

The Effect of Local Revenue, Audit Opinions, and Capital Expenditures on Local Government Financial Performance South Sulawesi province Selatan 2022-2024**Hapipah Zahra Sirait¹⁾, Eva Ulina Gultom²⁾, Salsabilah³⁾, An Suci Azzahra⁴⁾**^{1,2,3,4)}Faculty of Social Sciences, Accounting Study Program, Universitas Pembangunan Panca Budi, Medan, Indonesia

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Email : ansuciazahra@gmail.com**Abstract**

This study aims to determine and analyze the effect of local revenue, capital expenditure, and audit opinions on regional financial performance in districts/cities in South Sulawesi province. This study uses a quantitative method with a total sampling technique. The data processed is secondary data taken from the official website of the Directorate General of Fiscal Balance (DJPK) and the South Sulawesi Provincial Audit Agency for districts/cities in South Sulawesi Province for 2022-2024, with data testing conducted using multiple linear regression, using IBM SPSS version 26. The results showed that simultaneously, local revenue, capital expenditure, and audit opinion significantly affected financial performance with a coefficient of determination of 85.7%. However, local revenue partially had a positive and significant effect on local government financial performance, indicating that an increase in local resources strengthened fiscal independence. Capital expenditure had a negative and significant effect on local government financial performance, suggesting challenges in optimizing budget absorption for productive assets. and audit opinions have a positive but insignificant effect on the performance of regency and city governments in South Sulawesi province in 2022-2024, indicating that administrative achievements are not yet fully in line with improvements in regional fiscal reality.

Keywords: Local Revenue; Capital Expenditure; Audit Opinion; Financial Performance**INTRODUCTION**

The regional autonomy policy is a strategic step taken by the central government to give full mandate to regional governments to manage their resources and run their administration independently. In line with Law No. 23 of 2014, regional autonomy is defined as a set of rights, authorities, and responsibilities given to autonomous regions. This mandate aims to give local governments the flexibility to formulate regulations, manage government affairs, and accommodate the needs of local communities. This is done to ensure that development and public services continue to run in line with the principles of sovereignty within the framework of the Unitary State of the Republic of Indonesia (Zahrah et al., 2024). The implementation of regional autonomy opens up opportunities for each region to optimize local potential in the management of resources and public budgets in order to meet the needs and services of the community more effectively (Sedek & Kusumawati, 2024). South Sulawesi is one of the provinces in Indonesia that has implemented regional autonomy. Regional autonomy provides clear directions and objectives for providing public services to the community.

The success of the implementation of authority can be measured through the financial performance of local governments, which reflects their level of efficiency, effectiveness, and independence in managing the Regional Revenue and Expenditure Budget (APBD). The financial performance of the government itself is an important component that determines the

success of the overall implementation of regional autonomy policies (Hendaris & Sastradipraja, 2024). According to (Mahmudi, 2019), financial performance is a reflection of the government's ability to execute financial policies in a transparent and accountable manner. Regional financial performance plays an important role for the government and stakeholders in efforts to strengthen regional financial independence. In reality, local governments still face major challenges in balancing their dependence on central government transfers with efforts to optimize regional resources. Therefore, evaluating the factors that influence financial performance is very important to ensure that regional financial management can be carried out sustainably.

The first factor is Local Own-Source Revenue (PAD). PAD can be defined as funds obtained from the internal potential of a region in accordance with the provisions of the law. Regional fiscal independence in the APBD is largely determined by the amount of PAD contribution, if dependence on central government assistance is low. (Maulina et al., 2021) states that there is a positive and significant influence of PAD on financial performance, which indicates that an increase in local revenue reflects the effectiveness of resource management.

The second factor is capital expenditure. Capital expenditure is the allocation of funds for the procurement of fixed assets by public authorities (Atmoko & Khairudin, 2022). According to (Djarmika, 2022), this type of expenditure is a long-term investment that can provide added value and improve the welfare of the community in the region. (Sularso & Restianto, 2021) argue that targeted capital expenditure will improve the quality of public services and create economic stimulus, which in turn will improve the regional financial performance profile. However, challenges arise when the realization of expenditure is often delayed or not optimally absorbed, so that the expected economic benefits for the region are not maximized. Research by (Zahrah et al., 2024) shows that capital expenditure has a positive impact on the financial performance of local governments at the regency/city level in East Java province from 2018 to 2021. This indicates that an increase in capital expenditure allocation has a direct effect on improving the quality of regional financial performance. These results are in line with the research by (Wahyudin & Hastuti, 2020), which found that capital expenditure has a positive but insignificant impact on the financial performance of district/city governments in West Java province.

The third factor is audit opinion. (Rasyid et al., 2022) define it as a professional statement by auditors regarding the fairness of the presentation of information in financial reports. In addition to being a measure of accountability, audit opinions help stakeholders evaluate organizational sustainability, investment returns, and operational fairness (Haryanto & Sudarno, 2019). Research by (Kusumasari & Kartika, 2022) and (Pradnyani & Mimba, 2020) consistently shows that audit opinions have a positive impact on regional financial performance. This is based on the role of BPK opinions as a reflection of accountability and fairness in reporting, even though the main focus is not directly on financial performance results. Thus, the higher the quality of the opinion given by the BPK, the better the credibility and financial performance of the local government.

In the province of South Sulawesi for the period 2022-2024, there were significant economic fluctuations in this region as a result of the post-pandemic transition period. Although most district and city governments in South Sulawesi have achieved an unqualified opinion in recent years, the level of fiscal independence in several regions is still low. This study aims to analyze the effect of local revenue, capital expenditure, and audit opinions on the financial

performance of local governments in regencies and cities in South Sulawesi Province in 2022-2024.

RESEARCH METHODS

This study uses a quantitative method. The research subjects include district and city governments in South Sulawesi province. The data used in this study is secondary data. Secondary data is data that is not obtained from the direct source, but rather through other people or documents. The data used is sourced from the official websites www.sulsel.bpk.go.id and www.djpk.apbd.go.id. The sampling technique used is non-probability sampling, where the entire population is used as the research sample. The population in this study consists of 24 local governments, namely 22 regencies and 2 cities, with an observation period of 3 years from 2022 to 2024. A total of 72 data points were successfully collected.

Table 1 Variabel and Measurement Details

Variabel	Measurement details
Local Revenue (PAD)	Local revenue (PAD) comes from local taxes, levies, proceeds from the management of separated local assets, and other legitimate sources of income. The data was obtained from the realization of local revenue over a three-year period from 2022 to 2024.
Capital Expenditure	Capital expenditure is expenditure sourced from the local government budget that is used to acquire fixed assets or other assets that can generate profits over more than one accounting period and are used by local governments to carry out public service obligations. The data was obtained from the realization of local revenue for the 3-year period from 2022 to 2024.
Audit Opinion	Audit opinions are a crucial element that reflects the quality of a local government's financial statements. Audit opinions are measured using the following assessment criteria: Unqualified Opinion = 5; Unqualified Opinion with Explanatory Language = 4; Qualified Opinion = 3; Adverse Opinion = 2; and Disclaimer of Opinion or Refusal to Express an Opinion = 1.
Financial Performance	Financial performance reflects the success of achieving the organization's vision, mission, and strategy through the implementation of established policies. Financial performance is determined using a formula for regional financial independence in the form of: $Regional\ Financial\ Independence = \frac{Local\ Revenue\ (PAD)}{Total\ Regional\ Revenue\ (TPD)}$

RESULTS AND DISCUSSION

Descriptive Statistics

Table 2 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Local Revenue	72	3,76	7,38	5,0925	0,67623
Capital Expenditure	72	4,53	7,01	5,4230	0,45692
Audit Opinion	72	1,10	1,61	1,5811	0,11783
Financial Performance	72	1,43	3,67	2,5202	0,46303

Source: Processed data, (2025)

The local revenue variable has a minimum value of 3.76, a maximum value of 7.38, and a mean value of 5.0925. The standard deviation value of 0.67623 is smaller than the mean value, indicating that the data distribution does not have a large gap. This shows that the data used in the variable is stable.

The capital expenditure variable has a minimum value of 4.53, a maximum value of 4.01, and a mean value of 5.423. The standard deviation value of 0.45692 is smaller than the mean value, so the data distribution does not have a large gap. This shows that the data used in this variable is stable.

The Audit Opinion variable has a minimum value of 1.10, a maximum value of 1.61, and a mean value of 4.5811. The standard deviation value of 0.1178 is smaller than the mean value, indicating that the data distribution does not have a large gap, which shows that the variable used is stable.

The Audit Opinion variable has a minimum value of 1.43, a maximum value of 3.67, and a mean of 2.5202. The standard deviation value of 0.4603 is smaller than the mean value, so the data distribution does not have a large gap. This indicates that the data used in the variable is stable.

Classical Assumption Test

1. Normality test

Table 3 Normality test

<i>Unstandardized Residual</i>	
Asymp. Sig. (2-tailed)	0,200

Source: Processed data, (2025)

The table above indicates that the data used in this study meets the assumption of normality. This can be seen from the Asymp. Sig. (2-tailed) value of 0.200, which exceeds the significance threshold of 0.05. In the Kolmogorov-Smirnov (K-S) test method, a residual probability value above 0.05 indicates that the data distribution is normal.

2. Multicollinearity Test

Table 4 Multicollinearity Test

Variabel	Tolerance	VIF
Local Revenue (X1)	0,617	1,622
Capital Expenditure (X2)	0,611	1,637
Audit Opinion (X3)	0,961	1,041

Source: Processed data, (2025)

Based on the table above, the tolerance values of each variable above are greater than 0.1. In addition, the variance inflation factor (VIF) values for all variables are still below the maximum limit of 10. This condition indicates that there is no multicollinearity between the independent variables.

3. Heteroscedasticity Test

Table 5 Heteroscedasticity Test

Variabel	Sig.
Local Revenue	0,847
Capital Expenditure	0,755
Audit Opinion	0,739

Source: Processed data, (2025)

Based on the results of data processing using the Glejser test, the Local Revenue variable shows a significance value of 0.847. Furthermore, the Regional Expenditure variable has a value of 0.755, and the Audit Opinion variable is at 0.739. Where all of these significance values are well above the standard of 0.05, we can conclude that there is no significant effect of the independent variables on the absolute value of the residuals.

4. Autocorrelation Test

Table 6 Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.929 ^a	0,863	0,857	0,17480	1,283

Source: Processed data, (2025)

Based on the autocorrelation test results in the table above, the Durbin-Watson (DW) test shows a value of 1.283. This value is compared with the Durbin-Watson table value (k,n), where k indicates the number of independent variables, which is 3 variables, and n is the number of samples, which is 72 samples

Multiple Linear Regression Analysis Test

1. Coefficient of Determination

Table 7 Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929 ^a	0,863	0,857	0,17480

Source: Processed data, (2025)

Based on the table above, it can be seen that the Adjusted R square has a value of 0.857. This means that the percentage of independent variables affecting the dependent variable is 85.7%. The remaining 14.3% is explained by other variables outside the research variables.

2. F Test

Table 8 F Test

Model		F	Sig.
1	Regression	143,387	0,000

Source: Processed data, (2025)

Based on the table above, the results show a calculated F value of 143.387 and a significance value that is smaller than alpha (0.05), which is 0.000. Thus, it can be concluded that simultaneously, PAD, capital expenditure, and audit opinion have a significant effect.

Hypothesis Testing

1. The Effect of Local Revenue on the Financial Performance of Regencies/Cities in South Sulawesi

Based on the data presented in the table, Local Revenue obtained a t-value of 19.062 with a significance level of 0.000. This significance level is much smaller than 0.05, indicating that the Local Revenue variable has a positive and significant effect on the performance of district/city governments in Sulawesi in 2022-2024. This is supported by research (Natalia & Padang, 2023) which proves that PAD has a positive effect on the financial performance of the government in North Sumatra. This means that the greater the PAD generated, the better, because it is able to finance regional spending independently.

2. Capital Expenditure on Government Financial Performance

The processed data shows that the capital expenditure variable has a t-value of -5.8007 with a significance level of 0.000. The significance figure is less than 0.05, so it can be concluded that capital expenditure has a negative and significant effect on regional financial performance. This condition explains that the allocation of the budget for capital expenditure during the research period has not had a corresponding improvement in the measured regional financial performance indicators.

3. Audit opinion on financial performance

Unlike the previous two variables, the audit opinion variable showed insignificant results. This can be seen from the t-value of 1.272 with a significance of 0.208 (>0.05). These data indicate that audit opinion has a positive effect but that this effect is not significant on financial performance. These research results are consistent with those of (Chaerani & Firmansyah, 2024) and (Zamzami & Rakhman, 2023), which show that audit opinion has a significant positive effect on the financial performance of local governments. This is in line with the agency theory expressed by (Suandani & Astawa, 2021), whereby the government as an agent is obliged to present accountable financial reports in order to obtain a good opinion. Thus, a quality opinion can strengthen public and stakeholder trust, even though it does not directly change financial performance quickly.

CONCLUSION

Overall, the results of this study reveal that, comprehensively, PAD, capital expenditure, and audit opinions have a significant effect on the financial performance of local governments in regencies and cities in South Sulawesi Province from 2022 to 2024. However, partially, PAD and capital expenditure have a positive effect, while audit opinions have a negative effect on district and city governments in South Sulawesi province in 2022-2024.

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