# Does the Quality of Local Government Reporting Disclosure Get Better with Size and Age? Study in West Java Local Government, Indonesia

Arie Pratama*, Nunuy Nur Afiah and Adhi Alfian

*Department of Accounting, Faculty of Economics and Business, Padjadjaran University, Indonesia.*

**Abstract:** Government financial statements are primary tools for transparency and accountability. However, government financial statements are still of lower quality than private entities, especially regarding disclosure. This study aims to determine whether the size and age of local governments affect the quality of disclosure in government financial reports. This study followed a quantitative explanatory approach. It employs a framework for government financial statement disclosure based on integrated reporting, comprehensively explaining capital, business processes, and value creation. The study sampled 28 local governments in West Java, Indonesia. The research period spans from 2016 to 2020. Data analysis was conducted using multiple linear regression with panel data. The research findings indicate that (1) local governments with larger asset sizes tend to have lower quality and (2) older local governments also tend to have better quality. These results suggest that (1) disclosure in government financial statements is influenced by the complexity of government business activities, in which bureaucracy makes it more difficult for the government to explain the business process, and (2) older local governments find it easier to explain activities in government financial statements due to the higher quantity and quality of resources and competencies available.

**Keywords:** Integrated reporting, West Java, financial statements, Government size, government age.

## 1 INTRODUCTION

The economic crisis in Indonesia from 1997 to 1998 exposed vulnerabilities not only in the private sector, but also in the public sector. Regarding state financial management, the Indonesian government lacks accountability and transparency (Handayani, et al., 2020). Since its independence in 1945, the Indonesian government has never prepared any financial reports (Aksan, et al., 2019). The functions of external and internal audits that the Supreme Audit Board of Indonesia should have carried out were not adequately executed at that time (Setiyawati & Doktoralina, 2019). It took five years after the monetary crisis for Indonesia to have a comprehensive regulation governing state finance, The State Finance Law was enacted in 2003, followed by the State Treasury and Financial Management Accountability Audit Law in 2004(Harun, et al., 2019). From an accounting perspective, these three laws regulate the reporting of state financial management in a format that allows the transparent and accountable presentation of financial data and information. One of the implementing regulations of these laws is the government's accounting standards. In 2005, government accounting standards were established based on a modified cash basis. However, the implementation of these accounting standards took a long time (Negara, 2015). In the initial years of implementation, many government financial reports received adverse opinions or disclaimers, and it took around 7-8 years for the government to improve the opinion on financial reports to an unqualified opinion (Marwata & Alam, 2006; Hassan, 2015).

Government financial statements are criticized for focusing too much on financial data presentation, whereas non-financial data are rarely disclosed (Dewi, et al., 2019). Financial reporting in the private sector currently integrates financial and nonfinancial information. In the private sector, non-financial information such as sustainability, environmental and social aspects, and business issues have reporting standards and are mandated for publication (Andriadi & Werastuti, 2022; Nurrahman & Mita, 2022). Previous research has shown that reporting standards that integrate financial and nonfinancial information can also be implemented in the public sector (Guthrie, et al., 2017). Previous research also indicates that the need for integrated reporting in the public sector is more urgent (Manes-Rossi, 2018; Manes-Rossi & Orelli, 2020). This is because public interest groups are public and trust the state's institutions. Financial statements symbolize the public's trust in the government (Samuel A. DiPiazza & Eccles, 2002).

Research trends in financial accounting focus on the mechanisms of delivering information in financial reports and the usefulness of this information for user decision-making (Zamil, et al., 2023). Research on financial and non-financial information in the public sector still needs to be conducted (Hoang, et al., 2020). Previous research on the disclosure of financial and non-financial information in local governments in West Java, Indonesia, successfully measured the quality of disclosure in local government reports using the Integrated Reporting conceptual framework (Pratama, et al., 2023). The study showed that, overall, the disclosure quality in financial

*Address correspondence to this author at the Department of Accounting, Faculty of Economics and Business, Padjadjaran University, Indonesia; Email: arie.pratama@unpad.ac.id

reports still needs improvement. Previous research suggests that the factors causing low disclosure quality in the government require further examination (Kaur & Lodhia, 2019).

This study analyzes the causes of low disclosure in government financial reports on government characteristics (Manes-Rossi, et al., 2020). The characteristics of local governments in Indonesia are unique, given the disparities among local governments (Utama, 2020). West Java has 28 local government units, with diverse territorial areas, total assets, and population sizes. The size of a local government indicates the complexity of its business activities (Chatjuthamard, et al., 2022). Government age is an indicator that will be further investigated in this study. Although Indonesia has been independent since 1945, not all local governments have been established since that year. After the 1998 reform, with the spirit of regional autonomy, many new regions emerged, with different management issues and opportunities compared to long-established regions (Badrudin & Siregar, 2016). In other words, the size and age of local governments may contribute to the quality of disclosure in their financial statements.

This study aims to analyze whether the complexity of local governments, represented by government size and age variables, can affect the quality of disclosure in government reports. This study builds upon previous research findings, hoping to explain the reasons behind low disclosure quality in government reports. This study can also contribute to understanding the situation and conditions of financial reporting in the public sector, particularly in Indonesia, and explain the benefits of the integrated reporting framework in the public sector. The study sampled local governments in West Java Province, which has the largest population in Indonesia and represents one of the provinces with the highest business complexity.

West Java is one of the provinces with the largest populations in Indonesia. Regarding local governments, West Java is one of the provinces with many regencies and cities resulting from territorial divisions. The territorial divisions in West Java are driven by the spirit of regional autonomy as well as the inability of the original regency/city governments to provide equal attention to all areas under their jurisdiction (Abdillah, et al., 2020). West Java is also located near the national capital and shares borders with the Banten Province, a division of West Java.

This paper consists of five sections. The first section explains the research and its contributions. section will provide a literature review, presents the conceptual framework, and states the hypotheses tested in this study. section will describe the research design and methodology. The fourth section presents the research findings, tests the hypotheses, and discusses the results, and the fifth section concludes and closes the article.

## LITERATURE REVIEW

### Government Business Complexity

Government organizations are often said to be filled with bureaucracy. However, with the concept of new public management, public sector organizations have adapted to the best practices found in the private sector (Obolenskyi, et al., 2020). Although the goal of public sector organizations has evolved towards becoming agile organizations, they still retain the characteristics of convoluted bureaucracy (Lapuente & Walle, 2020). Government bureaucracy theory suggests that the significant functions of the government and inherent oversight make government organizations complex (Eppel & Rhodes, 2020). Government transformation through digitization does not guarantee immediate efficiency. In some cases, newly formed governments exhibit better agility (Andersson, et al., 2022).

Organizational complexity provides an explanatory framework for understanding how organizations behave, including the interactions, relationships, and evolution of individuals and entities within larger social ecosystems (Pereira, et al., 2021). This complexity hinders a firm's operations and information transparency, thus creating a significant information imbalance between complex firms and external investors (Gestel & Grotenbreg, 2021). Each entity may have varying potentials for developing higher levels of complexity. This research examines complex perspectives based on two factors: government size and government age.

Size is also considered an indicator of the ability of more "capable" organizations to disclose more information in their financial statements (Landau, et al., 2020). Previous studies have found that larger organizations are more complex than smaller ones. Organizational size is a crucial indicator of the extent of an organization’s agency costs (Pratama, et al., 2020). Larger organizations may access superior services from professional advisors, and their more extensive client base may require additional professional services, such as consultation, tax, and legal support (Vitolla, et al., 2020). These factors are more likely to result in higher reporting quality. The size of the government can be reflected in various forms, and one indicator that can be used is total assets. The total assets reflect the economic resources entrusted by the public to be managed by the government. The stewardship theory states that economic resources controlled by the government reflect the functions of the government (Torfing & Bentzen, 2020). Large government functions require significant resources. Assets present in the government generally represent the size of the government. However, previous research also shows that proxies for government size have yet to reach an absolute level, such as the size of companies in private-sector research (Steinfeld, 2023). Various proxies for government size can be used in this research, such as population size, number of civil servants, land area, and number of working units in the local government (Yusof, 2013). However, research tends to focus on asset value because it is more objective to demonstrate the local government's capacity than the population size or number of civil servants. Population and civil servant indicators are multidimensional and less easily measurable (Gillan, et al., 2021) .

The age of an organization is another indication of its complexity. In the context of the private sector, recently established organizations are still considered risky, as organizations in the introduction stage, according to the life cycle theory, have uncertain growth prospects and no market share (Primc, et al., 2020). New organizations often have higher levels of information asymmetry between managers and principals, which means that the agency problem is still prominent in these new organizations (Olaniyi, 2019). However, in public sector research, the government is said to not have a lifecycle similar to that in the private sector. Generally, a mature government is more mature in its actions and governance. An older government is more experienced in governance management and has an infrastructure that supports quality reporting (Shiller, 2005). The age of a government should ideally reflect the maturity of its organizational management. However, various studies indicate that governments that have existed for hundreds of years have faced significant challenges in bureaucratic reform (Hunt, 2019). Younger governments, on the other hand, are often supported by human resources with current competencies and anti-bureaucratic thinking patterns, encouraging innovation and accelerating service delivery (Ashaye & Irani, 2019).

In summary, organizational complexity plays a significant role in shaping the behavior and operations of organizations. Government size and age contribute to this complexity by influencing transparency and information disclosure in financial reporting. Understanding these complexities is essential for stakeholders and investors to assess the risks and opportunities associated with different organizations.

## Government Financial Statement Disclosure

The government's financial statements contain various aspects, including information regarding the government's financial performance, financial resources, and predictions of future cash flows (Wahyuningsih & Wijayanti, 2022). The objectives of public sector financial reporting are similar to those of private sector financial reporting. Government financial reports are generally prepared according to government accounting standards. The International Public Sector Accounting Standard (IPSAS) is a commonly used reference standard for government accounting.

The IPSAS has a framework similar to that of the International Financial Reporting Standards (IFRS). The IPSAS is a principle-based accounting standard that regulates transactions and the presentation of financial reports (Bekiaris & Paraponti, 2023). However, IPSAS also has weaknesses, including its focus on financial disclosure (Gkouma & Filos, 2022). Although, similar to IFRS, various IPSAS amendments require enhanced disclosures, the focus of IPSAS remains on financial information. There is a significant trend in financial reporting related to improved information communication, both in the private and public sectors (Saha & Bose, 2021). One aspect that has been criticized is that accountants only understand financial statements and can easily be manipulated by accountants to manipulate performance (Eljammi Ayadi, et al., 2021). Disclosure is expected to use a more straightforward business language in the form of narratives rather than just numbers, and a holistic and integrative language (Lang & Stice-Lawrence, 2015).

One framework that can be used to generate meaningful non-financial disclosures for the public sector is the integrated reporting framework (Pistoni, et al., 2018). The International Integrated Reporting Council established an IR framework in 2013. This framework comprises various reporting elements and guiding principles. The central concept of integrated reporting lies in a philosophical approach known as integrated thinking (Vitolla, et al., 2019). Integrated thinking is a philosophy in which financial reporting should explain narratively and comprehensively the journey of resources owned by the organization (capital), processed in the organization's business activities, and resulting in value creation (Adel-Zadeh & Serafeim, 2018). The concept of integrated thinking can be applied to various situations and conditions, including in the public sector (Granà, 2018).

Integrated reporting is defined as a concise communication about how an organization's strategy, governance, performance, and prospects in its external environment lead to value creation over the short, medium, and long term (International Integrated Reporting Council, 2013). Integrated reporting delivers information about how the organization delivers value, including financial and non-financial information, and a broad range of users can use it. The framework also states that a complete set of integrated reporting must have nine components:

1. Organisational overview and external environment
2. Governance
3. Business model
4. Risks and opportunities
5. Strategy and resource allocation
6. Performance
7. Outlook
8. Basis of preparation and presentation

Several guiding principles must be adhered to when preparing integrated reporting.

1. Strategic focus and future orientation
2. Connectivity of information
3. Stakeholder relationships
4. Materiality
5. Conciseness
6. Reliability and completeness
7. Consistency and comparability.

## Theoretical Framework and Hypotheses Development

Organization information is included in the financial statements. Disclosure is one component of financial statements. Information disclosure is an entity's effort to convey relevant information about an organization's conditions to stakeholders (Pratama, et al., 2018). The disclosure describes an item qualitatively and quantitatively, and provides further explanations of the figures appearing on the face of the financial statements (Gillan, et al., 2021). Information disclosure can be seen not only in the context of financial accounting but also in the context of other corporate reporting. The general objectives of the disclosure are as follows: (1) to describe items recognized in the financial statements and provide alternative measurements and presentation of information in addition to what is presented on the face of the financial statements. (2) Describe items not recognized in financial statements and provide alternative measurements. (3) To provide information that helps investors and creditors assess the risks and potential of recognized and unrecognized items in the face of financial statements. (4) Provide essential information so that users of financial statements can compare the organization's performance within a year and across multiple years. (5) Provide information on future cash inflows and outflows. (6) Assist investors in evaluating returns on their investments (Alsayegh, et al., 2020; Albuquerque & Neves, 2021).

The future trend of corporate reporting is to expand disclosure. Currently, disclosure is qualitative in nature and explains specific accounts in the context of accounting disclosure (Michels, 2017). Various forms of expanded disclosure include: (1) expanding the scope of report users to include public and public interest groups. (2) Reports should present the functional relationships within the organization, meet specific information user needs, and present organizational activities to build public trust. (3) The types of information are expanded to include internal activities and the environmental setting of socioeconomic activities. (4) Information measurement techniques can be developed according to management science areas (operational research). (5) The disclosure quality should be improved to meet specific decision-making needs. (6) Disclosure tools should be developed to include multimedia disclosure, in line with human communication psychology (Landau, et al., 2020; Pratama, et al., 2022).

The disclosure of information in reports, in terms of both breadth and quality, is influenced by various factors. This study considers government size and age as factors that are believed to affect the quality of government report disclosure. Government size is expected to positively impact government disclosure, because it represents the activities and resources entrusted to the government by society(Biswas, et al., 2018; Busco, et al., 2020). The larger the government's assets, the greater the demand for transparency and accountability of those managed assets(Lee & Raschke, 2023). Various studies in the private sector also prove that asset size represents the political costs companies must incur to maintain societal legitimacy(Salvioni & Gennari, 2019). Political costs in the public sector are also the same and even more significant than those in the private sector. Government age is also expected to positively affect the quality of government report disclosure. Older governments are believed to have more experience and significant resources than younger ones(Hunt, 2019; Olaniyi, 2019). Larger governments find it easier to tell the story of government business processes because their business processes are more mature than younger governments are still in the development phase, and there is little to be told in government reports(Shiller, 2005).

Based on this framework, two hypotheses can be formulated:

$H_1$: Governments with larger total assets will have a higher quality score for government report disclosure.

$H_2$: Older Governments will have a higher quality score for government report disclosure.

## METHODS

This descriptive study used a quantitative approach. This study focuses on the population of local governments in West Java Province, where the population units are the provincial, district, and city governments. There were 27 district and city governments and one provincial government, totalling 28 observation units. The study period was 2016–2020. The sampling consideration over a span of five years was used to observe the impact of the comprehensive implementation. The years 2021 and 2022 were not included in the sample because the financial reports were unavailable for the study. The total number of observed units was 28 multiplied by 5, which was 140 units.

The operationalisation of variables in this study can be described in the following table:

**Table 1. Variable Operationalisation.**

| Variable | Indicators |
|---|---|
| Government Size ($X_1$) | Natural logarithm (Ln) of government's total assets |
| Government Age ($X_2$) | Year of Study – Year of government establishment or 1945, whichever is the latest (see notes).<br>*Notes:*<br>*The year 1945 was the year of Indonesia's independence. Some of the local government was established prior to Indonesian independence. However, the current government administration law was established in 1945.* |
| Quality of Government Disclosure in the financial statements (Y) | The quality of government disclosure in the financial statements was determined using an integrated framework reporting disclosure matrix as was used by Pratama et al. (2023). |

The data used in this study are secondary data obtained from government financial reports audited by the Supreme Audit Board of the Republic of Indonesia. The data for the independent variables are taken directly from the Balance Sheet and Notes to the Financial Statements. As for the dependent variable, the data are measured based on the content analysis found in the Notes to the Government Financial Statements. The integrated reporting disclosure matrix contains a total of 34 items representing eight elements of integrated reporting. This matrix operationalizes the eight parts of integrated reporting. This includes a disclosure score of 0 (zero) for no disclosure, 1 (one) for inadequate disclosure, 2 (two) for adequate disclosure, 3 (three) for good disclosure, and 4 (four) for outstanding disclosure.

Descriptive statistics, correlation analysis, and panel data regression were used for data analysis. Descriptive statistics will describe the data for each variable, correlation analysis will be used to test whether there is a significant relationship between independent variables, and panel data regression will be used to test the research hypotheses. Before conducting panel data regression, three tests were performed: the Chow Test, Hausman Test, and Lagrange Multiplier Test, to determine whether the panel data model should be a Common Effect Model, Fixed Effect Model, or Random Effect Model. Suppose the selected model is standard or fixed. In this case, classical assumption tests are required because the formed model still uses the ordinary least squares method, which requires the use of the Best Linear Unbiased Estimator (BLUE) (Sekaran, 2019). However, if the selected model is random, classical assumption tests are not conducted because the model used is a generalized least squares, which is assumed to have no effect on heteroscedasticity or autocorrelation (Gujarati & Porter, 2010).

## RESULTS AND DISCUSSIONS

### Results

#### *Descriptive Statistics*

Based on the obtained data, the descriptive statistics are presented in Table **2**.

**Table 2. Descriptive Statistics.**

| | $X_1$ | $X_2$ | Y |
|---|---|---|---|
| Mean | 29.286 | 58.142 | 0.3519 |
| Standard Deviation | 0.8338 | 24.099 | 0.1169 |
| Maximum | 31.230 | 73.000 | 0.7100 |
| Minimum | 28.122 | 6.000 | 0.1500 |

Based on the above data, for the government size variable, the values used were converted into natural logarithms. In general, the total asset values of the regional government in West Java range from Rp. 1 trillion to Rp. 84 trillion. However, the annual data results show the same trend: out of 28 local governments, 26 in West Java experienced a decrease in asset value in 2020. The cause of this decline in asset value was the Covid-19 pandemic. The Covid-19 pandemic has forced governments to issue various fiscal and social stimuli to assist affected communities (Ritonga & Suyanto, 2022). On the other hand, adding assets is impossible because of the decrease in revenue entering the local government. For the variable of government age, the average age of regional governments in West Java is 58 years. Several new district and city governments result from division or separation from their original city governments, so they are still young. It should also be noted that around 50% of the district and city governments in West Java were established in the 19th and 20th centuries, before Indonesia gained independence (Rosidin, et al., 2022). For data normalization and based on the argument that the Indonesian government administration was formed after independence, the calculation of the age for those areas started in 1945. For the variable of financial report disclosure, a value of 35.19 out of 100 was obtained, which means it still needs to be improved. The highest value is still 71, indicating that there is still a significant gap from perfect disclosure.

Correlation analysis was also conducted to determine whether there was a relationship between the independent variables. Table 3 shows that there was no relationship between the independent variables. Generally, older governments tend to have more assets than younger governments. However, this is not the case in Indonesia, as many older local governments have experienced a decrease in assets because of the division of their territories into new local governments (Aminah, et al., 2019). In addition, many younger local governments have relatively large assets because of their regions' rapid economic growth potential (Cassidy & Velayudhan, 2022).

**Table 3. Correlation Test.**

| Relationships | Correlation Score | p.value |
|---|---|---|
| $X_1 \leftrightarrow X_2$ | 0.339 | 0.078 |
| $X_1 \leftrightarrow Y$ | 0.241 | 0.216 |
| $X_2 \leftrightarrow Y$ | -0.384 | 0.044* |

Notes:
* : significant at $\alpha = 5\%$

### Hypothesis Testing

The hypothesis testing in this research utilized panel data regression. Table **4** presents the panel data model test results along with their interpretations.

**Table 4. Panel Data Regression Model Test.**

| Test | p. Value | Model |
|---|---|---|
| Chow[1] | 0.000 | Fixed effect model |
| Hausman[2] | 0.005 | Fixed effect model |

Notes:

1. The Chow test tests whether the model is a common or fixed-effects model. If $p < 5\%$, the fixed effects model was chosen; otherwise, the common effects model was chosen.
2. The Hausman test tests whether the model used is a fixed or random effect model. If $p < 5\%$, the fixed-effects model is chosen. Otherwise, the random-effects model was chosen.

The Lagrange Multiplier test was not conducted because the two tests led to the selection of the fixed-effect model. The fixed effects model still uses Ordinary Least Squares (OLS), so classical assumption tests still need to be performed. The results of the classical assumption tests are presented in Table **5**.

**Table 5. Classical Assumption test.**

| Test | Statistics | p. Value | Conclusion |
|---|---|---|---|
| Normality | Kolgomorov – Smirnov | 0.563 | Normal distribution |
| Multicollinearity | Variance Inflation Factors | 1.132 | No multicollinearity |
| Heteroscedasticity | Glejser | 0.001 | Heteroscedasticity |
| Autocorrelation | Durbin – Watson | 0.438 | Autocorrelation |

The model generated with Fixed Effects contained heteroscedasticity and autocorrelation. One approach to mitigate the effects of heteroscedasticity and autocorrelation in the Fixed Effects model is to utilize weights from Cross-Section-based Generalized Least Squares. Generalized least squares (GLS) estimation is a generalization of the Ordinary Least Squares (OLS) estimation technique. GLS is especially suitable for fitting linear models on datasets that exhibit heteroscedasticity (i.e., non-constant variance) and auto-correlation (Gujarati & Porter, 2010). The regression results using fixed effects with cross-section-based generalized least squares are presented in Table **6**.

**Table 6. Panel Data Regression Test Result.**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 1.490656 | 0.382881 | 3.893257 | 0.0002* |
| X1 | -0.055108 | 0.014978 | -3.679288 | 0.0004* |
| X2 | 0.008172 | 0.001138 | 7.182230 | 0.0000* |
| R-squared | 0.991829 | Mean dependent var | | 0.880443 |
| Adjusted R-squared | 0.989675 | S.D. dependent var | | 0.648117 |
| S.E. of regression | 0.032761 | Sum squared resid | | 0.118060 |
| F-statistic | 460.4319 | Durbin-Watson stat | | 2.108644 |
| Prob(F-statistic) | 0.000000 | | | |

Notes:
* : significant at $\alpha = 5\%$

The test results indicate that all the independent variables impact the dependent variable. The R-squared value was 0.99, which is close to 1. The model is also deemed fit, as Prob(F-statistic) is less than 5%. Hypothesis 1 is rejected, although the hypothesis testing results show significance because the testing coefficient is negative, while Hypothesis 1 states that the coefficient is positive. Hypothesis 2 is accepted and the coefficient sign aligns with the hypothesis, which is positive.

## DISCUSSIONS

The research revealed several interesting findings. First, this research indicates that the complexity of local governments makes it difficult for them to report higher-quality disclosures. Indonesia is a developing country, and developing countries generally have much more complex bureaucracies, which hinders the performance of local governments (Tan & Taeihagh, 2020). Assets managed by local governments may not necessarily reflect the resources available to the government. Research conducted in the context of local governments in Indonesia has shown that the assets recorded in financial statements need to be better measured, and some of them are even fictitious or discovered during external audits (Furqan, et al., 2020; Sumaryati, et al., 2020). The research findings also indicate that the assets managed by newly formed local governments resulting from territorial divisions still face many issues, particularly regarding overlapping management authorities (Asmorowati, et al., 2022). As a result, the complexity of the local government, reflected in the size of its assets, becomes a burden for governments to report higher-quality information.

Second, research findings show that older governments can disclose information more effectively. The correlation test results shown in Table 3 indicate that the size of the government does not have a relationship with government age. This explains why the results of Hypotheses 1 and 2 are contradictory. Although new local governments in Indonesia generally have high growth potential in terms of economy, politics, and sociocultural aspects (Talitha, et al., 2020), research in the field of public administration shows that newly established local governments have sometimes had higher political burdens, less agile bureaucracies since they have a shortage of competent employers, and scarcity of resources (Shoesmith, et al., 2020; Paranata, 2022). Consequently, financial reporting by the government requires open-mindedness, efficient bureaucracy, and competent and high-quality resources (Marsella & Aswar., 2019).

The research findings indicate that the quality of information disclosure in the West Java Provincial Government still requires significant improvement. Financial reporting disclosure still has low scores and a high score disparity among the regencies and city governments (Pratama, et al., 2023). The West Java government also operates in the context of governance throughout Indonesia and globally (Wardhani, et al., 2017). The implementation of integrated reporting in the public sector needs to be improved by the government's continued focus on financial reporting and the need for improved financial reporting infrastructure, especially in developing countries, such as Indonesia (Mir & Sutiyono, 2013). As a heterogeneous country, Indonesia has various provinces, inhomogeneous districts, and city governments. This research also implicitly indicates that a large government size and long age do not guarantee well-managed resources. This can be a note for the central government in developing reporting infrastructure so that all district and city governments have a shared understanding, infrastructure, and regulations, enabling all levels of Indonesian local government to produce high-quality reporting (Fahmid, et al., 2020).

## CONCLUSION

This study produced several interesting findings. The disclosure of government financial reports in the West Java region remains inadequate. This is supported by information on the uneven spread of the integrated reporting framework in the public sector. As mentioned earlier in this article, the integrated reporting framework can explain the value-creation process within an organization. Currently, the government's focus is still on financial reporting. The government should raise awareness of the importance of non-financial performance disclosure and integrate non-financial and financial information in financial reporting. In the short term, the government can also consider preparing integrated reporting infrastructure, such as improving human resource capacity, particularly accountants in the government, establishing accounting and management information systems, and preparing regulations related to financial reporting.

This research also proves that complexity within the local government environment has led to contradictory findings between Hypotheses 1 and 2. However, this research also fundamentally explains that young governments can invest better in preparing to report infrastructure, enabling them to produce quality reports in the future. Governments with significant assets also need to reevaluate resource management efficiency, especially in asset management or inventory activities, to ensure that the recorded asset value in financial reports reflects the actual value of the assets.

Further research can also consider linking the quality of government report disclosures to performance accountability scores. Currently, performance accountability scores in government are still in the early stages of implementation; therefore, complete data still need to be available. Further research can also consider factors related to implementing reporting frameworks such as human resource readiness, regulations, and infrastructure. Future research can also use other reporting frameworks that are currently circulating or will be circulated, such as standards developed by the Global Reporting Initiative (GRI) or the International Sustainability Standards Board (ISSB).

## ACKNOWLEDGMENTS

This research was fully funded by the Research Grant of Academic Leadership Grant provided by Universitas Padjadjaran, Indonesia.

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Received: Sep 15, 2023 Revised: Sept 25, 2023 Accepted: Mar 01, 2024