

Accountability And Transparency Analysis Of Local Government Financial Performance (Study of Regional Apparatus Organizations (OPD) in Pohuwato Regency)

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ABSTRACT

Since the implementation of performance-based budgeting, all local governments have been obligated to create good financial performance of their local governments. As such, financial performance is one of the most significant topics to be studied in public sector organizations, including the government. The growing calls from public sector entities including national and local governments and government work units for the adoption of public accountability. The purpose of this study is to ascertain how accountability and transparency affect local governments' financial performance. This study employs a quantitative methodology. Purposive sampling is the method used in the sampling process. In order to collect primary data for this study, 210 respondents were given questionnaires. The study's conclusions demonstrate that: 1) Accountability has a positive and significant impact on the local government's financial performance; 2) Transparency has a positive and significant impact on financial performance; and 3) Accountability and Transparency have a significant impact on the Pohuwato Regency Regional Government's financial performance at the same time.

Key words: Accountability, Financial Performance, Transparency

1. Introduction

When it comes to the execution of the Regional Government, Regional Finance refers to all of the Region's rights and duties that are monetary in value and all types of wealth that can be utilized as the Region's property in relation to these rights and obligations. Government Regulation No. 12 of 2019 governs regional financial management, which is defined as an all-encompassing activity that involves planning, budgeting, implementing, administering, reporting, holding accountable, and supervising regional finance.

Since the implementation of performance-based budgeting, all local governments have been obligated to create good financial performance of their local governments. As such, financial performance is one of the most significant topics to be studied in public sector organizations, including the government. Public sector entities like state institutions, government departments, government work units, and local and federal governments are calling for the adoption of public accountability (Hasthoro & Sunardi, 2016). (Iwan Karim, 2024) This phenomenon of failure to measure performance is caused by the preparation of financial statements that are still not.

An examination of a company's financial performance is done to determine how well it has followed the guidelines for appropriate financial implementation (Faisal et al., 2011). One form of government financial performance is good regional financial management in terms of budgeting and budget realization and sources of funds collected and obtained by local governments. To realize good governance, the Government is making efforts to increase transparency and accountability in the management of State finances. The State's financial reform efforts include: Laws and Regulations, Institutions, Systems and improving the quality of human resources (HR).

Accountability is a form of obligation of providers of public activities to be able to explain and answer all matters regarding the steps of all decisions and processes carried out, as well as accountability for the results of their performance. Akbar (2012) said that accountability can literally be interpreted as accountability, but this simple translation can obscure the meaning of the word accountability itself when it is associated with the meaning of accounting and management.

In addition to Accountability, Transparency is also important in achieving good performance (Esni et al., 2019). Transparency is openness in carrying out an activity process and is one of the important requirements for creating good governance (Esni et al., 2019). With this openness, the consequences that will be faced are excessive control from the public, for that there must be restrictions on openness itself, where the government must be good at sorting out which information needs to be published and which is not necessary so that there are clear criteria from the public apparatus regarding what types of information can be provided and to whom the information is given according to (Nasution, 2018).

The researcher was interested in talking about this matter more and chose the title, Accountability and Transparency Analysis of the Financial Performance of the Pohuwato Regency Regional Government, based on the background of the issues that occurred. Determining the Impact of Accountability and Transparency on Local Government Financial Performance is the aim of this research.

Agency Theory

According to Jensen and Meckling (1976), A contract between managers (agents) and owners (principals) is the basis of agency theory. If the owner gives the manager decision-making authority, this contractual arrangement can function effectively. Principals in agency relationships assign agents, or other parties, the responsibility of carrying out all actions on the principals' behalf in their capacity as decision-makers. Whether intentionally or not, agency theory has been applied in Indonesian local administrations. The regional apparatus work unit (SKPD), in this case the agency's head and other local governments, is the agent and the local government is the principal in public sector organizations (Ismailet al., 2016)

Local Government Financial Performance

The Law of the Republic of Indonesia Number 23 of 2014 concerning local government serves as the foundation for the government's duties. Since the legislation contains regulations pertaining to the appropriate implementation of regional autonomy, it is imperative that performance be evaluated in relation to the government's execution of regional autonomy. Atmosudirjo (Haryanto, 2009), Performance is the study of an organization's capacity to accomplish objectives. Performance reviews serve as a basis for future development as well as a tool to measure how well an organization is doing in reaching its objectives. According to this viewpoint, organizational performance can be defined as the accomplishment of tasks during the process of putting established organizational goals into practice. The optimal distribution of funds for each public service work unit is determined by taking into account the needs and demands of the community when estimating the amount of funds to be allocated to each local government work unit and the work program required to produce a level of public service. This includes identifying inputs, public service production techniques, and the minimum quality that a work unit must produce.

Akuntabilitas

In the English language, accountability is often referred to as "something that can be tanggungjawabkan," or, in more colloquial terms, as accountable. Many people distinguish between accountability and responsibility. In essence, responsibility (responsibilitas) is the willingness to lend support to others in order to carry out a task that is required of them. In contrast, in a broad sense, akuntabilitas can be understood as the obligation of the agents of the amanah to provide tanggungjawaban, as well as to report, explain, and engage in any activities that become a liability to the principals of the amanah who possess the aforementioned hak. Akuntabilitas is one of the tenets of good governance, or a sound policy framework that is adopted by many developing nations around the world.

Transparency

One of the objectives or expectations of good governance is clean government, or good government. Applying the accountability concept and the openness or transparency principle is equally crucial. Additionally, Mardiasmo (2004) outlined the definition of transparency as the government's openness in giving information to parties in need about public resource management activities, including financial information and other data that interested parties will use to make decisions. Law of the Republic of Indonesia Number 14 of 2008 concerning Public Information Disclosure (KIP), which explains the principle of openness (transparency) in the implementation of local government, opens up to the public's right to obtain true, honest, and non-discriminatory information about the implementation of local government while still paying attention to the protection of individual human rights, classes, and state secrets, further strengthens the importance of the principle of transparency.

2. Method, Data, and Analysis

This study's methodology, known as quantitative research, is founded on the positivist school of thought and is used to examine a certain population or sample. Statistical and mathematical data analysis is employed to test established hypotheses (Sugiyono, 2018). This study's research design is quantitative in nature. In order to address research problems and evaluate hypotheses, quantitative research focuses on the gathering and analysis of numerical data. The Pohuwato Regency's Regional Apparatus Organization is the site of the research at the direct object location. The research and time will be conducted between February 27 and March 27, 2024.

All personnel working in finance at all Pohuwato Regency Regional Apparatus Organizations (OPD) comprise the study's population. Nonetheless, each Pohuwato Regency Regional Apparatus Organization (OPD) will have five responders. As a result, 210 participants from 42 different Regional Apparatus Organizations (OPD) in Pohuwato Regency will make up the total sample employed in this study. The researchers employed the method of identifying purposive sampling samples. Only 159 respondents completed the questionnaire out of 210 respondents representing 42 Regional Apparatus Organizations (OPD) in Pohuwato Regency; thus, 159 respondents made up the study's sample.

Accountability (X1), Transparency (X2), and Local Government Financial Performance (Y) are the three factors that make up this study. Primary data are the type of data used in this investigation. A questionnaire was employed in this study as the method of data collecting. According to Sugiyono (2019), A questionnaire can be an effective tool for gathering data if the researcher is clear about the variables to be measured and what the respondents should be prepared to provide. The AMOS 24 program is utilized in this study to operate the structural equation model, often known as structural equation modeling (SEM).

3. Results

SEM Analysis Requirements Test

a. Adequacy of Sample Volume

The minimum suggested sample size for SEM analysis using the ML estimation method is between 100 and 200 (Ghozali, 2016). The 42 Regional Apparatus Organizations (OPDs) provided 210 samples in total for this research; of these 210 respondents, only 159 respondents/samples met the requisite number of samples for the SEM analysis.

b. Normality Test

Tabel 1. Steyn Bootstrap said

Variable	Normality Limit Value	p
Accountability (X1)	2,58	0,031
Transparency (X2)	2,58	0,163
Financial Performance (Y)	2,58	0,300

Source: In 2024

The univariate c.r. skewness value of all variables has been in the interval of $471.844 < z < 2.58$, and the multivariate c.r. value of 131.729 indicates that the multivariate c.r. has been in the interval of $131.729 < z < 2.58$, indicating that the research data of the Accountability variable has been distributed normally. These results of the normality test demonstrate that the data to be analyzed has a normal distribution both univariate and multivariate.

c. Data Outliers

Table 2. Outliers

Observations Farthest From the Centroid (Mahalannobis Distance)

Observation number	Mahalanobis squared	d-p1	p2
142	141,850	,000	,000
47	140,903	,000	,000
58	138,853	,000	,000
1	136,304	,000	,000
28	134,244	,000	,000
14	129,874	,000	,000
54	128,973	,000	,000
52	128,485	,000	,000
143	127,725	,000	,000
19	126,828	,000	,000
144	125,946	,000	,000
25	124,291	,000	,000
13	122,882	,000	,000
49	120,679	,000	,000
91	120,182	,000	,000

32	115,628	,000	,000
45	111,460	,000	,000
8	110,299	,000	,000
55	110,142	,000	,000
46	109,215	,000	,000
39	108,796	,000	,000
57	108,586	,000	,000
16	107,068	,000	,000
12	103,489	,000	,000
59	103,443	,000	,000
140	102,829	,000	,000
81	99,333	,000	,000
20	99,197	,000	,000
9	98,750	,000	,000
40	98,648	,000	,000
21	98,297	,000	,000
2	97,565	,000	,000
5	97,495	,000	,000
7	97,077	,000	,000
33	96,680	,000	,000
35	91,553	,000	,000
87	89,130	,000	,000

Source: data processed from AMOS

d. Multicollinearity Test

Table 3. Multicollinearity Test Result

	Estimate
X1 <--> X2	,878

Source: data processed from AMOS

e. Overriding Estimate

Table 4. Variances: (Group Number 1 – Default Model)

	Estimate	S.E.	C.R.	P	Label
X1	,154	,028	5,560	0,000	par_40
X2	,344	,055	6,266	0,000	par_41
e1	,117	,014	8,595	0,000	par_42
e2	,183	,021	8,654	0,000	par_43
e3	,146	,017	8,578	0,000	par_44
e4	,061	,007	8,332	0,000	par_45
e5	,110	,013	8,574	0,000	par_46
e6	,052	,006	7,986	0,000	par_47
e7	,067	,008	8,172	0,000	par_48
e8	,107	,013	8,356	0,000	par_49
e9	,086	,010	8,533	0,000	par_50
e10	,057	,007	8,108	0,000	par_51
e11	,117	,014	8,489	0,000	par_52

e12	,066	,008	8,077	0,000	par_53
e13	,101	,012	8,511	0,000	par_54
e14	,083	,010	8,364	0,000	par_55
e15	,124	,015	8,444	0,000	par_56
e16	,168	,020	8,242	0,000	par_57
e17	,109	,014	8,058	0,000	par_58
e18	,103	,013	8,083	0,000	par_59
e19	,164	,020	8,180	0,000	par_60
e20	,138	,017	8,229	0,000	par_61
e21	,145	,018	7,912	0,000	par_62
e22	,093	,012	7,765	0,000	par_63
e23	,091	,011	8,061	0,000	par_64
e24	,081	,009	8,720	0,000	par_65
e25	,188	,022	8,685	0,000	par_66
e26	,107	,012	8,683	0,000	par_67
e27	,066	,008	8,470	0,000	par_68
e28	,084	,010	8,585	0,000	par_69
e29	,099	,011	8,671	0,000	par_70
e30	,073	,009	8,444	0,000	par_71
e31	,111	,013	8,512	0,000	par_72
e32	,092	,011	8,696	0,000	par_73
e33	,086	,010	8,686	0,000	par_74
e34	,151	,017	8,753	0,000	par_75
e35	,100	,012	8,646	0,000	par_76
e36	,114	,013	8,712	0,000	par_77
e37	,201	,023	8,689	0,000	par_78
e38	,093	,011	8,641	0,000	par_79
e39	,305	,035	8,798	0,000	par_80

Source: Data Processing

Testing Measurement Models With SEM

a. Confirmatory Factor Analysis (CFA) Forming Model Accountability Variable CFA Test (X1)

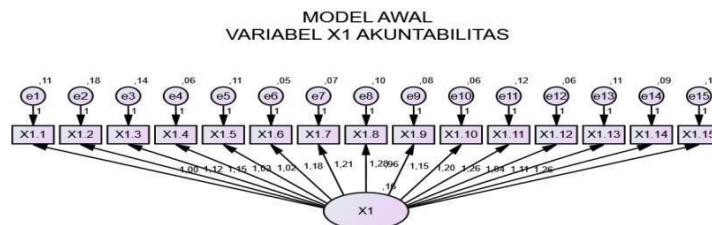


Figure 1 Accountability Early Stage CFA Test (X1)

Source: Data Processing

The following table, which is derived from the outcomes of the Goodness of Fit Indexes (GFI) evaluation test, is used to determine whether the measurement model is consistent with the data.

Table 5. Evaluation of the Variable GFI Criteria X1 Accountability

Kriteria	Cut-Off Value	Hasil Model	Evaluasi Model
Chi-square	Small Expected	518,833	Not Good
Probability	$\leq 0,05$	0,000	Good
CMIN/DF	$\leq 5,00$	5,765	Not Good
GFI	$\geq 0,90$	0,695	Not Good
AGFI	$\geq 0,90$	0,594	Not Good
TLI	$\geq 0,90$	0,813	Marginal
RMSEA	$\leq 0,08$	0,174	Not Good

Source: In 2024

Five Goodness of Fit Index criteria—the Chi-square, CMIN/DF, GFI, AGFI, TLI, and RMSEA criteria—do not meet the standards, according to the above table. Correlating with others allows alterations to be made in order to meet these requirements.

Final Stage CFA Test of Accountability Variables (X1)

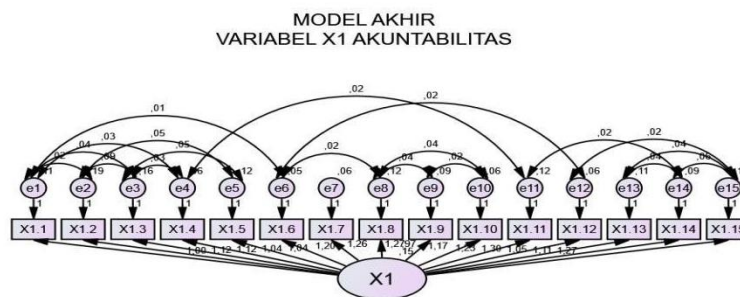


Figure 2 Final Stage CFA Test of Accountability Variables (X1)

Source: Data Processing

The following are the outcomes of the CFA test of the Accountability variable after adjustments were made via correlation. The table below displays the Goodness of Fit Index findings for the implementation variables following adjustments:

Tabel 5. Evaluation of the Modified GFI Criteria X1 Accountability

Criterion	Cut-Off Value	Model Results	Model Evaluation
Chi-square	Small Expected	191,584	Good
Probability	$\leq 0,05$	0,000	Good
CMIN/DF	$\leq 5,00$	2,698	Good
GFI	$\geq 0,90$	0,865	Marginal
AGFI	$\geq 0,90$	0,771	Marginal
TLI	$\geq 0,90$	0,933	Good
RMSEA	$\leq 0,08$	0,104	Good

Source: In 2024

Upon evaluating every variable observer, it was discovered that the model's goodness of fit inequality criterion had been satisfied. This indicates that a perfect fit between the model and

the used data will be produced. Therefore, in the next comprehensive model testing, all components or observers of the Accountability variable can be included.

Transparency Variable CFA Test (X2)

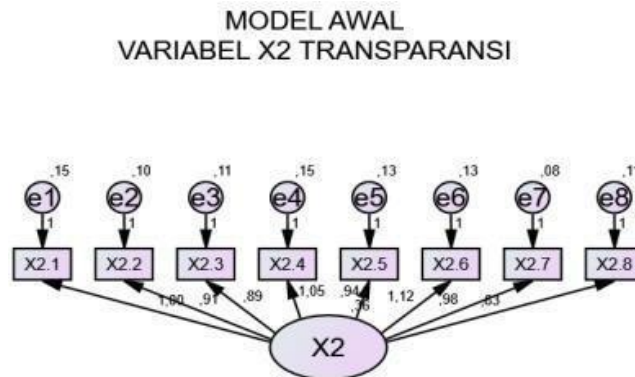


Figure 3 Variable CFA Test X2 Transparency
Source: Data Processing

The following table, which is derived from the outcomes of the Goodness of Fit Indexes (GFI) evaluation test, is used to determine whether the measurement model is consistent with the data.

Table 7. Evaluation of Variable GFI Criteria X2 Transparency

Criterion	Cut-Off Value	Model Results	Model Evaluation
Chi-square	Small Expected	114,285	Not Good
Probability	$\leq 0,05$	0,000	Good
CMIN/DF	$\leq 5,00$	5,714	Nod Good
GFI	$\geq 0,90$	0,840	Marginal
AGFI	$\geq 0,90$	0,711	Marginal
TLI	$\geq 0,90$	0,897	Marginal
RMSEA	$\leq 0,08$	0,173	Not Good

Source: In 2024

Six Goodness of Fit Index criteria—the Chi-square, CMIN/DF, GFI, AGFI, TLI, and RMSEA criteria—do not match the requirements, according to the above table. Modifications are done by correlating with others in order to meet these criteria, as indicated in the following figure:

Table 8. Evaluation of GFI Criteria Modified X2 Transparency

Criterion	Cut-Off Value	Model Results	Model Evaluation
Chi-square	Small Expected	51,987	
Probability	$\leq 0,05$	0,000	Not Good
CMIN/DF	$\leq 5,00$	3,713	Good
GFI	$\geq 0,90$	0,928	Marginal
AGFI	$\geq 0,90$	0,814	Marginal
TLI	$\geq 0,90$	0,941	Marginal

RMSEA	$\leq 0,08$	0,131	Good
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Source: In 2024

Upon evaluating every variable observer, it was discovered that the model's goodness of fit inequality criterion had been satisfied. This indicates that a perfect fit between the model and the used data will be produced. Therefore, in the future, all constructs or observers of the Transparency variable can be included in the overall model testing.

CFA Test of Local Government Financial Performance Variables

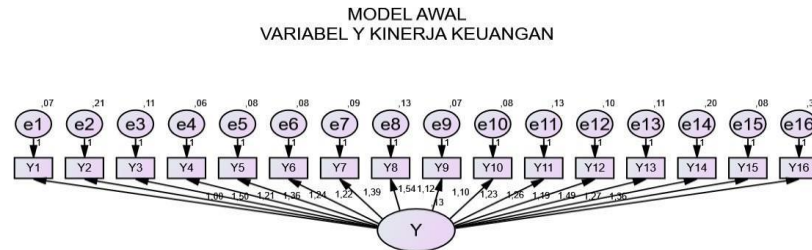


Figure 4 Financial Performance of Regional Governments, CFA Test Variable Y The following table, which is derived from the outcomes of the Goodness of Fit Indexes (GFI) evaluation test, is used to determine whether the measurement model is consistent with the data.

Source: Data Processing

Table 9. Evaluation of GFI Criteria Modification Y Financial Performance of Local Governments

Criterion	Cut-Off Value	Model Evaluation	Model Evaluation
Chi-square	Small Expected	506,188	Not Good
Probability	$\leq 0,05$	0,000	Good
CMIN/DF	$\leq 5,00$	4,876	Good
GFI	$\geq 0,90$	0,736	Marginal
AGFI	$\geq 0,90$	0,655	Not Good
TLI	$\geq 0,90$	0,823	Marginal
RMSEA	$\leq 0,08$	0,156	Not Good

Source: In 2024

Five of the Goodness of Fit Index criteria—Chi-square, GFI, AGFI, TLI, and RMSEA—do not match the requirements, according to the above table. Modifications are done by correlating with others in order to meet these criteria, as indicated in the following figure

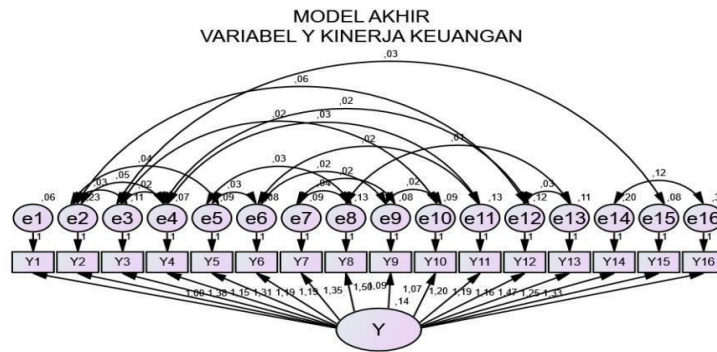


Figure 5 CFA Test Variable Y Financial Performance of Local Governments
Source: Data Processing

The CFA test results for the Regional Government Financial Performance variable were modified using correlation. The table below displays the Goodness of Fit Index findings for the implementation variables following adjustments:

Table 10. Evaluation of GFI Criteria Modification Y Financial Performance of Local Governments

Criterion	Cut-Off Value	Model Result	Model Evaluation
Chi-square	Small Expected	218,129	Good
Probability	$\leq 0,05$	0,000	Good
CMIN/DF	$\leq 5,00$	2,566	Good
GFI	$\geq 0,90$	0,870	Marginal
AGFI	$\geq 0,90$	0,792	Marginal
TLI	$\geq 0,90$	0,928	Marginal
RMSEA	$\leq 0,08$	0,100	Good

Source: Processed in 2024

Upon evaluating every variable observer, it was discovered that the model's goodness of fit inequality criterion had been satisfied. This indicates that a perfect fit between the model and the used data will be produced. Therefore, in the overall testing of the next model, all constructions or observers of the variables of the Financial Performance of the Regional Government can be included.

Uji Struktural E quation Modeling (SEM)

a. Initial Stage Test of Structural Equation Modeling (SEM)

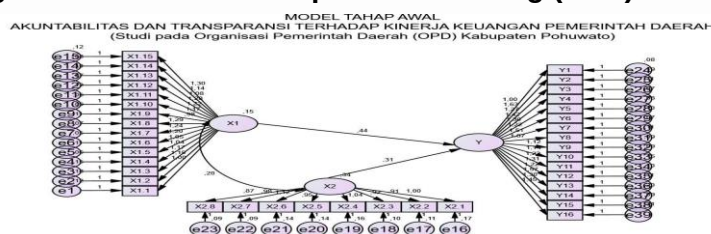


Figure 6. Results of Early Stage Structure Equation Modelling Analysis
Source: Data Processing

The results of the model construction test are evaluated based on GFI, model criteria and critical values that have conformity with the data can be seen in the following table:

Table 11. Evaluasi of GFI Overall Model (Early Stage Test)

Kriteria	Cut-Off Value	Hasil Model	Evaluasi Model
Chi-square	Small Expected	3380,505	Good
Probability	$\leq 0,05$	0,000	Good
CMIN/DF	$\leq 5,00$	4,829	Good
GFI	$\geq 0,90$	0,510	Not Good
AGFI	$\geq 0,90$	0,454	Not Good
TLI	$\geq 0,90$	0,678	Not Good
RMSEA	$\leq 0,08$	0,156	Not Good

Source: In 2024

It is evident from the above table that the model is not yet ready for use. According to the following chart, some people still don't seem to match the requirements for Chi-square, GFI, AGFI, and TLI, while having met all other criteria. Improvements are made to the model in accordance with the guidelines for modification indices, making it suitable for hypothesis proof.

b. Test the Final Stage Model

MODEL TAHAP AKHIR
AKUNTABILITAS DAN TRANSPARANSI TERHADAP KINERJA KEUANGAN PEMERINTAH DAERAH
(Studi pada Organisasi Pemerintah Daerah (OPD) Kabupaten Pohuwato)

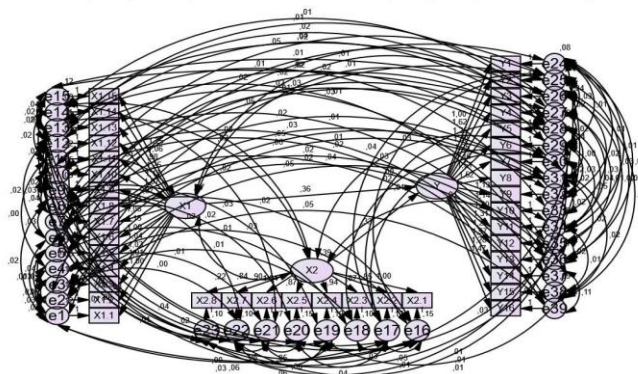


Figure 7. Result of the Final Stage of Structure Equation Modelling Analysis

Source: Data Processing

Following the alterations made by correlating X1, X2, and Y, and then e1 to e39, the overall model's CFA test results are as follows. The Goodness of Fit Index findings The overall model's goodness of fit indices are as follows:

Table 12. Evaluation of GFI Overall Model (Final Stage Test)

Criterion	Cut-Off Value	Model Results	Model Evaluation
Chi-square	Small Expected	1859,129	Good

Probability	$\leq 0,05$	0,000	Good
CMIN/DF	$\leq 5,00$	3,256	Good
GFI	$\geq 0,90$	0,688	Marginal
AGFI	$\geq 0,90$	0,574	Marginal
TLI	$\geq 0,90$	0,810	Marginal
RMSEA	$\leq 0,08$	0,119	Marginal

Source: In 2024

The variables in the model that meet the goodness of fit index requirements are displayed in the table above. Additionally, once all requirements have been satisfied, each variable's regression coefficient and critical ratio values will be displayed.

Hypothesis Testing Partial Test

Table 13. Test Preparation

Variable			Estimate	S.E.	C.R.	P	Label
Y	<---	X1	0,441	0,064	6,919	0,000	par_37
Y	<---	X2	0,306	0,041	7,410	0,000	par_38

Source: In 2024

The primary source of information for conducting hypothesis tests in this study is the table above. If the t-value or Critical Ration (C.R) value is less than 1.660 or the p-value is less than 0.05, then the test condition is to reject H0.

Uji Simultaneously

Table 14. Evaluation of GFI Overall Model (Final Stage Test)

Criterion	Cut-Off Value	Model Results	Evaluasi Model
Chi-square	Small Expecte d	1859,129	Good
Probability	$\leq 0,05$	0,000	Good
CMIN/DF	$\leq 5,00$	3,256	Good
GFI	$\geq 0,90$	0,688	Marginal
AGFI	$\geq 0,90$	0,574	Marginal
TLI	$\geq 0,90$	0,810	Marginal
RMSEA	$\leq 0,08$	0,119	Marginal

Source: Processed in 2024

This study's simultaneous test using AMOS is significant, according to the Good Of Fit (GOF) test, which indicates that the AGFI model is deemed good.

4. Discussion

Accountability for Local Government Financial Performance

The study's findings demonstrate that accountability significantly and favorably affects local governments' financial performance. In this research, accountability refers to the trustee's duty to hold the trustee (principal), who has the power and right to hold the trustee accountable, accountable for, present, report, and reveal all activities and activities that are its responsibility (Sukma Tangahu et al., 2022). A cornerstone of good public financial governance is accountability to local government financial performance. This includes managing and reporting public monies given to local governments for the benefit of their communities in an open and accountable manner.

The agency theory takes into account the possible conflict of interest in this situation between the community acting as the principal and the local government acting as an agent. Local governments are empowered to handle public monies; nevertheless, in the absence of appropriate oversight, the possibility exists that their objectives may supersede those of the community. Accountability is therefore crucial to guarantee that local government financial management is done so in a way that serves the interests of the community at large. In general, achieving effective and accountable administration of public finances depends in large part on local governments being held accountable for their financial performance. We may better appreciate the significance of bolstering control and transparency systems in order to guarantee that local governments behave in the best interests of the communities entrusted to them by connecting it to agency theory.

Transparency of Local Government Financial Performance

The study's findings demonstrate that transparency significantly and favorably affects local governments' financial performance. Assuming that hypothesis 2 is true or has a favorable and noteworthy impact on the Pohuwato Regency, Gorontalo Province, regional government's financial performance. The primary predictor of this influence's impact on financial performance is its magnitude, and empirical research in the field using questionnaire distribution indicates that the majority of respondents' responses fall into the positive group. Transparency is therefore a principle that ensures access or freedom for everyone to get information that will be arranged by the government, notably information about policies. Information media relevant to the public interest can be immediately obtained by those in need. The concept of transparency ensures that everyone has the freedom and access to information on how the government is run, namely information regarding policies, how they are created and carried out, and the outcomes that are attained.

(Pasaribu, 2011).

The results of this study are in line with the results of research conducted by Edowati, et, al. (2021) and Elkha & Wahidawati, (2020) It claimed that financial performance of local governments is impacted by transparency. By providing adequate and easy to understand information so that it can be used as a tool to improve performance results in the organization (Aqmal and Soewarno, 2018). Conclusion: By offering sufficient and simple-to-understand information, it can be utilized as a tool to track and assess performance outcomes within the company. Information accessibility is necessary to guarantee government accountability.

Overall, transparency in finance is not only an ethical obligation, but also a key factor in improving an entity's financial performance. By creating an open and honest environment, transparency builds a strong foundation for long-term success and financial sustainability.

Accountability and Transparency of Local Government Financial Performance

The study's findings demonstrate that accountability and transparency significantly and favorably impact local governments' financial performance. The comparison of the t-value, C.R.,

and propability value with the alpa (α) produced and reinforced by empirical data from the respondents' remarks serves as proof for this.

The financial performance of local governments is significantly and favorably impacted by accountability and openness. First, local governments may make the best use of their resources by putting best practices for accountability into effect. Second, a good accountability system also lowers the likelihood of power abuse and corruption.

According to agency theory, local governments in this situation handle public funds as the principal's agents, representing citizens or fund owners. Reducing agency problems—situations in which local governments are incentivized to behave against the public interest in favor of their own—requires accountability and openness. Strong accountability means that principals should be held responsible for the financial actions and decisions made by local governments, while transparency makes it easier for principals to keep an eye on and assess the performance of local governments. Thus, the likelihood of agency disputes can be decreased and financial performance can be enhanced by combining accountability and openness.

5. Conclusion

Accountability significantly and favorably impacts local governments' financial performance. As a result, the study's first hypothesis was approved. in order to draw the conclusion that accountability significantly and favorably affects local governments' financial performance. After hypothesis 1 is accepted, the financial performance of the regional government in Pohuwato Regency, Gorontalo Province, is positively and significantly impacted by transparency. Transparency significantly and favorably affects local governments' financial performance. As a result, the study's second hypothesis is accepted, leading to the conclusion that transparency significantly affects the regional government's financial performance in Pohuwato Regency, Gorontalo Province.

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