

The Effect of BPK Audit Opinions on the Financial Performance of Local Governments in Central Java Province (2022-2024)

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Abstract

This research investigates the relationship between audit opinions issued by the Supreme Audit Agency of Indonesia (BPK) and the financial performance of local governments in Central Java Province over the 2022–2024 period. Audit opinions function as an independent evaluation of the credibility and compliance of local government financial reports and are often associated with public sector accountability. This study adopts a quantitative approach using a causal-associative research design. Secondary data were collected from BPK audit reports (LHP) and audited local government financial statements (LKPD). The sample comprises regency and city governments in Central Java Province selected through purposive sampling based on data availability. The analysis was conducted using descriptive statistical techniques and classical assumption testing, followed by simple linear regression analysis. The results of this study are expected to clarify whether audit opinions play a meaningful role in explaining variations in local government financial performance and to contribute to empirical discussions on audit outcomes and public financial management within the public sector.

Keywords: *Audit Opinion, Bpk, Financial Performance, Local Government, Central Java*

INTRODUCTION

The implementation of regional autonomy in Indonesia has granted local governments greater authority and responsibility in managing public finances. This decentralization policy requires local governments to demonstrate transparency, accountability, and efficiency in financial management as a form of responsibility to the public and higher levels of government (Mardiasmo, 2009). One of the main instruments used to evaluate the accountability of local government financial management is the audit conducted by the Supreme Audit Agency of Indonesia (BPK).

Audit opinions issued by BPK reflect the fairness of financial statements in accordance with government accounting standards. A favorable audit opinion, particularly an unqualified opinion (WTP), is often perceived as an indicator of good financial governance and credible financial reporting (Agoes, 2014).

Consequently, audit opinions are frequently used by stakeholders as a benchmark to assess the performance of local governments. Despite the increasing number of local governments obtaining unqualified audit opinions, empirical evidence shows that a good audit opinion does not always guarantee high financial performance. Several studies indicate inconsistent results regarding the relationship between audit opinions and local government financial performance (Parwanto & Harto, 2017; Ditasari & Sudrajat, 2020).

This inconsistency suggests the existence of a research gap that warrants further investigation. Central Java Province is one of the provinces with a large number of regencies and cities and relatively stable audit outcomes from BPK. However, issues related to financial

efficiency, fiscal independence, and optimal budget utilization are still observed in several local governments. Therefore, examining the effect of BPK audit opinions on local government financial performance in Central Java during the 2022–2024 period is considered relevant and important. Based on the background described above, this study aims to empirically analyze whether BPK audit opinions have a significant effect on the financial performance of local governments in Central Java Province.

Problem Formulation

Based on the background discussed above, audit opinions issued by the Supreme Audit Agency of Indonesia (BPK) are often perceived as an indicator of the quality of local government financial management. In practice, however, the achievement of an unqualified audit opinion (Wajar Tanpa Pengecualian/WTP) does not always reflect optimal financial performance. Several empirical studies reveal inconsistent results regarding the influence of audit opinions on local government financial performance (Parwanto & Harto, 2017; Ditasari & Sudrajat, 2020).

In Central Java Province, most regency and city governments have consistently received favorable audit opinions from BPK. Nevertheless, issues related to financial efficiency, fiscal independence, and budget effectiveness are still evident. This condition raises questions about whether audit opinions truly contribute to improving local government financial performance or merely represent compliance with accounting standards

RESEARCH METHODS

1) Research Object and Location

The object of this research is the audit opinion issued by the Supreme Audit Agency of Indonesia (Badan Pemeriksa Keuangan/BPK) and the financial performance of local governments. The research focuses on regency and city governments in Central Java Province, Indonesia, during the 2022–2024 fiscal years. Central Java Province was selected as the research location due to its large number of local governments and the relatively consistent availability of audited financial statements. This condition allows for comprehensive analysis and comparison of audit opinions and financial performance across local governments within the same administrative and regulatory environment.

2) Types and Sources of Data

This study uses quantitative data in the form of secondary data. The data are obtained from official and publicly accessible sources, including:

- a. Audit opinions published in the Audit Reports (LHP) issued by BPK.
- b. Financial data derived from Local Government Financial Statements (LKPD).
- c. Supporting fiscal data obtained from official government websites related to regional financial management.

All data used in this study are numerical and suitable for statistical analysis.

3) Population and Sample Selection

The population of this study consists of all regency and city governments in Central Java Province. The research sample is selected using a purposive sampling method, with the following criteria:

- a. Regency and city governments located in Central Java Province.

- b. Local governments that publish complete LKPD and receive BPK audit opinions for the period 2022–2024.
 - c. Availability of data required to measure financial performance variables.
Based on these criteria, the selected sample represents local governments with complete and reliable data for the research period.
- 4) **Research Variables and Operational Definitions**
This study involves one independent variable and one dependent variable.
- a. **Independent Variable**
Audit Opinion (X)
Audit opinion refers to the opinion issued by BPK regarding the fairness of local government financial statements. The audit opinion is measured using an ordinal scale, where higher values indicate better audit opinions.
 - b. **Dependent Variable**
Local Government Financial Performance (Y)
Local government financial performance reflects the ability of local governments to manage financial resources efficiently and effectively. Financial performance is measured using financial ratios derived from the budget realization reports, such as effectiveness and efficiency ratios.
- 5) **Data Collection and Data Analysis Techniques**
The data analysis in this study was conducted using IBM SPSS software. The stages of data analysis included:
- a. Descriptive statistics analysis
 - b. Classical assumption test (normality test)
 - c. Simple linear regression analysis
 - d. T-test (partial test)
 - e. Coefficient of determination (R-square)
- The regression model used in this study is formulated as follows

$$Y = a + bX + e$$
 Where:
 Y = Local Government Financial Performance
 a = Constant
 b = Regression coefficient
 X = Audit Opinion
 e = Error term

RESULTS AND DISCUSSION

Descriptive Statistics

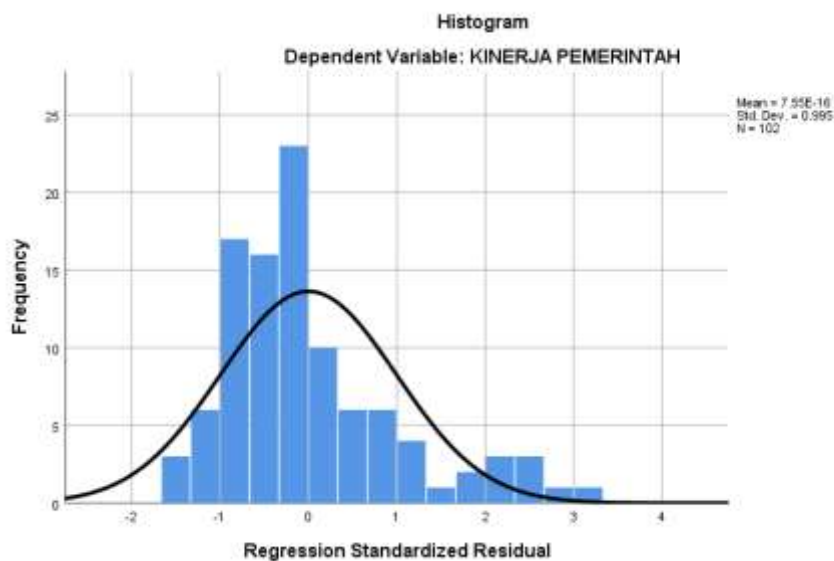
Descriptive Statistics					
Variable	N	Minimum	Maximum	Mean	Std. Deviation
Audit Opinion	102	1	2	1.01	.099
Government Performance	102	.1055	.3828	.198057	.0586291
Valid N (listwise)	102				

Audit Opinion (OA): The standard deviation is relatively small, indicating that the audit opinion data does not vary significantly across the sample. Government Performance (KP): The small standard deviation value signifies that the level of local government financial performance is relatively homogeneous.

Furthermore, Table 1 shows that the descriptive statistical results demonstrate a well-distributed dataset without extreme variations. Most of the sample values are concentrated around the mean score of 1.01 (Unqualified Opinion/WTP), reflecting uniformity in audit opinions. The standard deviation of 0.099 confirms minimal variation, indicating that the audit opinions across institutions are consistently similar. Overall, the data illustrates a stable condition, where government performance displays reasonable variation, while audit opinions remain predominantly at the same level, resulting in very limited diversity in audit quality.

Classical Assumption Test

Figure 1. Normality Test



The histogram above shows that the regression model meets the normality assumption, as the data distribution visually follows a symmetrical bell-shaped curve. This is supported by the mean value that is close to zero and the standard deviation that approaches one, indicating that the residuals are not concentrated on one side of the distribution. Therefore, it can be concluded that the data are normally distributed, and the normality assumption is fulfilled.

Table 1. Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.269	.060		4.504	.000		
	OPINI AUDIT	-.070	.059	-.118	-1.190	.237	1.000	1.000

a. Dependent Variable: Government Performance

Based on Table 3, the results of the multicollinearity test show that the Audit Opinion variable (X1) has a VIF value of 1.000 (< 10) and a tolerance value of 1.000 (> 0.10). These results indicate that there is no multicollinearity within the regression model, meaning the independent variable meets the classical assumption criteria. Therefore, the model is considered appropriate for further analysis, and the independent variable can be used reliably to examine its effect on.

Table 2. Heteroscedasticity Test (Glejser Test)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	883.037	388.848		2.271	.025
	OA	-441.518	383.252	-.114	-1.152	.252

a. Dependent Variable: ABS_RES1

Based on the Coefficients table from the Glejser Test, it can be seen that the Audit Opinion (OA) variable has a significance (Sig.) value of 0.252. According to statistical criteria, a regression model is considered free from heteroscedasticity if the significance value is greater than 0.05. Since the obtained value of 0.252 is far above the 0.05 threshold, it can be concluded that there is no indication of heteroscedasticity in the regression model. This confirms that the variance of the residuals is constant and stable, meaning the heteroscedasticity assumption is fulfilled.

Table 3. Autocorrelation Test Durbin Watson

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.118 ^a	.014	.004	.0585090	.746

a. Predictors: (Constant), OPINI AUDIT

b. Dependent Variable: GOVERNMENT PERFORMANCE

Nilai DW (d) = 0,746

dU = 1.6971

dL = 1.6576

The results indicate that $d < dL$, which confirms the presence of autocorrelation. After the Cochrane–Orcutt correction was performed, the model no longer shows signs of autocorrelation.

Table 4. Model Summary^b

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
1	.060 ^a	.004	-.007	.04479	1.846

a. Predictors: (Constant), LAG_X

b. Dependent Variable: LAG_Y

Nilai DW (d) = 1846

DL 1.6576

DU 1.6971

Conclusion: Since $1.6971 < 1.846 < 2.3029$, the null hypothesis is accepted, which means that there is no indication of autocorrelation in the model.

Because $4 - 1.6971 = 2.3029$, the value falls within the acceptable range where $dU < d < 4 - dU$, and therefore the null hypothesis is accepted. This confirms that the regression model is free from autocorrelation.

Simple Linear Regression Test

Table 5. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.269	.060		4.504	.000
	OPINI	-.070	.059	-.118	-1.190	.237
	AUDIT					

a. Dependent Variable: GOVERNMENT PERFORMANCE

Linear Regression Equation

Based on column b

$$Y = 0.269 - 0.070X$$

If the Audit Opinion variable is assumed to be zero, then the Government Performance value is 0.269. A value of -0.070 is negative, indicating an inverse relationship. For every 1-unit increase in Audit Opinion, Government Performance is predicted to decrease by 0.070.

Significance t-test

Condition: Sig. value < 0.05 , indicating a significant effect. A significant value (sig.) of $0.237 > 0.05$ indicates that Audit Opinion does not significantly influence Government Performance. The calculated t-value is -1.190. Statistically, if the calculated t-value is smaller than the t-table (usually around 1.96 for a 5% alpha), then the variable has no effect. The table above indicates that Audit Opinion does not significantly influence Government Performance. Although the coefficient is negative (-0.070), because its significance value is well above 0.05,

the relationship is considered statistically insignificant and could be due to chance factors in the sample.

Table 6. Determination test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1		.118 ^a	.014	.0585090

a. Predictors: (Constant), OPINI AUDIT

Given that the r square value is 0.014, it can be concluded that the magnitude of the influence of the audit opinion variable on the financial performance variable is 1.4%.

The findings demonstrate that Audit Opinion does not significantly affect Government Performance. Although the expected direction aligns with public governance theory, the statistical evidence does not support a meaningful relationship. The high number of WTP (unqualified) opinions in the sample causes data uniformity, resulting in limited variation to explain performance outcomes. This aligns with previous studies stating that audit results alone do not guarantee performance improvement unless supported by governance quality, internal control effectiveness, and follow-up actions to audit recommendation. The low R² also indicates that performance is shaped by other factors, such as PAD, government size, spending policy, and fiscal capacity — which were not included in this model, explaining why the effect appeared weak. Thus, H1 is rejected, and the study concludes that: Audit Opinion does not have a significant effect on Government Performance.

CONCLUSION

This study examines whether audit opinions issued by the Supreme Audit Agency of Indonesia (BPK) influence the financial performance of local governments in Central Java Province for the 2022–2024 period. The descriptive statistical results indicate that audit opinions among the observed local governments exhibit minimal dispersion, as reflected by a low standard deviation value of 0.099. This suggests that audit opinions are largely uniform across the sample, with most local governments receiving Unqualified Opinions (Wajar Tanpa Pengecualian/WTP). In contrast, local government financial performance demonstrates moderate variation, with a standard deviation of 0.0586, indicating relatively stable financial conditions across regions. The classical assumption tests confirm that the regression model employed in this study meets the required econometric assumptions. The normality test indicates that the data are normally distributed. In addition, the absence of multicollinearity is confirmed by tolerance and VIF values of 1.000, while the Glejser test results show no indication of heteroskedasticity. Furthermore, after the application of the Cochrane–Orcutt procedure, the Durbin–Watson statistic indicates that the model is free from autocorrelation, thereby validating the robustness of the regression analysis.

The results of the simple linear regression analysis yield the equation $Y = 0.269 - 0.070X$. The negative coefficient of the audit opinion variable indicates an inverse relationship between audit opinions and local government financial performance. However, the significance value of

0.237 exceeds the 0.05 threshold, indicating that the relationship is not statistically significant. Consequently, the hypothesis proposing that BPK audit opinions affect local government financial performance is rejected. This finding supports the argument that audit opinions primarily assess compliance with accounting standards rather than directly measuring financial efficiency or effectiveness (Mardiasmo, 2009; Halim, 2012).

Moreover, the coefficient of determination reveals an R-square value of 0.014, indicating that audit opinions explain only 1.4% of the variation in local government financial performance. The remaining variation is attributable to other factors not incorporated into the research model, such as managerial capability, budgetary discipline, and governance quality. These results imply that while audit opinions serve as an important accountability mechanism, they do not necessarily capture the broader aspects of financial performance in the public sector (Agoes, 2014).

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