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Fiscal Decentralization, Government Performance on Regional Government Financial Reporting Accountability

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Abstract

This research aims to test the effect of Fiscal Decentralization and Government Performance on Regional Government Financial Reporting Accountability. This research is a literature review research. The literature review used is the latest journal that is no more than 10 years old. The research results show that Fiscal Decentralization and Government Performance have a positive and significant effect on the Accountability of Regional Government Financial Reporting.

Keywords: fiscal decentralization, government performance.

INTRODUCTION

Regional financial management accountability is the process of regional financial management starting from planning, implementation, administration, accountability, and supervision that can truly be reported and accounted for to the community. The community not only has the right to know about financial management but also has the right to demand accountability for the application and implementation of regional financial management (Halim, 2016). The government must be able to increase accountability in regional financial management by providing all relevant financial information honestly and openly to the public because the government's activities are to carry out the people's mandate (Kusuma, 2016). Government Regulation No. 71 of 2010 states that the general purpose of financial reports is to present reports on the financial position, budget realization, cash flow, and financial reporting performance of a reporting entity which is useful for users in making and evaluating decisions regarding resource allocation.

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Fiscal Decentralization is a government policy to transfer some responsibilities and financial resources from the central government to regional governments. The aim of fiscal decentralization is, among other things, to provide power and autonomy to local governments in managing finances and meeting community needs effectively and efficiently. However, fiscal decentralization also has challenges in terms of accountability in local government financial reporting. Regional government financial reporting accountability is the obligation and responsibility to convey accurate, reliable, and transparent financial information to the public.

Government performance in terms of accountability in regional government financial reporting can influence the level of public and investor confidence in regional government financial management. If the government's performance in terms of accountability in regional government financial reporting is not good, it could have an impact on disrupting the financial stability of the regional government and slowing down development in the region. Therefore, the government needs to improve performance in terms of accountability in regional government financial reporting. This can be done through increasing the competency and capacity of human resources, effective monitoring and supervision, the use of adequate information technology, and improving the regional government financial management system. By improving the government's performance in terms of accountability in regional government financial reporting, it is hoped that high levels of trust will be created from the public and investors so that it can encourage better development in the region.

Stewardship theory views that management in local government organizations are assumed to be stewards who work with full responsibility in accordance with organizational goals, using a governance approach based on psychology and sociology which has been designed for researchers to examine management situations as stewards can be motivated to act in accordance with principal and organizational desires. The implication of this research related to stewardship theory is that regional governments act as stewards, and recipients of the mandate use regional revenues for the benefit of regional development towards more independence, improving government performance, and increasing accountability.

Based on the explanation above, the focus of this research revolves around Fiscal Decentralization and Government Performance towards Accountability of Regional Government Financial Reporting.

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LITERATURE REVIEW

Stewardship Theory

The concept of stewardship theory according to Davis (1997) is defined as a condition where a manager does not have individual interests, but rather seeks the interests and desires of the principal, and is able to act with full responsibility, integrity, and honesty towards the principal. Stewardship theory views that management in local government organizations are assumed to be stewards who work with full responsibility in accordance with organizational goals, using a governance approach based on psychology and sociology which has been designed for researchers to examine management situations as stewards can be motivated to act in accordance with principal and organizational desires.

Fiscal Decentralization

Fiscal decentralization can be interpreted as the process of delegating power and decision-making from the central government to regional governments. Fiscal decentralization is a core part of the government's strategy to survive in competitive global competition competitively. Fiscal decentralization is also the delegation of responsibility and distribution of power and authority in order to make decisions in the fiscal sector which includes revenue and expenditure aspects, this is linked to the duties and functions of regional governments in the context of providing public goods and services, thus, fiscal decentralization will give freedom to regions to explore the regional potential and obtain transfers from the center for fiscal balance. Law number 23 of 2014 concerning regional government in Article 1 paragraph 8 explains that fiscal decentralization is the handover of government affairs by the central government to the regions based on the principle of autonomy. Fiscal decentralization and regional autonomy are two elements used in implementing state development and the main goal of the state, namely the welfare of society, is easy to realize.

Government Performance

Regional government performance refers to the achievements made by regional governments in carrying out their duties and responsibilities in managing their territory. This performance can be assessed based on a number of indicators, such as infrastructure development, public services, regional financial management, improving the quality of life of the community, and so on. The performance of regional governments

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is highly dependent on policies and strong leadership from regional leaders. An effective leader will be able to direct all levels to work in accordance with the vision and mission of the regional government. Regional government performance is also influenced by the active participation and involvement of the community in monitoring and making the government's programs a success. Communities who are active in monitoring and providing input will make local governments more responsible and perform well. The quality and competence of local government officials is also an important factor in influencing local government performance. Skilled and trained workers will be able to carry out their duties well and effectively.

Regional government performance can also be assessed by good regional financial management. Local governments that are able to manage finances transparently, accountably, and efficiently will be able to provide better services to the community. Cooperation and coordination between various agencies in local government are also important to improve local government performance. Good coordination will prevent overlapping duties and responsibilities between agencies so that government programs can run smoothly. The importance of assessing regional government performance is to ensure that regional governments can provide optimal services to the community and carry out their duties and responsibilities well. This assessment can also be a reference for making improvements and reforms for local governments that have not achieved the targets or standards set.

Accountability of Regional Government Financial Reporting

Regional government financial reporting accountability refers to the ability of regional governments (regional governments) to report and account for the use and management of public funds in a transparent, accurate, and responsible manner. This includes compliance with applicable regulations and procedures in the preparation of financial reports, as well as disclosure of information required by interested parties. Local governments must follow reporting standards set by applicable accounting standards, such as Government Accounting Standards (SAP). In financial reporting, local governments must provide information that includes balance sheets, cash flow reports, and profit and loss reports, as well as additional notes that provide further explanations and details about financial transactions. Local governments must also carry out regular internal inspection and audit processes to ensure compliance with existing rules and procedures. External audits are also carried out by independent institutions to evaluate

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the truth and reliability of financial reports prepared by local governments. The aim of regional government financial reporting accountability is so that the financial information submitted can be used by interested parties, such as the public, shareholders, and supervisory bodies, to assess financial performance and monitor the use of public funds. This accountability is also the basis for measuring the effectiveness of regional government financial resource management and determining corrective steps that need to be taken.

RESEARCH METHODS

This research is a literature review research. The literature review specifically deals with theory, findings, and previous research literature obtained from references and is used as the basis for research activities to develop clearer thinking regarding the formulation of the problem to be researched. Then the researcher summarizes, analyzes, and synthesizes critically and thoroughly the previous literature. A good literature review must carry out a review that assesses the quality and new findings of a scientific work. The researcher analyzed several kinds of literature and then summarized the results of his research. The literature review used is the latest journal that is no more than 10 years old. Because this research is a literature study, this research does not have a population and sample.

DISCUSSION

The Influence of Fiscal Decentralization on the Accountability of Regional Government Financial Reporting

Mudhofar's (2016) research shows that the results of research on regional independence have an influence on the accountability of regional government financial reporting. Regional governments that have a high level of independence are considered to be able to finance expenditure and operational activities independently so that they will provide accountability, present, report, and disclose all activities and activities related to the receipt and use of public money. Meanwhile, from the results of hypothesis testing it was found that dependence on the central government does not have a negative effect on the accountability of regional government financial reporting. The reason that can explain this situation is that there are still many regional governments that are considered not yet independent or unable to finance their expenditure and operational activities. This can be found in a large number of regional governments where the majority of regional

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income comes from central government transfer funds. This is related to the lack of regional capacity and authority in exploring sources of income to reduce the level of dependence on the central government.

Meanwhile, research by Maulana Agung (2021) explains that regional independence has a significant positive effect on financial reporting accountability. With high regional independence in financing its own regions, they are better able to provide accountability, report, and disclose all its activities. Dependence has a significant negative effect on Financial Reporting Accountability. Saying that if the region is independent, the level of dependence on the central government will be lower and the accountability will be better.

Other research from Dona, E. (2022) shows that fiscal decentralization has a positive effect on financial reporting accountability. So if the district/city government can develop regional original income well, it can finance development or other costs from the financial results of regional independence. Decentralization can improve the quality of decision-making by using local information to increase accountability and improve the ability to respond to local needs and conditions. Local governments must strengthen responsibility for financial management and reporting and government financial reporting. So fiscal decentralization can increase efficiency, effectiveness, transparency, and accountability in government financial management.

The Influence of Government Performance on the Accountability of Regional Government Financial Reporting

Purbasari and Bawono (2017) show that regional government performance variables do not significantly influence the accountability of financial reports in district/city governments on the island of Java, this is because the performance measurement elements in regional governments are not related to the accountability of financial reports.

Other research from Oktaviani, A. (2021) states that government performance has a positive effect on financial reporting accountability. The better the government's performance, the more accountability in financial reporting will increase because good government performance will give trust to the community so that regional governments get support and trust in financial management regional governments use public power to justify all public activities managed by regional governments to develop regions that are sustainable. in line with public expectations. The clarity and correctness of information regarding government activities through financial reports show that with good

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performance, regional governments are able to increase the accountability of financial reporting to achieve the goals of regional autonomy.

Meanwhile, Maulana Agung's research (2021) states that performance has a positive and significant effect on financial reporting accountability. Where the performance of local government has a positive impact on the accountability of financial reports, so the better the performance opinion given, the higher the possibility that a region will have high accountability.

CONCLUSION

Research shows that regional management has a significant impact on the availability of regional government funds. Local governments with a high level of local government can manage their own activities and operations, provide resources, provide services, and coordinate activities related to public spending and resource utilization. Regional government fiscal decentralization also plays a role in improving regional government finances. Local governments can improve the quality of decision-making by using local information to improve their ability to meet local needs and conditions. The performance of local government officials is also influenced by local government finances. Good government performance can result in better financial management, because it provides support to the community and encourages the use of public resources to support local activities. Overall, good government performance can improve local government finances and contribute to overall regional government development.

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