

The Effect of Audit Opinion and Audit Findings on the Level of Disclosure of Local Government Financial Statements at Regency / City in Maluku Province 2016-2021

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ABSTRACT

This study aims to empirically examine the effect of audit opinion and audit findings on the level of disclosure of financial statements of district / city local governments in Maluku province. This study uses secondary data, namely the audit reports or local government financial reports by BPK-RI in 2016-2021. The sample used in this study amounted to 30 consisting of 5 districts / cities in Maluku province that have not been able to get an unqualified opinion (WTP). The data were processed using the SPSS version 22 application. This study shows that audit opinion and audit findings have no effect on the level of disclosure of district / city government financial reports in Maluku province.

Keywords: Audit Opinion, Audit Findings, Level of Disclosure

INTRODUCTION

Transparency and accountability in local financial management have become important issues after the reform era. Local Government Financial Statements (LKPD) have a strategic role to display information that is useful for users to make decisions both economically, socially, and politically (Mardiasmo, 2009). The purpose of the financial statements themselves is to demonstrate government accountability of the resources entrusted to the government and provide useful information for decision making. Disclosure of financial statements in the Indonesian local government is regulated in the Indonesian Government Accounting Standards (Susbiyani, 2014).

Local Government is a regional financial manager who carries out all policies from the centre and regions. The public demands that local governments submit financial reports in order to create public trust in their regions. Orderly financial management and mandatory inspection by an independent party. This is done so that financial management runs effectively, economically, transparently, and responsibly. Financial management as outlined in the financial statements will be examined by external parties and internal parties. Government Accounting Standards mandate central and local governments to report transactions and disclose financial transactions in their Financial Statement Notes based on SAP.

Local Government Financial Statements (LKPD) will annually receive an assessment in the form of an opinion from the Financial Supervisory Agency. When the Financial Supervisory Agency gives an unqualified opinion on the Financial Statements, it means that it can be said that the Financial Statements of an organisation are presented and disclosed fairly and with quality.

According to Law No. 15 of 2004 concerning Audit of State Financial Management and Responsibility, opinion is a professional statement of the examiner regarding the fairness of the accounting information presented in the financial statements. The Supreme Audit Agency (BPK) in examining local government financial reports based on applicable regulations, there are four types of opinions that will be given by BPK in assessing the level of disclosure of a region's financial statements, including: Unqualified Opinion, Reasonable Opinion with Exceptions, Unreasonable Opinion, Opinion Not Giving Opinion.

The factors that influence the provision of BPK audit opinion must generally be considered by every regional head in office. The Regional Head as the highest power holder of a region who is trusted to run a region. The role and responsibility of the regional head is needed in showing and producing a good opinion for a region.

Audit findings are the results of the examination that are reported in addition to the audit opinion. Audit findings consist of problems related to weaknesses in the Internal Control System (SPI) and / or non-compliance with statutory provisions. SPI is an aspect that must be prepared and managed properly by each local government with the implementation of regional autonomy. In general, there are several regions that intentionally or unintentionally cover up the findings that should be made improvements in the area, but seem to deliberately eliminate them.

In this study, researchers used audit opinion and audit findings as factors in influencing the disclosure of local government financial statements. This research is a replication of research conducted by Habibi Muhammad (2018), namely the

Effect of Audit Opinions and Audit Findings on the Level of Disclosure of Regional Financial Statements in East Kalimantan Province. The difference between this research and replication research is the location and year of research. Replication research was conducted in 2018 in East Kalimantan province, while this research was conducted in 2022 in Maluku province..

The problem formulations in this study are: 1) Does audit opinion affect the level of disclosure of financial statements of district / city local governments in Maluku Province? 2) Do audit findings affect the level of disclosure of financial statements of local governments at the Regency / City level in Maluku Province?

The purpose of this study is to empirically test: 1) The effect of audit opinion on the level of disclosure of financial statements of district / city governments in Maluku Province 2) The effect of audit findings on the level of disclosure of financial statements of local governments of districts / cities in Maluku Province.

THEORETICAL STUDIES

Agency Theory

Agency theory is a theory that discusses the relationship between principals and agents. An agency relationship occurs when the principal hires an agent to provide a service and delegates decision-making authority to the agent. This relationship causes 2 (two) problems, namely asymmetric information and conflict of interest. Agency problems occur in all government sector organisations between the people (principal) and elected officials/government (agent). In addition, in the government sector there are politicians who have a dual role as both principals and agents. As principals because they are representatives of the people in relation to the government, while as agents because they carry out supervisory duties given by the people.

Signalling Theory

In the view of signal theory, a quality entity will provide signals to report users by providing complete disclosure / information provision. Disclosure in the financial statements is basically a form of information delivery from an entity to users of financial statements. Thus it can be said that the more disclosures made by the entity, the more it shows that the entity is of higher quality.

Stewardship Theory in Government

The stewardship theory is a theory that describes a situation where managers are not motivated by individual goals such as material and money but rather aimed at the target of their main results for the benefit of the organisation (Raharjo, 2007). This theory has a psychological and sociological basis that has been designed where the steward is motivated to act according to the wishes of the principal, besides that the steward's behaviour will not leave the organisation because the steward tries to achieve the goals of the organisation.

Regional Audit Board

The Local Government Financial Report (LKPD) before being submitted to the People's Legislative Council must have been audited or examined in advance by the Regional Audit Agency (BPK- RI) representatives of each region, this is perantun in Law No. 17 of 2003 concerning State Finance which states that the Governor / Regent / Mayor submits a draft regional regulation on accountability for

the implementation of the APBD to the DPRD in the form of a financial report that has been examined (audited) by the BPK, no later than six months.

Local Government Financial Statements

Based on Government Regulation No. 71/2010, financial statements are prepared to provide relevant information about the financial position and all transactions carried out by a reporting entity during one reporting period. Financial statements are primarily used to determine the value of economic resources used to carry out government operations, assess financial condition, evaluate the effectiveness and efficiency of a reporting entity, and help determine its compliance with laws and regulations (Lesmana, 2010).

Level of Financial Statement Disclosure

Disclosure in financial statements is a form of financial delivery in the form of conveying information needed to optimise operating needs to users of financial statements. According to Suhardjanto in 2012, disclosure means that financial reports must provide sufficient information and explanation regarding the results of the activities of a business unit.

Audit Opinion

Opinion on a financial report is a mirror for the quality of management and presentation of a financial report. The increase in the percentage of WTP opinions and the decrease in the percentage of WDP and TMP opinions generally illustrate improvements in presenting a fair financial report in accordance with applicable principles. Opinion is a professional statement of the examiner on the fairness of the financial information presented in the local government financial statements. This definition is contained in Article 1 paragraph 11 of Law No. 15 of 2004 concerning Audit of State Financial Management and Responsibility.

Audit Findings

An audit finding is a violation of applicable provisions both regarding internal control and compliance with laws and regulations found by the auditor during the examination. In other words, an audit finding is a condition that does not comply with applicable criteria. At the end of each audit, the auditor will provide recommendations for improvements to the audit findings. The findings and recommendations will be communicated to the object of the examination so that improvements and corrections are made.

Hypothesis Development

In research from Akhmad Priharjanto and Yusniar Yuliana Wardani (2015) audit opinion has a positive effect on the level of disclosure of government financial reports. This means that the higher the audit opinion indicates the quality of good financial statements indicating a high level of disclosure as well, but in Muqorobin's research (2013) that audit opinion does not have a significant effect on the disclosure of financial statements due to the addition of non-opinion and unfair opinions that are still obtained by several regions.

H1: Audit opinion has a positive effect on the level of disclosure of local government financial statements

More disclosure is made as an effort to improve and correct the audit findings found by BPK and show the public the quality improvements made by the local government on the advice of BPK. In research from Muhammad Habibi

(2018), audit findings have a positive effect on the level of disclosure of government financial reports.

H2: Audit findings have a positive effect on the level of disclosure of local government financial statements.

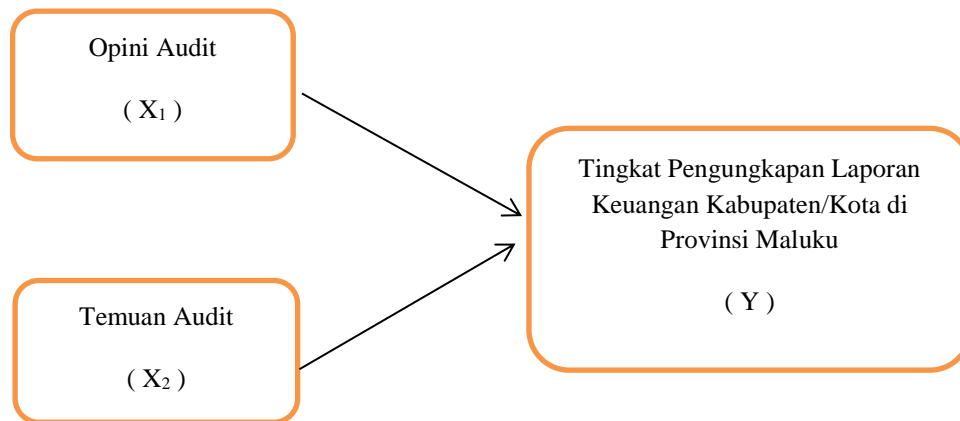


Figure 1 Research Model

RESEARCH METHODS

Population and Sample Determination Method

Population is a collection of elements that show certain characteristics that are used to make conclusions. The population in this study were all district / city financial reports in Maluku Province.

The sample is a representative or part of the population that has the same properties and characteristics that describe can represent the entire population under study. The sample in this study is the financial statements of districts / cities in Maluku Province in 2016-2021.

Measurement and Operational Definition of Variables

Audit Opinion in this research calculation WTP Opinion is given a score of 1, while WDP, TM, and TMP are given a score of 0. Audit findings can be seen from findings related to weaknesses in the internal control system, findings related to legislation, and findings related to the level of irregularities. The level of disclosure can be seen from comparing the disclosures in LKPD with the disclosures in PSAK..

Data Retrieval Technique

The data collection technique in this study used saturated sampling. According to Sugiyono (2017: 124) saturated sampling is a sample collection technique when all members of the population are used as samples. Samples were obtained from the audit examination results listed in the IHPS issued by BPK on the BPK website <https://maluku.bpk.go.id/hp-lkpd/>; and districts / cities in numbers in Maluku Province on the BPS Maluku.bps.go.id website.

Data Analysis Method

The data analysis method used in this research is descriptive statistics, classical assumption test, determination coefficient test (R²), hypothesis testing.

Descriptive Statistical Analysis

Descriptive statistics provide an overview or description of data seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (distribution skewness) (Ghozali, 2016; 19).

Classical Assumption Test

The classical assumption test is used to provide certainty that the regression model obtained has accuracy in estimation.

Test Coefficient of Determination (R²)

The coefficient of determination (R²) essentially measures how far the model's ability to explain variations in the dependent variable.

Hypothesis Test

Hypothesis testing is used to make decisions based on data analysis.

RESULTS AND DISCUSSION

This study uses secondary data derived from the bpk.go.id and bps.go.id websites, namely Regency / City in numbers in Maluku province. The samples obtained were 30 and the years used were from 2016-2021 with details:

Table 1 Name of the Upper Region of the Research Sample

No	Kabupaten / Kota
1.	Kota Ambon
2.	Kabupaten Kepulauan Aru
3.	Kabupaten Buru Selatan
4.	Kabupaten Seram Barat
5.	Kabupaten Seram Timur

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Based on the results of the t test for the independent variable audit opinion, the t-count is 0.901 with a significance probability level of 0.375 greater than 0.05. This means that hypothesis one is rejected or audit opinion has no positive effect on the level of disclosure of local government financial statements.

Based on these results, it shows that audit opinion does not have a positive effect on the level of disclosure of financial statements because the level of disclosure is too low, which is around 40-50%. This means that the district / city does not show good implementation and reporting and tends to cover up financial information.

This is because the audit opinion given by the Supreme Audit Agency only assesses financial governance which is only contained in the Local Government Financial Statements, besides that the audit process carried out only takes several samples not only the whole examined due to limited time.

The Effect of Audit Findings on the Level of Disclosure of Financial Statements of Regency / City Local Governments in Maluku Province.

Based on the results of the t test for the independent variable audit findings, the t-count is negative 1.480 with a significance probability level of 0.150 greater than 0.05. This means that hypothesis one is rejected or audit findings have no positive effect on the level of disclosure of local government financial statements.

The number of audit findings from the Supreme Audit Agency in the audit of local government financial statements is not significantly related to the level of

disclosure. The number of audit findings does not encourage local governments to make greater disclosures. This is most likely due to the measurement of the findings variable which only uses the number of findings so that it is less appropriate. The number of findings does not represent the real number, because the large number of findings is not necessarily of material value.

CONCLUSIONS

Based on the test results and the discussion that has been described, it can be concluded that:

1. It is known that the audit opinion variable does not have a positive effect on the level of disclosure of financial statements of district / city local governments in Maluku province.
2. It is known that the audit findings variable has no positive effect on the level of disclosure of financial statements of district / city governments in Maluku province.

From the above conclusions, the researcher hopes that this research can be an evaluation material for each district / city local government in Maluku province to be more careful in managing regional finances so that in the future the BPK audit results can show good results.

This study has limitations, namely the sample used in this study was limited to LKPDs that had been audited in 2016-2021 only and the data sources were partially incomplete.

Based on the above limitations, it is recommended that future researchers be able to find more data sources and expand the research area.

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