6), 437–444. https://doi.org/10.1080/09540962.2013.836006

Burns, M. B., & Igou, A. (2019). Alexa, Write an Audit Opinion": Adopting Intelligent Virtual Assistants in Accounting Workplaces. *Journal of Emerging Technologies in Accounting*, *16*(1). https://doi.org/10.2308/jeta-52424

Caruana, J. (2021). The proposed IPSAS on measurement for public sector financial reporting—recycling or reiteration? *Public Money and Management*, *41*(3), 184–191. https://doi.org/10.1080/09540962.2021.1873594

Castañeda-Rodríguez, V. (2022). Is IPSAS Implementation Related to Fiscal Transparency and Accountability? *BAR - Brazilian Administration Review*, *19*(1), 1–21. https://doi.org/10.1590/1807-7692bar2022210071

Chen, Y. S. (1992). The positive effect of green intellectual capital on competitive advantages of firms. *Journal of Business Ethics*, *77*(3), 271–286. https://doi.org/10.1007/s10551-006-9349-1

Chung, H., Sonu, C. H., Zang, Y., & Choi, J.-H. (2019). Opinion Shopping to Avoid a Going Concern Audit Opinion and Subsequent Audit Quality. *AUDITING: A Journal of Practice & Theory*, *38*(2). https://doi.org/https://doi.org/10.2308/ajpt-52154

Djaenuri, A. (2015). Konsep-konsep Dasar Pemerintahan Daerah. *Repository.Ut.Ac.Id*, *3*, 1–46. http://repository.ut.ac.id/4206/1/IPEM4214-M1.pdf

Ernst & Young. (2012). *International public sector accounting standard's (IPSASS) disclosure checklist*.

Fahmid, I. M., Harun, H., Graham, P., Carter, D., Suhab, S., An, Y., Zheng, X., & Fahmid, M. M. (2020). New development: IPSAS adoption from G20 countries to village governments in developing countries. *Public Money and Management*, *40*(2), 160–163. https://doi.org/10.1080/09540962.2019.1617540

Ghozali, I. (2016). *Aplikasi Analisis Multivariete Dengan Program IBM SPSS 23*. Badan Penerbit Universitas Diponegoro.

Grossi, G., & Soverchia, M. (2011). European Commission adoption of IPSAS to reform financial reporting. *Abacus*, *47*(4), 525–552. https://doi.org/10.1111/j.1467-6281.2011.00353.x

Guthrie, J., Petty, R., Yongvanich, K., & Ricceri, F. (2004). Using content analysis as a research method to inquire into intellectual capital reporting. *Journal of Intellectual Capital*, *5*(2), 282–293. https://doi.org/10.1108/14691930410533704

Hasan, H. A., & Bakar, N. B. A. (2015). Public Sector Accounting. In G. M. Aida Aris, Sedigheh Moghavvemi (Ed.), *Selected Theories in Social Science Research,* 137–150. UM Press.

Hassani, B. K., & Bahini, Y. (2022). Relationships between ESG Disclosure and Economic Growth: A Critical Review. *Journal Of Risk and Financial Management*, *15*(11). https://doi.org/10.3390/jrfm15110538

Hodelin, R. S. (2022). Statistical disclosure and economic growth: What is the nexus? *Elsevier*, *160*. https://doi.org/10.1016/j.worlddev.2022.106036

Huwae, K. (2016). *Analisis tingkat keterbukaan informasi pengelolaan keuangan daerah (Studi di Provinsi Daerah Istimewa Yogyakarta)*. Doctoral dissertation. Universitas Gadjah Mada

Lopes, P. T., & Rodrigues, L. L. (2007). Accounting for financial instruments: An analysis of the determinants of disclosure in the Portuguese stock exchange. *International Journal of Accounting*, *42*(1), 25–56. https://doi.org/10.1016/j.intacc.2006.12.002

Lüder, K. (1992). A contingency model of governmental accounting innovations in the political-administrative environment. *Research in governmental and nonprofit accounting*, *7*(1), 99-127.

Maksyuta, A. (2013). Budgetary strategy as an instrument of economic growth. *Economic Annals-XXI*, *5–6*(1), 34–37. https://doi.org/10.1111/1468-0319.12027

Mnif Sellami, Y., & Gafsi, Y. (2017). Institutional and Economic Factors Affecting the Adoption of International Public Sector Accounting Standards. *International Journal of Public Administration*, *42*(2), 119–131. https://doi.org/10.1080/01900692.2017.1405444

Mnif, Y., & Gafsi, Y. (2020). A contingency theory perspective on the analysis of central government accounting disclosure under International Public Sector Accounting Standards (IPSAS). *Meditari Accountancy Research*, *28*(6), 1089–1117. https://doi.org/10.1108/MEDAR-04-2019-0480

Mulgan, R. (1997). The processes of public accountability. *Australian Journal of Public Administration*, *56*(1), 26–36. https://doi.org/10.1111/j.1467-8500.1997.tb01238.x

Nor, W., Hudaya, M., & Novriyandana, R. (2019). Financial statements disclosure on Indonesian local government websites: A quest of its determinant(s). *Asian Journal of Accounting Research*, *4*(1), 112–128. https://doi.org/10.1108/AJAR-06-2019-0043

Ogbuagu, N. ., & Onuora, J. K. . (2019). Effect of IPSAS Adoption on Accountability and Transparency in the Nigerian Public Sector Organizations. *Journal of Accounting and Financial Management*, *5*(3), 65–80. http://iiardpub.org/get/JAFM/VolL. 5 No. 3 2019/Effect of IPSAS Adoption.pdf

Ritonga, I. T. (2015). Developing a Measure of Local Government'S Financial Condition. *Journal of Indonesian Economy and Business*, *29*(2), 142–164. https://doi.org/10.22146/jieb.v29i2.6206

Saleh, Z., Ruhana Isa, C., & Abu Hasan, H. (2021). Issues and Challenges in Implementing International Public Sector Accounting Standards (IPSAS). *Issues and Challenges in Implementing International Public Sector Accounting Standards (IPSAS) IPN Journal of Research and Practice in Public Sector Accounting and Management*, *11*(1), 1–14. https://doi.org/10.58458/ipnj.v11.01.01.0067

Sellami, Y. M., & Gafsi, Y. (2018). Global Encyclopedia of Public Administration, Public Policy, and Governance. *Global Encyclopedia of Public Administration, Public Policy, and Governance*, *June 2019*. https://doi.org/10.1007/978-3-319-31816-5

Souza, F. G. de, Barros, D. de O., Celis, L. M. M., & Araújo, J. C. O. (2021). Higher education in the IPSAS implementation process: A comparative study between Brazil and Mexico. *Research, Society and Development*, *10*(9), e19510918059. https://doi.org/10.33448/rsd-v10i9.18059

Spence, M. (1973). Job Market Signalling. *The Quarterly Journal of Economic*, *87*(3). https://doi.org/10.2307/1882010

Whiting, R. H., & Miller, J. C. (2008). Voluntary disclosure of intellectual capital in New Zealand annual reports and the "hidden value." *Journal of Human Resource Costing & Accounting*, *12*(1), 26–50. https://doi.org/10.1108/14013380810872725