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Influence of Audit Opinion of Audit Board Financial Impact on Regional Government Financial Performance (Case Study on Regency and City Governments in West Sumatra Province 2022 - 2024)

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Abstract

This study aims to evaluate the influence of the audit opinion from the Supreme Audit Agency (BPK) on the financial performance of 18 district/city governments in West Sumatra Province for the 2021–2024 period. The researchers used secondary data sourced from the official websites of the BPK and the Statistics Indonesia (BPS) of West Sumatra Province using a simple linear regression analysis method. The results indicate that the level of fiscal independence in the region is still relatively low, with the majority of Decentralization Ratios below 0.20. Statistical testing found that the audit opinion had a negative and significant effect on regional financial performance, as indicated by a regression coefficient value of -0.054 and a significance value of 0.007 <0.05. This indicates that each increase in the audit opinion variable is followed by a decrease in financial performance. Theoretically, this phenomenon is related to the current stricter correction and control mechanisms in response to previous period performance to maintain organizational stability.

Keywords: Audit Opinion, Financial Performance, Degree of Decentralization, West Sumatra

INTRODUCTION

Since the implementation of regional autonomy policies in Indonesia, local governments have had extensive authority to independently manage their resources and finances. The primary goal of this decentralization is to enable each region to optimize local potential to more effectively meet public service needs. The successful implementation of regional autonomy depends heavily on the financial performance of local governments, which serves as an indicator of a region's fiscal capacity to implement development policies appropriately and ensure the sustainability of public services.(Aprilia & Hendaris, 2025).

The financial performance of regional governments is inextricably linked to the quality of public governance (good governance). Research shows that good public governance and increased Regional Original Income (PAD) have a significant positive impact on regional government performance, with financial independence being one of the primary goals of autonomy. However, in assessing regional financial conditions, the principle of fairness is necessary, taking into account socioeconomic complexities, such as income base and population density, to ensure valid comparisons between regions.(Puspitasari & Setyanta, 2020)One of the main pillars in realizing good governance is transparency and accountability in financial reporting. Although regulations require information disclosure, the reality on the ground shows that the level of transparency in website-based regional financial management in several regions in Indonesia is still relatively low or insufficient. In fact, the quality of reliable and timely financial reporting is greatly influenced by the quality of human resources (HR), the use of information technology, and strict financial oversight, as evidenced by an empirical study of Regional Work Units (SKPD) in West Sumatra.(Gilang Insani, 2016)In the state financial

International Journal of Economic Research and Financial Accounting

International Journal of Economic Research and financial Accounting (IJERFA)
Volume 4, Number 3, April 2026, Page. 354 - 361 E-ISSN: *2964-1977*

management ecosystem, the role of external oversight by the Supreme Audit Agency (BPK) is crucial to ensuring accountability. BPK audits produce audit opinions that serve as professional statements regarding the fairness of financial statements.

Table 1. Ratio of the Degree of Regional Government Decentralization in 18 Regency and City Governments in West Sumatra Province 2021-2024

CITIES AND DISTRICTS	YEAR			
	2021	2022	2023	2024
Bukit Tinggi City	0.1333	0.1873	0.1690	0.1755
Padang Pajang City	0.1636	0.1592	0.1648	0.1084
Pariaman City	0.0620	0.0589	0.0622	0.0712
Payakumbuh City	0.1333	0.1801	0.1681	0.1841
Sawahlunto City	0.0861	0.1078	0.0980	0.1024
Solok City	0.0775	0.0717	0.0758	0.0839
Agam Regency	0.0915	0.1127	0.1019	0.1079
Dharmasraya Regency	0.0846	0.1107	0.1132	0.1237
Mentawai Islands Regency	0.0381	0.0590	0.0504	0.0659
Lima Puluh Kota Regency	0.0633	0.0677	0.0819	0.0792
Padang Pariaman Regency	0.0857	0.0936	0.1010	0.1014
Pasaman Regency	0.0876	0.0871	0.0926	0.1072
West Pasaman Regency	0.1177	0.1004	0.1187	0.0992
South Coast Regency	0.0862	0.0890	0.0834	0.0965
Sijunjung Regency	0.0946	0.1001	0.1085	0.1084
Solok Regency	0.0624	0.0571	0.0758	0.0740
South Solok Regency	0.0929	0.1041	0.1048	0.0993
Tanah Datar Regency	0.0970	0.1231	0.1205	0.1207

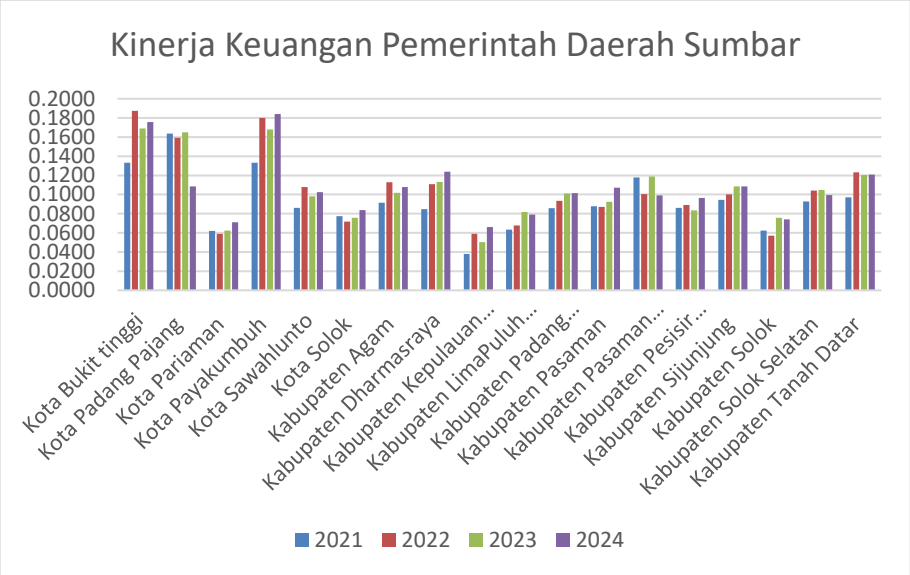
Source: DJPK, Ministry of Finance

International Journal of Economic Research and Financial Accounting

International Journal of Economic Research and financial Accounting (IJERFA)
Volume 4, Number 3, April 2026, Page. 354 - 361 E-ISSN: *2964-1977*

Based on data from Table 1 regarding the Decentralization Ratio of 18 Regency and City Governments in West Sumatra for the 2021–2024 period, the region's fiscal independence remains generally low. Most regions have a ratio below 0.20, which, on the regional financial capability scale, is categorized as "poor" to "very poor." This indicates that most regional governments in West Sumatra remain highly dependent on transfer funds from the central government to finance their development and operations. Looking at annual trends, there is a fairly consistent recovery pattern in 2022 compared to 2021 across almost all regions. This increase was likely driven by improved local economic activity post-pandemic, which had a positive impact on Regional Original Income (PAD). However, entering 2023 and 2024, the trend of these figures began to vary; some regions experienced stable growth, such as Dharmasraya Regency, while others, such as Padang Panjang City, experienced a significant decline in the ratio in 2024. In comparisons between regions, cities tend to have a better degree of decentralization than regencies. Bukittinggi City and Payakumbuh City were recorded as the regions with the highest ratios, consistently ranging from 0.13 to 0.18. On the other hand, Mentawai Islands Regency and Pariaman Regency showed the lowest figures, with the Mentawai Islands Regency reaching 0.0381 in 2021. This indicates an imbalance in the ability to tap local economic potential between service- and trade-based urban areas and regency areas. In conclusion, this data demonstrates the need for strategic efforts by local governments to optimize local revenue sources, both through tax and levy intensification. This low decentralization ratio poses a major challenge to realizing true regional autonomy, ensuring that regions are not solely dependent on central government-allocated funds but are able to build on their own local economic strengths to improve community welfare in the future.

Figure 1 Graph of the Degree of Regional Financial Decentralization of Regencies and Cities in West Sumatra Province 2021-2024



Source: processed data

The graph shows that the financial performance of local governments in West Sumatra, as measured by the degree of decentralization ratio, remains generally low, with all regions having values below 0.2000, or 20%. Bukittinggi City and Payakumbuh City were the highest-

International Journal of Economic Research and Financial Accounting

International Journal of Economic Research and financial Accounting (IJERFA)
Volume 4, Number 3, April 2026, Page. 354 - 361 **E-ISSN: *2964-1977***

performing regions, both exceeding 0.1800 for a given period, although Bukittinggi City experienced slight fluctuations after peaking in 2022. Conversely, Mentawai Islands Regency showed the lowest ratio compared to other regions, despite a gradual upward trend from 2021 to 2024.

Development trends over the past four years have shown varying dynamics across regions. Most regions, such as Dharmasraya Regency and Pasaman Regency, have shown a positive and stable growth trend each year. However, there was a significant anomaly in Padang Panjang City, which experienced a sharp decline in 2024 after stabilizing at around 0.1600 in previous years. Overall, the dominance of cities with higher ratios compared to regencies indicates that urban centers in West Sumatra have slightly better self-financing capabilities, although dependence on central funds remains predominant across all regions.

RESEARCH METHODS

This study uses quantitative methods. The research subjects include district and city governments in West Sumatra Province. The data used is secondary data obtained from the official website.https://sumbar.bpk.go.id/Andhttps://sumbar.bps.go.id/ The sampling technique used is nonprobability sampling with a census or total sampling approach, where all members of the population are used as research samples. The population in this study consists of 18 local governments, namely 12 districts and 6 cities. With an observation period of 4 years, a total of 72 observations were collected. The analysis tools used include: a) normality testing. In this study, the normality test was carried out using the Kolmogorov-Smirnov (KS) approach. The assessment criteria indicate that the data is categorized as normal if the Asymp. Sig. (2-tailed) value exceeds 0.05, while a value below 0.05 indicates that the data is not normally distributed. The results of this test on all variables are shown in the next section; b) autocorrelation testing by looking at the Durbin-Watson value compared to the limit in the Durbin-Watson table with a significance level of 0.05, the number of samples (n) of 72, and one variable (k = 1). Based on the calculation, the lower limit (dL) is 1.589 and the upper limit (dU) is 2.357 or the DW value is in the range of 1.589 < DW < 2.357 (4 - dU). Hypothesis testing (t-statistic test) is carried out by looking at the comparison of t count and t table where if t count > t table indicates that H0 is rejected and Ha is accepted, meaning there is an influence of variable (X) on the dependent variable (Y). While the F test is seen from the comparison of F count and F table. If F count > F table indicates that H0 is rejected and Ha is accepted, meaning there is a significant influence together between the independent variables (X) on the dependent variable (Y), and finally the determination coefficient test (R-Square).

International Journal of Economic Research and Financial Accounting

International Journal of Economic Research and financial Accounting (IJERFA)
Volume 4, Number 3, April 2026, Page. 354 - 361 E-ISSN: *2964-1977*

RESULTS AND DISCUSSION

Table 2 Results of the Kolmogorov-Smirnov (KS) Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		71
Normal Parameters	Mean	.0000000
	Standard Deviation	.02362447
Most Extreme Differences	Absolute	.124
	Positive	.094
	Negative	-.124
Kolmogorov-Smirnov Z		1,042
Asymp. Sig. (2-tailed)		.228

Table 2 indicates that the data used in this study have met the assumption of normality. This is reflected in the Asymp. Sig. (2-tailed) value of 0.228, which exceeds the significance threshold of 0.05. Referring to the Kolmogorov-Smirnov (KS) test method, a residual probability value above 0.05 indicates that the data distribution is normal. Therefore, both the independent and dependent variables in this model are declared normally distributed and are suitable for further analysis in a regression model.

Table 3 Autocorrelation Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.316a	.100	.087	.02380	1,845

Based on Table 3, it shows that the Durbin-Watson (DW) value is 1.845; meaning the DW value is in the range of 1.589 < 1.845 < 2.357 (4 – dU), so it can be said that the regression model in this study is free from indications of autocorrelation, both positive and negative. This condition indicates that the residual data is independent, so the regression model is suitable for use for further analysis.

Table 4 Results of Simple Linear Regression Analysis

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.046	.006		7,099	.000
	X	-.054	.019	-.316	-2,767	.007

Based on the results of the regression analysis in the table, the following regression equation can be drawn up:

International Journal of Economic Research and Financial Accounting
International Journal of Economic Research and financial Accounting (IJERFA)
Volume 4, Number 3, April 2026, Page. 354 - 361 E-ISSN: 2964-1977

$Y = \alpha + \beta X$
$Y = 0.046 - 0.054X$

The results of the linear regression analysis provide an overview of the extent to which the independent variable (X) contributes to the dependent variable (Y). The following is an explanation of the influence of the variables in the regression equation:

1. **The constant value (α) is 0.046**, which shows that if the independent variable (X) has a value of zero (0), then the value of the dependent variable (Y) is predicted to be 0.046.
2. **The regression coefficient value of variable X is -0.054**, which means that if the X variable increases by one unit, the Y value will decrease by 0.054. A negative coefficient indicates an inverse relationship; the higher the X value, the lower the Y value tends to be.

Partial Significance Test (t-Test)

Based on the table, the partial test results or t-test are known, then calculate the t_table value with the formula (α2; nk-1). It is known that the number of observations (n) is 71 and the number of independent variables (k) is 1, then df = 71 - 1 - 1 = 69. With a significance level of 0.05, the t_table value is obtained = 1.994.

Based on the results of partial testing, the following results were obtained:

- The hypothesis of variable X shows a t_count result of -2.767. This shows that |t_count| t_table (2.767 > 1.994) with a significance value of 0.007 < 0.05. This shows that H0 is rejected and Ha is accepted; therefore, it can be said that variable X has a negative and significant effect on Y.

The results of this study indicate that there is a significant but opposite influence between variable X and Y. This can be interpreted that an increase in variable X will actually suppress the value of Y. Theoretically, this phenomenon is often associated with the existence of a correction mechanism or saturation point in time series data.

This aligns with the logic of efficiency management, where high values in the previous period may trigger corrective action or strategic adjustments to balance performance in the next period. In this context, an organization or system seeks to maintain stability by responding to past extreme increases with tighter controls in the present, ensuring performance remains on track without uncontrolled fluctuations.

Table 5 Results of Determination Coefficient Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.707a	.499	.492	.02384820

Based on Table 5, the coefficient of determination value is 49%, indicating that 49% of the financial performance of local governments (Y) is influenced by the audit opinion variable (X). Meanwhile, 51% of the financial performance of local governments (Y) is influenced by variables other than those in this study.

International Journal of Economic Research and Financial Accounting

International Journal of Economic Research and financial Accounting (IJERFA)
Volume 4, Number 3, April 2026, Page. 354 - 361 **E-ISSN: *2964-1977***

CONCLUSION

A study of 18 district and city governments in West Sumatra Province for the 2021–2024 period shows that the level of regional fiscal independence remains generally low. This is evidenced by the Decentralization Ratio, which is mostly below 0.20, categorizing them on the "poor" to "very poor" scale. This condition reflects the continued high dependence of local governments on transfer funds from the central government to fund development and operational activities.

Based on the results of a simple linear regression analysis, it was found that audit opinion has a significant but inverse effect on regional financial performance. This relationship is formulated into a regression equation Y = 0.046 - 0.054X. Statistically, the |t_count| value of 2.767 is proven to be greater than the t_table of 1.994 with a significance level of 0.007, which means that the audit opinion variable partially contributes negatively to financial performance achievements. This finding indicates that every increase in the audit opinion variable is actually followed by a decrease in the value of financial performance measured in this study.

Theoretically, this negative influence phenomenon is often associated with correction mechanisms or a saturation point in organizational efficiency management. High performance scores in the previous period tend to trigger a response in the form of tighter controls or strategic adjustments to balance system stability in the subsequent period and maintain the planned path. As a strategic step forward, local governments need to optimize their Regional Original Revenue (PAD) sources to reduce dependence on central funds and achieve greater regional autonomy

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International Journal of Economic Research and Financial Accounting

International Journal of Economic Research and financial Accounting (IJERFA)
Volume 4, Number 3, April 2026, Page. 354 - 361 **E-ISSN: *2964-1977***

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