
**THE EFFECT OF LOCAL GOVERNMENT COMMITMENT AND AUDIT OPINION
ON DISCLOSURE OF LOCAL GOVERNMENT FINANCIAL REPORTS IN
INDONESIA**

Monica Puspita Sari
Universitas Trisakti Indonesia
monicapuspita14@gmail.com

KEYWORDS

Heads Of Local
Government
Commitment, Audit
Opinion, Disclosure
Of Local
Government
Financial
Statements, Level
Of Education.

ARTICLE INFO

Accepted:
20 November 2022
Revised:
28 November 2022
Approved:
29 November 2022

ABSTRACT

In this study, the authors are interested in examining how the influence of heads of local government commitment and audit opinions on the disclosure of local government financial statements in Indonesia with the level of public education as a moderating variable. This study used a population of all provinces in Indonesia from 2019 to 2021, totaling 34 samples, according to the criteria needed in this study. This study uses logistic regression analysis with the results of the study that heads of local government commitment has a positive effect on local government financial statement disclosures, and audit opinions have a positive effect on local government financial statement disclosures. The level of education moderation variable can only strengthen the positive influence of heads of local government commitment on local government financial statement disclosures and weaken the positive effect of audit opinions on local government financial statement disclosures.

INTRODUCTION

Everyday life has changed a lot due to the many developments in information technology and various other aspects, including obtaining information. This development is also utilized in accessing information from the government, especially the respective regional governments. This revolution encourages and becomes a demand for local governments in all regions in Indonesia to increase transparency from time to time by providing their financial reports on a website that can be easily accessed by the public (Adiputra, Utama, & Rossieta, 2018).

E-government is a forum that aims to facilitate public access to information provided by local governments. Through Presidential Instruction No. 3 of 2003 Indonesia began to develop e-government. The issuance of the Instruction required regional governments to establish official sites belonging to their respective regional governments. In addition, Article 13 of Government Regulation (PP) Number 65 of 2010 states that local governments are required to utilize and develop advances in information technology to convey financial information through official websites. In a preliminary study conducted, it showed the fact that in Indonesia only 16 local governments disclose their financial reports on the website and show their transparent attitude to the public, 18 other local governments have not done the same (Nor,

Hudaya, & Novriyandana, 2019) . The same is true compared to 2016 where the local governments disclosed their financial reports totaling 17 regions, while the rest (17 local governments) have yet to publish their financial reports to the public.

Issues regarding compliance with statutory provisions BPK RI revealed 6,259 with a total problem of IDR 2.19 trillion based on IHPS I in 2019. These problems consisted of problems that had a financial impact 4,001 to those that did not have a financial impact 2,258, problems that the potential for a loss of 426 of IDR 308.85 billion, the problem of a lack of revenue 933 of IDR 577.78 billion (Basuki & Prawoto, 2017) .

(Sari, Verawaty, & Jaya, 2014) in (Nor et al., 2019) suggests that there are gaps in the practice of disclosing financial information through e-government and most local governments have not optimized the use of internet technology. In fact, the government is obliged to make financial reports as a form of accountability to the public and publish them as a form of local government transparency.

Heads of local Government Commitment or the commitment of regional heads is a very important dimension of accountability and transparency as a form of contribution to the organization. The greater the commitment of regional heads to the transparency of their financial reports, the better the audit opinion they get which will then encourage them to publish their financial reports to the public (Nor et al., 2019).

The audit conducted by the BPK (Financial Audit Board) is one of several factors that are suspected of influencing local governments to disclose their financial reports on regional websites. In Indonesia, the BPK is an external auditor who conducts audits of the government's financial reports. The final result of BPK's examination of the financial statements is called an audit opinion. The audit opinion is given on the financial reports prepared by the local government and is one indicator of the quality of the financial reports prepared by the local government. According to (Handayani, Karjoko, & Jaelani, 2019), audit opinions have an effect on online publication of government financial reports. The increase in irregularities found by the BPK through its audits is likely to have an impact on the disclosure of its financial statements. Local governments that have poor audit results have a tendency to make their financial reports not available to the public (on their website). Similar to (Nor et al., 2019) research entitled Financial disclosure statements on Indonesian local government websites, A quest of its determinant (s) reveals that audit opinions have a positive effect on financial disclosure statements while Heads of local Government Commitments have no significant effect on Financial statements disclosure.

In connection with the description above, the research gap of previous research takes variables that differ from one study to another, so that this is the background for the author to return to conducting research on the disclosure of regional government financial statements. This study also added the level of community education as a moderating variable that had not been used in previous research. This research is expected to contribute to the literature on the factors that influence the disclosure of financial statements in the accounting and public sector as a form of development of previous research that has been done (Kusuma, Aswar, & Ermawati, 2021).

METHOD RESEARCH

This type of research is causality research that examines the relationship between variables based on previous studies. This study aims to determine the effect of heads of local government commitment and audit opinion on Disclosure of Local Government Financial Statements moderated by education level. The unit of analysis used in this research is local government in Indonesia. This research is quantitative and secondary data collection (Nirwana & Haliah, 2018).

In this study, the dependent or dependent variable (X) is used, namely the Disclosure of Regional Government Financial Statements which are influenced by the Independent or independent variable (Y), namely heads of local government commitment, and audit opinions. The relationship between the two Independent and Dependent variables will be strengthened or weakened by the Moderation Variable in this study, namely education level (Panggabean, 2019).

The independent variable is the independent variable that influences or explains the consequences of the dependent variable or dependent variable. This study uses the heads of local government commitment variables, and audit opinions as independent variables (Pramesti & Sujana, 2020).

Regional financial management must be managed in an orderly, efficient, economical, effective, transparent and accountable manner regulated in Law Number 23 of 2014 concerning Regional Government. The head of local government commitment variable refers to the regional head's commitment to transparency in the government's operations, especially in the management of regional budgets or finances. This variable can be seen through the vision and mission of the Regional Medium-Term Development Plan (RPJMD) or the Regional Long-Term Development Plan (RPJMD) if no provincial-wide RPJMD is found (Purnama & Alfina, 2019).

The types of opinion of an auditor include Unqualified Opinion, Unqualified Opinion with explanatory language, Qualified Opinion, Adverse Opinion, and Disclaimer Opinion (HOPSAH, 2017).

Moderating variables are variables that strengthen or weaken the relationship between the independent (free) variable and the dependent (bound) variable. In this study, researchers used a moderating variable to find out whether the 2 independent variables studied could strengthen or weaken their relationship with the dependent variable.

The dependent variable is the dependent variable which is influenced or explained because of the independent variables or independent variables. The dependent variable used in this study is the disclosure of local government financial reports on the website which is the government's responsibility for finances that have been managed online (Nieuwland, Falcón-Pérez, Théry, & Witwer, 2020) In addition to the business sector, the public sector such as local governments can take advantage of advances in technology and internet networks to convey financial information to various stakeholders.

Table 1
Operational Variables

No	Variable	Dimensions	Indicator	Skala
----	----------	------------	-----------	-------

1	Heads of local government commitment (X1)	According to the Act Number 23 of 2014 about the Government Regional, regional financial management must be managed in an orderly, efficient, economical, effective, transparent and accountable manner.	The number 1 is assigned to the local government committed to disclosing financial statements on the website. While the number 0 is given to local governments that are not committed to disclosing reports finance on the website.	Nominal
2	Audit Opinion (X2)	Audit opinion is the fairness of information on audited financial reports (Tangke, 2004).	Point 5 is for Unqualified Opinion, point 4 is for unqualified opinion with language of explanation, point 3 is for Qualified Opinion, point 2 is for Adverse Opinion, and point 1 is for Disclaimer opinion.	Nominal
4	Disclosure of local government financial reports (Y)	Law No 14 of 2008 concerning Public Information Disclosure states that "every agency mandatory public utilize and develop information technology to convey information to the public in an efficient manner open".	Dummy variable (1 value for disclosing and 0 value for not disclosing)	Nominal
5	Education Level (Z)	(Poillet-Perez & White, 2019) stated that the level of education is the number of students in higher education compared to the total number population.	Comparing the number of residents in universities with the number of local residents multiplied by 100%.	Ratio

The population in this study are all provincial local governments in Indonesia. The population is a group of people, groups, or interesting things that researchers want to study (Sekaran & Bougie, 2017) The sample in this study examined 37 provinces in Indonesia in 2021. The sample selection method in this study was carried out using a purposive sampling method, which is a sampling method based on certain criteria.

Data collection for this study was carried out in 2 ways of data collection, namely library research and documentation study. Literature study is the collection of data that is literature such as journals and scientific articles that are in accordance with the variables studied. The documentation study was carried out in a secondary way to obtain data through the websites of each local government in Indonesia regarding the information needed in this research.

The method of data analysis is grouping data based on variables and types of

respondents, tabulating data based on all respondents, presenting data for each variable studied, and performing calculations to answer the problem formulation and performing calculations to test the hypotheses that have been proposed, according to (Ghozali, 2018). The data analysis method used is logistic regression with the help of EVIEWS 12 software data processing. This is done so that the results obtained from the analysis and testing can provide accurate answers regarding the variables studied.

(Ghozali, 2018) reveals that what is meant by descriptive statistics is statistics that are used to analyze data by providing a description or description of a data seen from the average, maximum, minimum, standard deviation values. Descriptive statistical analysis used in this study is the average (mean), maximum, minimum, and standard deviation values to describe variables.

Statistical analysis of the data used in this study is logistic regression analysis. According to (Ghozali, 2018) logistic regression analysis is a regression that tests whether there is a probability that the dependent variable can be predicted by the independent variables. Logistic regression analysis does not require a normal distribution of the independent variables (Ghozali, 2018). Therefore, logistic regression analysis does not require normality tests, heteroscedasticity tests, and classical assumption tests on the independent variables. Logistic regression analysis has four tests including, namely Assessing the Overall Model (Overall Model Fit), Testing the Feasibility of the Regression Model (Goodness of Fit Test), Coefficient of Determination (Nagelkerke's R Square) and Classification Matrix (Ghozali, 2018). An explanation of the four model tests is as follows:

Overall fit model is used to determine whether all independent variables affect the dependent variable. The statistics used are based on the Likelihood function. Likelihood L is the probability that the hypothesized model describes the input data (Ghozali, 2018). To test the null and alternative hypotheses, L is transformed into $-2\log$ likelihood. Testing is done by comparing the initial $-2LL$ value with $2LL$ in the next step. If the value of $-2LL$ block number = 0 is greater than the value of $-2LL$ block number = 1. Then the decrease ($-2\log L$) indicates that the regression model is better (Ghozali, 2018). The hypothesis used to test the entire model is as follows:

H_0 : The hypothesized model with fit data.

H_1 : The hypothesized model does not fit the data.

The coefficient of determination in logistic regression is seen from McFadden R Square, because the McFadden R Square value can be interpreted like the R Square value in multiple regression. McFadden R Square is a modification of the cox and snell coefficient to ensure that the value will vary from 0 (zero) to 1 (one). The McFadden R Square value close to zero indicates that the ability of the variables to explain the dependent variable is very limited, while the McFadden R Square value close to one indicates that the independent variable is able to provide all the information needed to predict the variability of the dependent variable (Ghozali, 2018).

The classification matrix is used to explain the power of the regression model to predict the possibility of financial distress occurring in a company. In the 2×2 table, the correct (correct) and incorrect (incorrect) estimated values are calculated. The classification table produces overall accuracy (Ghozali, 2018).

The research hypothesis will be tested by logistic regression analysis. This aims to answer the formulation of the research problem, namely the influence of two or more independent variables on the independent variable. Thus, the logistic regression analysis equation is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Information:

Y : Probability of financial distress (ICR)

α : Constant

β_1 : Regression Coefficient

X1 : Independent Variable

β_2 : Regression Coefficient

X2 : Independent Variable

ε : error

RESULT AND DISCUSSION

Descriptive statistical analysis was used to provide an overview of the data used. Table 1 shows the descriptive statistics of each variable used in the study in the form of independent variables, namely heads of local government commitment (X1) and audit opinion (X2), the moderating variable of community education level (Z) and the dependent variable disclosure of local government financial statements (Y) (Rahman, 2018). The research variables are interpreted in terms of mean, median, maximum, minimum and standard deviation. The number of observations in the research is 102 data which is a combination of data from 34 provinces in Indonesia during 2019-2021. The results of descriptive statistical analysis are presented in the following table:

Table 2
Descriptive statistics

	Y	X1	X2	Z
Mean	0.764706	0.705882	4.941176	139782.2
Median	1.000000	1.000000	5.000000	64609.00
Maximum	1.000000	1.000000	5.000000	863449.0
Minimum	0.000000	0.000000	4.000000	339.0000
Std. Dev.	0.426277	0.457895	0.236456	201210.9
Observations	102	102	102	102
Description: Y = Disclosure of local government financial statements; X1= Heads of local government commitment; X2=Audit opinion; Z = Community education level				

Source: Data processed with Eviews 12, 2022

a. The dependent variable is the disclosure of local government financial statements (Y)

Disclosure of local government financial statements in the study was measured using a dummy variable, which was given a value of 1 if the provinces in Indonesia disclosed regional financial reports and was given a value of 0 if the provinces in Indonesia did not disclose regional financial reports. The average disclosure value of local government

financial statements in Indonesia is 0.765. The median value and standard deviation of the local government financial statement disclosure variables are 1 and 0.426, respectively.

b. Independent variable heads of local government commitment (X1)

Heads of local government commitment in research is measured using a dummy variable, which is given a value of 1 if the provinces in Indonesia are committed to disclosing financial reports on the website and given a value of 0 if the provinces in Indonesia are not committed to disclosing financial reports on the website. The average value of heads of local government commitment in Indonesia is 0.706. The median value and standard deviation of the heads of local government commitment variables are 1 and 0.458, respectively.

c. Independent variable audit opinion (X2)

Audit opinion in Indonesia has the highest score of 5 and the lowest of 4. The average audit opinion in Indonesia is 4,941. The median value and standard deviation of audit opinion in Indonesia are 4,941 and 0,236 respectively.

d. Moderating variable level of public education (Z)

The variable level of public education in Indonesia has the highest value of 863449 and the lowest of 339. The average level of public education in Indonesia is 139782. The median value and standard deviation of the level of public education in Indonesia are respectively 64609 and 201210.

1. Regression Model Feasibility Test

The feasibility of the regression model with the value of CH Square. Hosmer and Lemeshow's Goodness of Fit Test is used to test the 0 (zero) hypothesis that the empirical data fits or fits the model (there is no difference between the model and the data so that the model can be said to be fit). The criteria for the tests carried out are:

- a. If the prob. Hosmer and Lemeshow's Goodness of Fit Test $\alpha \geq (0.05)$, then H0 is accepted, that is, the model can explain the observed value or it can be said that the model is acceptable because it fits the observation data. This means that the model is acceptable because it fits the observation data.
- b. If the prob. Hosmer and Lemeshow's Goodness of Fit Test $\alpha \leq (0.05)$, then Ha is accepted, that is, the model cannot explain the observed value or it can be said that the model is unacceptable because it does not match the observation data.

Table 3
Model Feasibility Test Results

H-L Statistic	5.2597	Prob. Chi-Sq(8)	0.7295
Andrews Statistic	39.5158	Prob. Chi-Sq(10)	0.0000

Source: Data processed with Eviews 12, 2022

Based on the results of the Hosmer and Lemeshow's Goodness of Fit Test, it is known that the prob. chi-sq of 0.7295 is greater ($>$) 0.05, so that it can be concluded that accepting H0 and rejecting H1, that is, the model can explain the observed value or the model is acceptable because it fits the observation data.

2. Logistic Regression Model

The analysis used in this study is logistic regression analysis which is used to determine the relationship between heads of local government commitment and audit opinion on the dependent variable, namely the disclosure of local government financial reports in Indonesia for 2019-2021 and to find out whether the moderating variable of community education level can be strengthen or weaken the relationship between the independent variable and the dependent variable. The regression results using the logistic regression model are presented in the following table.

Table 4
Logistic Regression Test Results

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-9.333178	4.345650	-2.147706	0.0317
X1	0.939132	0.451612	2.079510	0.0376
X2	1.927629	0.875417	2.201955	0.0277
Z	0.071033	0.035789	1.984784	0.0472
X1*Z	0.009195	0.004619	1.990559	0.0465
X2*Z	-0.015450	0.007293	-2.118587	0.0341

Source: Data processed with Eviews 12, 2022

Based on Table 4.3, the logistic regression equation model can be formulated as follows:

$Y = -9.333 + 0.939 X_1 + 1.928 X_2 + 0.071 Z + 0.009 X_1 * Z - 0.015 X_2 * Z$ The above equation can be explained that:

- The c constant is -9,333, meaning that if the heads of local government commitment and audit opinion and the moderating variable of the community's education level are 0 (there is no change up or down), then the disclosure of local government financial statements in Indonesia for 2019-2021 is -9,333.
- The regression coefficient of heads of local government commitment is 0.939, indicating that heads of local government commitment has a positive relationship to the disclosure of local government financial reports. That is, if the heads of local government commitment has increased by 1 percent while other variables are fixed (unchanged), then the disclosure of local government financial reports in Indonesia for 2019-2021 will have increased by 93.9 percent.
- The regression coefficient of the audit opinion is 1.928, indicating that the audit opinion has a positive relationship to the disclosure of local government financial statements. That is, if the audit opinion has increased by 1 percent while other variables are fixed (unchanged), then the disclosure of local government financial statements in Indonesia for 2019-2021 will increase by 192.8 percent.
- The regression coefficient for the level of public education is 0.071, indicating that the level of public education has a positive relationship to the disclosure of local government financial reports. That is, if the level of public education has increased by 1 percent while other variables are fixed (unchanged), then the disclosure of local government financial reports in Indonesia for 2019-2021 will increase by 7.1 percent.

- e. The $X1*Z$ variable is the multiplication of the heads of local government commitment variable and the moderating variable of the level of community education. The regression coefficient of 0.009 indicates a positive direction. This shows that the variable level of community education strengthens the relationship between heads of local government commitment to the disclosure of local government financial reports in Indonesia during 2019-2021 by 0.9 percent.
- f. The $X2*Z$ variable is the multiplication of the audit opinion variable and the moderating variable of the level of public education. The regression coefficient of -0.015 indicates a negative direction. This shows that the variable level of public education weakens the relationship between audit opinion and disclosure of local government financial reports in Indonesia during 2019-2021 by 1.5 percent.

CONCLUSION

Based on the results of research that has been conducted to determine the effect of heads of local government commitment and audit opinions on disclosure of local government financial reports in Indonesia with the level of public education as a moderating variable in 34 provinces in Indonesia for the 2019-2021 fiscal year, it is concluded that heads of local government commitment and audit opinion have a significant positive effect on the disclosure of Indonesian local government financial reports, the level of education moderates the effect of heads of local government commitment on the disclosure of local government financial statements in Indonesia. However, the level of education does not moderate the effect of an audit opinion on the disclosure of local government financial reports in Indonesia.

REFERENCES

- Adiputra, I. Made Pradana, Utama, Sidharta, & Rossieta, Hilda. (2018). Transparency of local government in Indonesia. *Asian Journal of Accounting Research*. [Google Scholar](#)
- Basuki, Agus Tri, & Prawoto, Nano. (2017). Analisis regresi dalam penelitian ekonomi dan bisnis. PT Rajagrafindo Persada, Depok, 90–100. [Google Scholar](#)
- Ghozali, Imam. (2018). Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25. [Google Scholar](#)
- Handayani, I. Gusti Ayu Ketut Rachmi, Karjoko, Lego, & Jaelani, Abdul Kadir. (2019). Model Pelaksanaan Putusan Mahkamah Konstitusi Yang Eksekutabilitas Dalam Pengujian Peraturan Perundang-Undangan Di Indonesia. *Bestuur*, 7(1), 36–46. [Google Scholar](#)
- Hopsah, Siti. (2017). Pengaruh Independensi, Integritas Dan Kompetensi Terhadap Kualitas Audit (Survey Pada Kantor Akuntan Publik Di Kota Bandung). *Fakultas Ekonomi Dan Bisnis Unpas Bandung*. [Google Scholar](#)
- Kusuma, Rianti, Aswar, Khoirul, & Ermawati, Ermawati. (2021). Pengungkapan Laporan Keuangan Pemerintah Daerah Di Indonesia: Suatu Tinjauan Empiris. *Konferensi Riset Nasional Ekonomi Manajemen Dan Akuntansi*, 2(1), 581–591. [Google Scholar](#)

- Nieuwland, Rienk, Falcón-Pérez, Juan M., Théry, Clotilde, & Witwer, Kenneth W. (2020). Rigor and standardization of extracellular vesicle research: Paving the road towards robustness. *Journal of Extracellular Vesicles*, 10(2). [Google Scholar](#)
- Nirwana, Nirwana, & Haliah, Haliah. (2018). Determinant factor of the quality of financial statements and performance of the government by adding contextual factors: Personal factor, system/administrative factor. *Asian Journal of Accounting Research*, 3(1), 28–40. [Google Scholar](#)
- Nor, Wahyudin, Hudaya, Muhammad, & Novriyandana, Rifqi. (2019). Financial statements disclosure on Indonesian local government websites: A quest of its determinant (s). *Asian Journal of Accounting Research*. [Google Scholar](#)
- Panggabean, Fitri Yani. (2019). Kinerja Laporan Keuangan Pemerintah Daerah Kabupaten Dan Kota Di Sumatera Utara Berdasarkan Opini Audit. *Jurnal Akuntansi Dan Bisnis: Jurnal Program Studi Akuntansi*, 5(2), 151–159. [Google Scholar](#)
- Poillet-Perez, Laura, & White, Eileen. (2019). Role of tumor and host autophagy in cancer metabolism. *Genes & Development*, 33(11–12), 610–619. [Google Scholar](#)
- Pramesti, Putu Ayu, & Sujana, I. Ketut. (2020). Komitmen Organisasi Memoderasi Pengaruh Partisipasi Anggaran, Asimetri Informasi, dan Self Esteem pada Budgetary Slack. *E-Jurnal Akuntansi*, 30(7), 1780–1795. [Google Scholar](#)
- Purnama, Hari Purnama, & Alfina, Putri. (2019). Which ones are more important: characteristics or complexities? A study of the disclosure in local government financial reports. *Journal of Business and Information Systems (e-ISSN: 2685-2543)*, 1(2), 77–88. [Google Scholar](#)
- Rahman, Arif. (2018). Pengaruh Kesadaran Wajib Pajak, Tingkat Pendidikan, Dan Pendapatan Terhadap Kepatuhan Membayar Pajak Bumi Dan Bangunan. *Jurnal Akuntansi*, 6(1). [Google Scholar](#)
- Sari, Kartika Maya, Verawaty, Verawaty, & Jaya, Ade Kemala. (2014). Determinan Aksesibilitas Internet Financial Reporting Pada Website Perusahaan Manufaktur Go Public Di Indonesia. *Jurnal PROFITA (Jurnal Komunikasi Ilmiah Akuntansi Dan Perpajakan)*, 6(1), 1–23. [Google Scholar](#)
- Sekaran, Uma, & Bougie, Roger. (2017). Metode Penelitian untuk Bisnis: Pendekatan Pengembangan-Keahlian, Edisi 6 Buku 1. [Google Scholar](#)
- Tangke, Natalia. (2004). Analisa Penerimaan Penerapan Teknik Audit Berbantuan Komputer (TABK) Dengan Menggunakan Technology Acceptance Model (TAM) Pada Badan Pemeriksa Keuangan (BPK) RI. *Jurnal Akuntansi Dan Keuangan*, 6(1), 10–28. [Google Scholar](#)

Copyright holders:
Agus Purwo Wicaksono (2022)

First publication right:
JoSS - Journal of Social Science



This article is licensed under a Creative Commons Attribution-ShareAlike 4.0
International