



THE INFLUENCE OF OPINION AUDIT ON SCORE OF REGIONAL GOVERNMENT PERFORMANCE IN SOUTH SUMATERA

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ABSTRACT

The large potential of local governments to obtain very high-performance scores made researchers interested in making research on the influence audit opinion on the performance of local governments in South Sumatra. In this quantitative study, the testing method used to test the hypotheses that have been made is by using multiple linear regression test, using a testing tool that is SPSS 2.0. The population in this study is the district/city government and the regional government of South Sumatra Province. Result from this study is the South Sumatra Provincial Government's audit opinion has a significant influence on the local Government's audit performance score South Sumatera Province.

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INTRODUCTION

Regional Governments are given the responsibility to make their respective regional financial reports, in the form of Local Government Financial Reports (LKPD), which aim to compare financial performance with the budget, assess operational results and the level of compliance with legislation related to regional finance and evaluate performance of local governments (Government Regulation Number 71 of 2010). Performance Evaluation of Local Government Administration (EKPPD) is an evaluation of regional government performance in the form of a national score using Key Performance Indicators (IKK). From the results of the EKPPD process, the central government can determine the performance ratings of regional government implementation nationally. Whereas the Regional Government Financial Statements must also be examined by an Audit by the Supreme Audit Board (BPK).

South Sumatra Province region has experienced an increase in the average performance score of local governments from 2015 to 2016. Based on the Decree of the Minister of Home Affairs Number 120-10421 2016, it was stated that in 2015, 5 local governments in South Sumatra received scores very high performance with a score above 3.00. For 2016, the regional governments in South Sumatra received very high-performance scores of 8 local governments by the Decree of the Minister of Home Affairs No. 100-53 of 2018. The increase in performance scores is a positive result for the Province of South Sumatra. But, if viewed as a whole there are still many local governments in South Sumatra Province that get performance scores below 3.00, even the provincial government does not

get performance scores above 3.00 in 2015 and 2016.

For the results of the audit opinion, the Province of South Sumatra obtained the Unqualified Fair audit opinion (WTP) in 2015 amounted to 13 districts/cities, while those who received the Fair Exception opinion (WDP) totaled 5 districts/cities. In 2016, there were only 1 regency/city that received a Fair With Exception (WDP) opinion, the rest received a Fair Without Exception (WTP) audit opinion of 17 districts/cities (Overview of Semester II Examination Results for 2017).

Research (Saktiawati, 2014), (Harumiati & Payamta, 2014), (Sudarsana & Rahardjo, 2013) states that BPK audit opinion has a positive effect on the performance of local government operations, while (Mustikarini & Fitriasisari, 2012) states that BPK audit findings have a negative effect on local government performance scores and Rustiyaningsih and Immanuela (2014) which stated that the results of BPK audits did not significantly influence the performance of local governments. The large potential of local governments to obtain very high-performance scores made researchers interested in making research on the influence audit opinion on the performance of local governments in South Sumatra.

LITERATURE REVIEW

Theory agency

Based on the theory of agency (Jensen & Meckling, 1976) which states that agency relationships are contracts that arise when one or more people as an owner (principal) to employ another person (agent) to provide a service to the principal and then delegate decision making authority to the agent.

Audit Opinion

Law Number 15 of 2004 article 16, Reports on the results of audits conducted by BPK on government financial statements are presented in the form of opinions. In the explanation of the Act also explained that the opinion is a statement of the examiner's professional about how the reasonableness of a financial information presented in the financial statements is based on several criteria, except for the suitability of Government Accounting Standards (SAP), the adequacy of adequate disclosures, how to comply with existing laws and regulations in Indonesia and the effectiveness of the internal control system. There are four types of opinions that can be provided by financial auditors, namely: Unqualified Opinions (Unqualified Opinions), Unqualified Opinions (Qualified Opinions), Adverse Opinions, Admitted Disclaimers of Opinions.

Performance administration of government

(Harumiati & Payamta, 2014) states that the performance rating of government administration is determined through the calculation of performance scores obtained from the results of the Regional Government Implementation Performance Evaluation (EKPPD). EKPPD is a process of collecting and analyzing data systematically on the performance of regional government operations by using a performance measurement system. The EKPPD is carried out by assessing the total composite index of the performance of local government administration. The total composite index of the performance of local government administration is the sum of the results of the assessment which includes the performance achievement index and material suitability index. The performance index is measured by assessing the IKK at the level of policymaking and policy implementation. A report on the results of the Evaluation on the Performance Rating of Local Government Administration was issued by the Ministry of Home Affairs in 2009 for the LPPD of the fiscal year 2007 (Mustikarini & Fitriasisari, 2012). The ranking of the performance of government administration is carried out annually and is determined and published in a Minister of Home Affairs Decree. The main purpose of the evaluation is to assess the performance of regional government to improve performance to support the achievement of the objectives of regional autonomy based on the principles of good governance (Arifianti, Payamta, & Sutaryo, 2013). Each local government certainly wants a good ranking and performance status in order to maintain the existence of the government and for the growth of the organization of the government so that it will be better in the future and can maintain good relations with stakeholders such as the community, the House of Representatives and the central government.

Hypothesis Development

Judging from the audit opinion data in South Sumatra Province experienced a significant increase. In 2015 13 local governments received WTP opinions, while in 2016 as many as 17 local governments received WTP opinions (Overview of Semester II Examination Results for 2017). The increase in opinion achievement is in line with the increase in positive results from the local government performance scores obtained in the period 2014 to 2016. In accordance with research (Saktiawati, 2014), (Harumiati & Payamta, 2014), (Sudarsana & Rahardjo, 2013) which states that BPK's audit opinion has a positive effect on the performance of local government operations, while (Mustikarini & Fitriasisari, 2012) states that BPK's audit findings negatively affect local government performance scores, and Rustiyaningsih and Immanuela (2014) which states that BPK audit results do not significantly influence performance regional government. The great potential of the local government to get very high-performance scores makes researchers interested in making research on the influence of audit opinions on the performance of local governments in South Sumatra. Based on these reviews, the hypotheses that can be developed in this study are:

H_a = Audit opinion has a positive effect on local government performance scores.

H_o = Audit opinion does not affect the local government performance score

METHODS

Type of research

Based on the formulation of the problem, this research is quantitative. Quantitative research is a process of finding the knowledge that uses data in the form of numbers as a means of analyzing information about what you want to know (Radjab & Jam'an, 2017). This research uses secondary data. Theory or hypothesis testing is done by measuring the research variables with numbers and analyzing data with statistical procedures.

Population, Samples and Sampling Techniques

The population in this study is the district/city government and the regional government of South Sumatra Province. With its sample, the complete audit opinion data includes Overview of Examination Results of the Province of South Sumatra Semesters I and II in 2015 and 2016 accessed through the website of the Supreme Audit Agency (BPK). As well as the South Sumatra Province regional government performance score data obtained through the Minister of Home Affairs' decision regarding the ranking and performance standards of the South Sumatra Provincial Government for 2015 and 2016.

The sampling technique used in conducting this research is the purposive sampling technique. Purposive Sampling is a method of determining samples based on certain criteria (Radjab & Jam'an, 2017). Researchers used this sampling technique due to data limitations and easy access to data that can be used in this study. The criteria and results of this study sample include:

1. Local government in the province of South Sumatra.
2. Local governments in South Sumatra Province do not have complete data.

Data Types and Sources

The data used in this study is panel data (Pooled data). Panel data is a combination of time series data and cross-section. Data sources consist of:

1. Determination of the Ranking and Performance Status of the Implementation of the South Sumatra Provincial Government in 2015 nationally, published in the Decree of the Minister of Home Affairs Number 120-10421 2016.
2. Determination of Ranking and Status of Performance of National Government of South Sumatra Province in 2016 which is published in the Decree of the Minister of Home Affairs Number 100-53 in 2018.
3. Summary of Examination Results of South Sumatra Province Semester I and II of 2017 published through the website of the Supreme Audit Board which is used to obtain audit opinion data.

Data collection technique

The data collection technique used in this study is to use the document study method. Document review is a means of researchers in collecting data or information by reading letters, announcements, summaries of meetings of the certain policy written statements and other written materials (Nilamsari, 2014). This data search method is very useful because it can be done without disturbing the object or the atmosphere of the study. Researchers by studying these documents can recognize the culture and values adopted by the object under study.

Operational Definition and Variable Measurement

The definitions of each variable in this study will be presented in Table 1 as follows:

Table 1 Definition of Operational Variables

Variable	Definition of Operational	Size Scale
Performance Score (Y)	The performance scores of the South Sumatra Provincial Government were issued by the Minister of Home Affairs in 2015 and 2016	Nominal
Audit Opinion (X)	The audit opinion on the South Sumatra Province Financial Statements from the BPK was taken from the 2017 IHPS II data published by the BPK. Under the condition: WTP = 5, WTP DPP = 4, WDP = 3, TW = 2, TMP = 1.	Nominal

Source: Researcher's data, 2019

Analysis Techniques

In this quantitative study, the testing method used to test the hypotheses that have been made is by using multiple linear regression test, using a testing tool that is SPSS 2.0. Multiple linear regression test is done because the number of variables used is more than one variable. The independent variables used are audit opinion, the ratio of the level of regional financial dependency and the ratio of regional financial independence that will be tested against the dependent variable, namely the performance score of the local government.

Analysis Model

The test method uses a multiple regression test, with the analysis model used in this study is $Y = \alpha + \beta X + \varepsilon$. With the following conditions:

Y = Local Government Performance Score

X = Audit Opinion

α = Constant

β = Regression Coefficient

ε = Standard Error

DISCUSSION AND RESULT

Descriptive Statistical Analysis

Descriptive statistical analysis for the research variables can be seen in Table 2 as follows:

Table 2 Descriptive Statistics Test Results

Variable	N	Min	Max	Mean	Std.Deviation
Audit Opinion (X)	12	3	5	4,1154	0,778499
Performance Score (Y)	12	2,6741	3,1362	2,951832	0,136097
Valid n (listwise)	12				

Source: Secondary data is processed through SPSS

Based on table 2 above, it is known that the number of observations in research (n) is 12. Audit opinions have a minimum value of 1 or are categorized as TMP opinions and a maximum value of 5 or are categorized as WTP opinions. With a mean value of 4.1154 while the standard deviation of 0.778499. This means that the mean value is greater than the standard deviation, thus indicating that the results are good. Because the standard deviation is a very high reflection, which causes normal data distribution and does not cause bias. We can see that the average audit opinion in South Sumatra Province is 5, which means getting a WTP audit opinion. This proves that the quality of local government financial reports in South Sumatra Province has been good, for the years 2015 to 2016 the development of opinion has always improved as evidenced by an increase in the acquisition of WTP opinion from as many as 13 to 17 regional governments or by 30%.

The dependent variable of the performance score of South Sumatra Province has a minimum value of 2.6741 and a maximum value of 3.1362. With a mean value of 2.951832 while the standard deviation of 0.136097. This explains that the mean value is greater than the standard deviation which indicates good results so that the data distribution is normal and does not cause bias. Local Government performance scores in South Sumatra Province on average by 2.951832 this score is included in the high-performance category. This means that the performance of local governments in South Sumatra Province on average has a fairly good performance. The lowest performance score was obtained by the Local Government of the City of Pagar Alam in 2015 with a score of 2.6741, but this result can still be categorized as high performance. The highest performance score was obtained by the Ogan Kemering Ilir district government with a performance score of 3.1362 in 2016, which means the performance category was very high. The overall performance of the Regional Government of South Sumatra Province has a pretty good performance.

Table 3 Test Results t

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,040	,936		2,178	,061
1 Audit Opinion	-,020	,058	-,113	-,338	,744

a. Dependent Variable: Skor_Kinerja

Source: Secondary data is processed through SPSS

$$2,078 = 2,040 + (-0,020) + 0,058$$

The audit opinion variable South Sumatra Province has a t-value of -0.333 with a significance level of 0.744, which means it is smaller than 0.05. This means that this study successfully demonstrated a positive and significant influence between the variables of South Sumatra Province audit opinion with the South Sumatra Province performance score variable, which means that the

South Sumatra Province audit opinion had a significant positive effect on the performance score of the South Sumatra Provincial Government.

The results of the multiple linear coefficient test showed that the significance level of audit opinion was $-0.020 < 0.05$. This shows that the audit opinion has a significant positive effect on the performance score of the South Sumatra Provincial Government. From these results, it can be concluded that the first hypothesis stating audit opinion has a positive effect on LG performance scores can be accepted (H_a accepted and H_o rejected). This reflects that the audit opinion obtained by the Regional Government of South Sumatra Province positively and significantly influences the performance achievement of the regional government of South Sumatra Province.

The results of this study support research (Saktiawati, 2014), (Harumiati & Payamta, 2014), (Sudarsana & Rahardjo, 2013) which states that BPK's audit opinion has a positive effect on the performance of local government implementation, and rejects research results (Mustikarini & Fitriasisari, 2012) states that the BPK audit findings negatively affect local government performance scores. That is, the higher the attainment of opinion obtained by a local government, the higher the performance score of the regional government. But the results of this study have not been in line with the results of research Rustiyaningsih and Immanuel (2014) which states that the BPK audit results have no significant effect on the performance of local governments.

Research in this variable has a significant positive effect because it can be concluded that a local government with a good audit opinion means having a good report quality so that the financial performance in the government has been directed and effective and will have an impact on improving the performance of government administration. To get an optimal performance score, it means that the regional government must first improve the financial statements along with the financial performance in the local government to obtain a WTP audit opinion. So the achievement score will also be even higher. This result also proves that the better the audit opinion obtained by the regional government, the better the performance of the regional government will be.

CONCLUSION

Conclusion

Based on the results of data analysis regarding the influence of the South Sumatra Provincial Government's audit opinion on the South Sumatra Provincial Government's audit performance score, the conclusion that can be drawn from this study is the South Sumatra Provincial Government's audit opinion has a significant influence on the local Government's audit performance score South Sumatera Province.

Research Limitations

The limitation in this study is that the sample of this study used the Regional Government of South Sumatra Province for only two years, namely 2015 and 2016 so that it could not generalize the results of the study. This study also cannot use the latest data because the South Sumatra Provincial Government's performance score data for 2017 and 2018 have not been published as the Minister of Home Affairs.

Research Suggestions

By considering some of the limitations that have been submitted, it can be given some suggestions for further research is expected to be able to use the latest research data, and use research data at least 3 years in a row so that it can produce more significant research results, and add independent variables to audit findings such as internal control system findings, compliance with laws and follow-up to BPK findings and other independent variables that have the potential to have a greater influence on local government performance scores.

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