

AUDITING | RESEARCH ARTICLE

Factors Influencing the Results of an Unqualified Opinion (WTP) on the Financial Reports of District/City Governments in South Sumatra Province

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ARTICLE HISTORY

Received: August 07, 2025

Revised: August 17, 2025

Accepted: September 25, 2025

DOI

<https://doi.org/10.52970/grar.v6i1.1652>

ABSTRACT

This study aims to determine the effect of weaknesses in the internal control system (ISC), non-compliance with laws and regulations, and the age of the local government on the WTP opinion on the financial statements of district/city governments in South Sumatra province. The population in this study was all district/city governments in South Sumatra. The sampling technique used in this study was the saturated sampling method, meaning that all members of the population were sampled, and sample data were obtained from as many as 68 Financial Statements of District/City Governments in South Sumatra. This hypothesis testing used Logistic Regression with the help of SPSS 26 software. The results of this study indicate that, to some extent, the variables of ISC weaknesses and non-compliance with laws and regulations affect the WTP opinion on the financial statements of local governments. The variable of age of the local government does not affect the WTP opinion on the financial statements of local governments. Simultaneously, weaknesses in ISC, non-compliance with laws and regulations, and the age of the local government together affect the WTP's opinion on the financial statements of local governments.

Keywords: Audit Opinion, Weaknesses of Internal Control System (SPI), Non-Compliance with Laws and Regulations, Local Government Age.

JEL Code: M42, M48, H72, H83

I. Introduction

The reforms implemented in Indonesia in 1998 led to the establishment of a regional autonomy-based government system. Regional autonomy refers to the authority held by autonomous regions to manage and administer government affairs and the interests of their communities independently, in accordance with applicable laws and regulations. The legal basis for the implementation of regional autonomy in Indonesia is contained in Law Number 32 of 2004 concerning Regional Government, which was later amended to Law Number 23 of 2014 concerning Regional Government. With regional autonomy, it is hoped that regional governments can formulate policies oriented towards improving the welfare of local communities. Regional autonomy demands changes to Indonesia's governance system, particularly in the management of regional finances and budgets. Regional finances are a key instrument in regional



governance, and therefore must be managed with great care. Furthermore, the implementation of regional autonomy is expected to increase community empowerment and provide space for public participation in the process of changing the regional financial management system.

Although regional autonomy grants full authority to local governments in managing their territories, this does not mean that local governments can act arbitrarily. In implementing regional autonomy, local governments are obliged to manage and update their financial systems to be more oriented towards the public interest, by prioritizing the principles of accountability and transparency to the public. As part of the assessment mechanism and as a consideration for the central government, local governments are required to prepare accountability reports in the form of financial statements. (Masdiantini & Erawati, 2016) . A financial report is a systematically compiled document that describes an entity's financial condition over a specific period and assesses its performance within a specified timeframe. In the context of regional government, this report is known as the Regional Government Financial Report (LKPD). The mechanism for preparing and reporting responsibilities for the LKPD is regulated in Government Regulation Number 08 of 2006 concerning Financial Reporting and Performance of Government Agencies.

Regional governments are expected to prepare and present financial reports responsibly, transparently, effectively, efficiently, and with quality to the public, in accordance with the provisions stipulated in Government Regulation Number 71 of 2010 concerning Accrual-Based Government Accounting Standards. Good financial report management within regional governments plays an important role in realizing the principles of good governance. To achieve regional financial governance that supports good governance, three main aspects must be met by regional governments, namely transparency, public accountability, and the principle of value for money, which includes economic, efficiency, and effectiveness aspects. (Mardiasmo, 2002) . In realizing and achieving regional financial governance that must meet the principles of transparency, accountability, and value for money, the central government will periodically evaluate the management of regional government through authorized state institutions at the national level. The institution that has the authority to audit the financial accountability reports of regional governments is the Republic of Indonesia Audit Board (BPK RI). The BPK is tasked with assessing the management and accountability of state finances carried out by the government, as stipulated in Article 23E Paragraph 1 of the 1945 Constitution. Further provisions regarding this matter are regulated in Law Number 15 of 2004 concerning the Audit of State Financial Management and Accountability, which stipulates that financial reports prepared by regional governments must be submitted to the BPK no later than three months after the end of the fiscal year.

The results of a financial audit conducted by the Supreme Audit Agency (BPK) will produce an audit opinion, which is a professional statement from the auditor regarding the fairness of the financial information presented. Each BPK audit result is summarized and presented in the form of an Audit Result Report (LHP) . The audit opinion provided by the BPK on the Regional Government Financial Report (LKPD) serves as an indicator of the quality of the regional government's financial report, reflecting the level of compliance with applicable accounting standards. Therefore, regional governments strive to obtain the best audit opinion as a form of accountability for their financial management. Furthermore, in the explanation of Article 16, Paragraph 1 of Law Number 15 of 2004, the BPK stipulates four types of audit opinions, namely Unqualified Opinion (WTP), Qualified Opinion (WDP), Unqualified Opinion (TW), and Statement of Refusal to Provide an Opinion (TMP). An Unqualified Opinion (WTP) is one of the main indicators in assessing the quality of local government financial reports. This opinion demonstrates that the financial statements are prepared and presented fairly in all material aspects in accordance with Government Accounting Standards (GASB). In Indonesia, achieving an unqualified opinion is a focus for local governments as a manifestation of public accountability.

The internal control system is one of the factors influencing report quality. According to BPK Regulation No. 1 of 2017, the effectiveness of the Internal Control System is a factor in determining an unqualified opinion. Significant weaknesses in the Internal Control System can reduce the reliability of financial reports, thus affecting the auditor's opinion. Non-compliance with laws and regulations is one of the

aspects that influences the Supreme Audit Agency (BPK)'s opinion on regional government financial reports. Law No. 15 of 2004 explains that the auditor's opinion on financial reports is based on four criteria, one of which is compliance with laws and regulations. If the non-compliance is material, the auditor will not issue an unqualified opinion. Therefore, it can be concluded that the number of findings related to non-compliance with laws and regulations influences the quality of the audit opinion issued by the BPK. Research results (Irman & Suryati, 2017) Show that non-compliance with laws and regulations resulting in regional losses affects the acceptance of audit opinions. This contrasts with research conducted by (Wahib, 2022) , which showed that non-compliance with laws and regulations had no effect on audit opinions on local government financial reports.

Another factor that plays a significant role in the BPK's opinion is the age of the local government. The age of a local government can be a characteristic that may influence mandatory disclosure. The longer a local government has existed, the more experienced it is compared to a newer government. (Irman & Suryati, 2017) . In the period 2020 to 2023, all provinces in Indonesia showed an increase in opinions regarding the Regional Government Financial Report (LKPD). One of the provinces that experienced this increase was South Sumatra. In 2024, the South Sumatra Provincial Government received an Unqualified Opinion (WTP) award for its 2023 Regional Financial Report (LKPD). This award was received by the South Sumatra Provincial Government for the tenth consecutive time for the Regional Government Financial Report (LKPD) from 2014 to 2024. For more detailed information, please refer to the Summary of Audit Results of the Supreme Audit Agency (BPK) on the following LKPD.

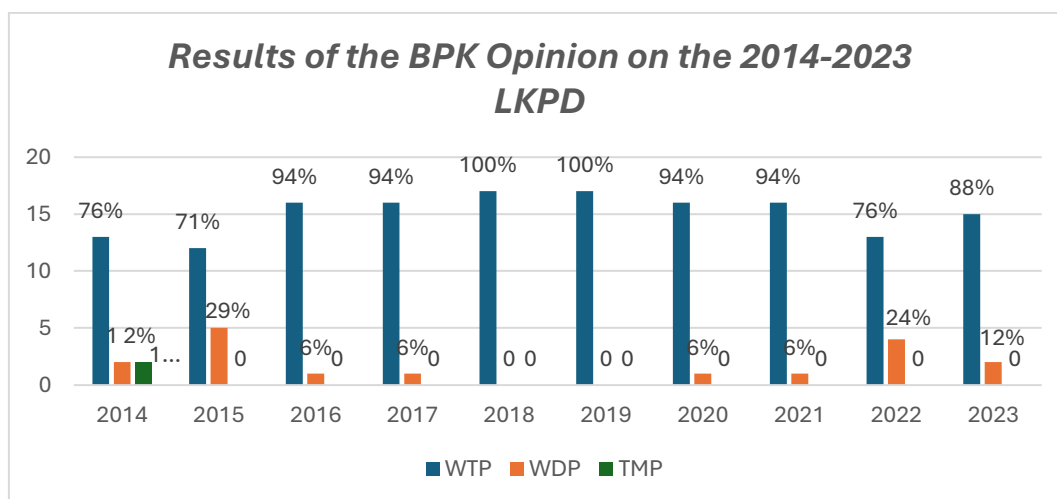


Figure 1. BPK's opinion on the 2014-2023 LKPD for the South Sumatra Region

Source: Processed Data, BPK.go.id

Based on picture 1. As seen above, over the last five years (2014-2018), there was a 24% increase in the audit opinion status given by the BPK to the South Sumatra Provincial Government. Specifically, in 2017, there was a significant increase in the number of Unqualified Opinions (WTP) given by the BPK by 6% from the previous 94% obtaining a WTP opinion to 100%. In that year, four regencies/cities succeeded in obtaining a WTP opinion from those previously obtaining a WTP opinion with Exceptions (WDP), namely Musi Rawas Regency, Ogan Ilir Regency, Empat Lawang Regency, and Pali Regency. This significant increase also supported the acquisition of a WTP opinion by the South Sumatra Provincial Government from the BPK of the Republic of Indonesia. However, it is known that in 2023, there was a significant 12% increase in the number of Unqualified Opinions (WTP) issued by the Supreme Audit Agency (BPK). In that year, three (4) regencies/cities received WTP opinions for their 2023 regional government financial reports: Palembang City, Pagar Alam City, and Ogan Ilir Regency.

Previous research conducted by Irman & Suryati (2017) Found that weaknesses in the internal control system and non-compliance with laws and regulations, resulting in regional losses, influenced the acceptance

of audit opinions. Similar research was also conducted by Hamidayanti & Wardani (2018) , which found that weaknesses in the internal control system influenced the acceptance of audit opinions. According to (Mutiara et al., 2022), Weaknesses in the internal control system and non-compliance with laws and regulations have a significant negative effect on the BPK's opinion. This is in line with research conducted by (Fatimah et al., 2013) , which found that weaknesses in the internal control system and non-compliance with laws and regulations negatively affected the acceptance of an unqualified opinion.

The previous studies described above show a research gap regarding the influence of SPI weaknesses, non-compliance with laws and regulations, and the age of the local government on the acceptance of audit opinions. This is one of the reasons researchers need to re-examine and analyze the influence of SPI weaknesses and non-compliance with laws and regulations as determining factors in the acceptance of an unqualified opinion on local government financial reports in the regencies/cities of South Sumatra Province. This study refers to the research conducted by (Putro et al., 2020) The differences between this study and previous studies are: first, it lies in the research variables, previous researchers used the variables of SPI weaknesses, non-compliance with laws and regulations. While in this study, researchers use the variables of SPI weaknesses, non-compliance with laws and regulations, and the age of the local government. Second, it lies in the research sample, where the previous study used samples of Regional Governments in 5 (five) Papuan Customary Regions, while this study uses samples of Regency/City Governments in South Sumatra Province. The third difference lies in the research period; in the previous study, the period used was 2014-2018, while in this study, the period used was 2020-2023.

II. Theoretical Review

2.1. Stewardship Theory

Stewardship theory has significant relevance in research focused on the public sector, which is characterized by characteristics such as transparency, accountability, control, and responsiveness (Syahara et al., 2024). In the context of stewardship theory, it is assumed that agents act based on the trust given by the party giving the task. In this case, the government, as a steward with the function of managing resources and the people as the principal users of resources, functions as a good steward to carry out responsibilities for tasks given by superiors with full dedication (Raharjo, 2007). In the context of this research, public officials, such as regional heads, act as stewards, entrusted with managing public resources accountably and responsibly for the benefit of the community. In the context of regional government financial reporting, this theory is relevant because it emphasizes the importance of integrity, transparency, and compliance with financial reporting regulations. The higher the stewardship value implemented by the regional government, the greater the likelihood that the financial statements will be prepared fairly and in accordance with government accounting standards. This contributes to the assessment of the external auditor, namely the Supreme Audit Agency (BPK), thereby increasing the regional government's chances of obtaining a better audit opinion, such as an Unqualified Opinion (WTP).

2.2. Public Sector Financial Report

Public sector financial reports represent the financial condition of public sector entities, including local governments, and reflect the results of transactions conducted by them. Public sector financial reporting specifically aims to provide relevant information to support decision-making and to demonstrate the entity's accountability for managing the resources under its authority (PSAP 71 of 2010). Components of a complete financial report according to Government Accounting Standards Statement (PSAP) Number 1, Paragraph 14 of the Accounting Standards:

- a. Budget Realization Report (LRA): The Budget Realization Report presents an overview of the sources, allocations, and use of financial resources managed by the central/regional government, which illustrates the comparison between the budget and its realization in one reporting period.
- b. Budget Balance Change Report (SAL Change Report): The SAL change report presents information on the increase or decrease in the Budget Balance Surplus for the reporting year compared to the previous year.
- c. Balance Sheet: The balance sheet depicts the financial position of a reporting entity regarding assets, liabilities, and equity on a specific date.
- d. Operational Report (LO): The Operational Report presents an overview of economic resources that increase the equity of their use managed by the central/regional government for government administration activities in one reporting period.
- e. Cash Flow Statement (CAS): The Cash Flow Report presents cash information related to operating, investing, financing, and transitory activities, which describes the initial balance, receipts, expenditures, and final cash balance of the central/regional government during a certain period.
- f. Statement of Changes in Equity (LPE): The Statement of Changes in Equity presents information on increases or decreases in equity in the reporting year compared to the previous year.
- g. Notes to Financial Statements (CaLK): Notes to the Financial Statements include narrative explanations or details of the figures stated in the LRA, Statement of Changes in SAL, LO, LPE, Balance Sheet, and LAK.

Law No. 17 of 2003 stipulates that government financial reports must be audited by the Supreme Audit Agency (BPK) before being submitted to the legislature, in accordance with its authority. The BPK's audit aims to provide an opinion, as stipulated in Law No. 15 of 2004. Therefore, financial reports prepared by the government that will be audited by the BPK are still considered unaudited financial statements. The financial report that has been audited and revised is the one proposed by the central/regional government in a draft law or regional regulation on central/regional government financial reports to be discussed and approved by the DPR/DPRD (Republic of Indonesia Government Regulation Number 8 of 2006).

2.3. Public Sector Audit

A public sector audit is a systematic process to test the reliability and completeness of information contained in a public sector entity's financial statements. This testing is conducted by a certified public accountant who ultimately provides an opinion on the extent to which the financial statements fairly reflect the entity's financial condition and its compliance with generally accepted accounting principles (GAAP)

2.4. Audit Opinion

Based on Article 1, Paragraph (11) of Law Number 15 of 2004 concerning State Financial Management and Accountability, an opinion is defined as a professional statement given by an auditor as a form of conclusion regarding the level of fairness of the information contained in the financial report. This audit opinion is issued by the Republic of Indonesia Audit Board (BPK RI) as an independent audit institution that has the authority to supervise the management and accountability of state finances. Same law, it is explained that the provision of an opinion by the BPK is based on several criteria, namely: (1) compliance with Government Accounting Standards (SAP); (2) adequacy of information disclosure (adequate disclosure); (3) compliance with applicable laws and regulations; and (4) the effectiveness of the internal control system implemented. Based on the Financial Audit Implementation Guidelines stated in the Decree of the Republic of Indonesia Audit Board Number 06/K/1-XIII.2/6/2008, it is explained that four types of audit opinions can be given by the BPK, namely:

- a. Unqualified Opinion - WTP (Unqualified Opinion): The opinion states that the financial statements have been presented and disclosed fairly in all material aspects and that the financial information in the financial statements can be used by users of the financial statements. Unqualified Opinion with Explanatory Paragraph – WTP DPP (unqualified opinion with modified wording) is included in the WTP opinion.
- b. Qualified Opinion – WDP (Qualified Opinion): The opinion states that the financial statements have been presented and disclosed fairly in all material respects, except for matters related to exceptions that could have an impact. Therefore, the financial information in the financial statements that is not excluded in the auditor's opinion can be used by users of the financial statements.
- c. Unfair Opinion – TW (Adversed Opinion): The opinion states that the financial statements are not presented and disclosed fairly in all material respects, so that the financial information in the financial statements cannot be used by users of the financial statements.
- d. Statement of Refusal to Provide an Opinion – TMP (Disclaimer of Opinion): The opinion states that the financial statements cannot be audited in accordance with auditing standards. In other words, the auditor cannot assure that the financial statements are free from material misstatement, making the financial information in the statements unusable by users.

2.5. Weaknesses of Internal Control System (SPI)

Internal control system weaknesses are findings that address weaknesses in the accounting and reporting control systems, weaknesses in the revenue and expenditure budget implementation control systems, and weaknesses in the internal control structure. This audit is found in financial audits and audits with specific objectives and addresses issues that do not have a financial impact (Audit Agency of the Republic of Indonesia, 2017). According to Article 1, Paragraph 9 of Government Regulation of the Republic of Indonesia Number 8 of 2006 concerning Financial Reporting and Performance of Government Agencies, "The Internal Control System is a process influenced by management that is created to provide adequate assurance in achieving effectiveness, efficiency, compliance with applicable laws and regulations, and the reliability of the presentation of financial reports."

The BPK identified the types of weaknesses in the internal control system, namely weaknesses in the control system related to: (1) accounting and reporting; (2) implementation of the revenue and expenditure budget; and (3) internal control. The internal control system (SPI) is one of the factors that can influence the issuance of an audit opinion by the BPK on regional government financial reports. The increase in the audit opinion that will be received by the regional government can be influenced by improvements made by the government regarding the findings of weaknesses in the SPI in the previous year (Audit Agency of the Republic of Indonesia, 2017). It can be concluded that the number of findings related to weaknesses in the internal control system influences the quality of the audit opinion given by the BPK as the auditing body to the regional government.

2.6. Non-Compliance with Legislation

Non-compliance with laws and regulations is a finding that contains issues regarding non-compliance with laws and regulations that result in losses, potential losses, revenue shortfalls, administrative matters, and indications of criminal acts. This finding is found in financial audits, performance audits, and audits with specific objectives (Audit Agency of the Republic of Indonesia 2017). Findings of losses, potential losses, and revenue shortfalls contain issues with financial implications. Administrative findings contain issues that do not have a financial impact. Findings indicating criminal activity will be reported by the Supreme Audit Agency (BPK) to law enforcement officials (Audit Agency of the Republic of Indonesia, 2017). In the explanation of Article 16, Paragraph (1) of Law Number 15 of 2004 concerning the Audit of State Financial Management and Accountability, it is stated that the level of compliance with laws and regulations is one of

the main criteria in determining the audit opinion by the Audit Board of Indonesia (BPK) on regional government financial reports. An increase in the audit opinion can occur if the regional government entity carries out adequate follow-up on findings of non-compliance identified in audits in the previous period (BPK RI, 2017). It can be concluded that the number of findings related to non-compliance with laws and regulations influences the quality of the audit opinion given by the BPK as the auditing body to the regional government.

2.7. Age of Local Government

The age of an organization can be defined as how long the organization has existed since its founding. The administrative age of a regional government is the year a regional government was established, based on the law establishing the region. Local governments with a longer history will have more experience and a better ability to present their financial reports fairly in accordance with Government Accounting Standards (GASB). This is because the previous year's financial reports have been audited by the Supreme Audit Agency (BPK), and the results of the evaluation will be followed up to improve the presentation of local government financial reports in the following fiscal year (Setyaningrum & Syafitri, 2012).

III. Research Method

The type of research that will be used in this research is quantitative research. This is also based on the data that will be used by the author to conduct the research, namely the Audit Results Report of the Republic of Indonesia's BPK Regency/City of South Sumatra Province for 2020-2023, as the object of research. The population used in this study is all district/city governments in South Sumatra for the 2020-2023 fiscal year. The sampling technique used in this study is saturated sampling. The number of district/city governments sampled is all districts/cities in South Sumatra Province, totaling 17 districts/cities with time series data from 2019-2022 (4 years), with a total of 17 x 4 observations, namely 68 samples. So in this study, there are 68 samples to be processed. This study used secondary data collected through documentation. The data consisted of the 2019-2022 Audit Reports of Regional Government Financial Statements of Districts/Cities in South Sumatra Province, obtained from the Indonesian Supreme Audit Agency (BPK RI) website. The data analysis technique used in this study was logistic regression analysis with the help of SPSS Version. 26. Logistic regression was used in this study because the dependent variable is a dummy variable and does not require the assumption of data normality in the independent variables. In this research, the data analysis used was Descriptive Statistical Analysis, Goodness of Fit test, Overall Fit Model Test, Cox and Snell's, Nagelkerke R2 Test, Classification Matrix Table, Logistic Regression Analysis, Partial Hypothesis Test (Wald Test), Simultaneous Hypothesis Test (Omnibus Test of Coefficients).

IV. Results and Discussion

4.1. Results

a. Descriptive Statistics Results

Table 1. Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Standard Deviation
Weakness of SPI (X1)	68	1.00	3.00	1.9559	.87133
Regulatory Non-Compliance (X2)	68	1.00	3.00	2.1471	.88545
Age of Local Government (X3)	68	7.00	64.00	35.5735	22.97716
Audit Opinion (Y)	68	.00	1.00	.8824	.32459
Valid N (listwise)	68				

Based on Table 1, the results of the descriptive statistical analysis can be explained as follows:

1) Unqualified Opinion on Regional Government Financial Reports

The results of the descriptive statistical analysis test show that the minimum value of the WTP opinion variable is 0 and the maximum value is 1. The average value (mean) of the WTP opinion variable from the total number of samples of 68 is 0.8824 with a standard deviation of 0.32459. The average value of 0.8824 or 88.24% indicates that most district/city governments in South Sumatra received an unqualified audit opinion. The standard deviation value of the unqualified opinion variable is smaller than the average value ($0.32459 < 0.8824$), so it can be concluded that the data variables do not vary or are almost the same.

2) Weaknesses of Internal Control System (SPI)

The results of the descriptive statistical analysis test show that the minimum value of the SPI weakness variable is 1 and the maximum value is 3. The average value (mean) of the SPI weakness variable is 1.9559 at a standard deviation of 0.87133. The average value of 1.9559 on a scale of 3 indicates that the average number of SPI weakness findings in district/city governments in South Sumatra is relatively small. The standard deviation value of the SPI weakness variable is smaller than the average value ($0.87133 < 1.9559$), so it can be concluded that the data variables do not vary or are almost the same.

3) Non-compliance with Statutory Regulations

The results of the descriptive statistical analysis test show that the minimum value of the non-compliance variable in statutory regulations is 1 and the maximum value is 3. The average value (mean) of the non-compliance variable in statutory regulations is 2.1471 at a standard deviation of 0.88545. The average value of 2.1471 on a scale of 3 indicates that the average number of findings of non-compliance with laws and regulations in district/city governments in South Sumatra is classified as moderate. The standard deviation value of the non-compliance variable with laws and regulations is smaller than the average value ($0.87133 < 2.1471$), so it can be concluded that the data variables do not vary or are almost the same.

4) Age of Local Government

The results of the descriptive statistical analysis test show that the minimum value of the regional government age variable is 7 years and the maximum value is 64 years. The average value (mean) of the regional government age variable is 35 years with a standard deviation of 22.97. This indicates that most of the districts/cities in South Sumatra have long been established and are legalized by law.

b. Goodness of Fit Test

Table 2. Goodness of Fit Test Results

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	1,578	8	.991

The Hosmer and Lemeshow test results in Table 2 show a Chi-square value of 1.578 with a significance level of 0.991. This value is much greater than the significance limit of 0.05, so the null hypothesis that the model fits the data cannot be rejected. Thus, there is no significant difference between the observed data and the model predictions. This finding confirms that the logistic regression model used can be said to be fit. This means that the model is able to represent the data well and is suitable for use in the next stage of analysis to examine the relationship between research variables in more depth.

c. Overall Fit Model Test

Table 3. Initial Likelihood L Test Results (Block Number 0)

Iteration History ^{a,b,c}			
Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	51,142	1,529
	2	49,299	1,942
	3	49,261	2,013
	4	49,261	2,015
	5	49,261	2,015
A. Constant is included in the model.			
b. Initial -2 Log Likelihood: 49,261			
c. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.			

Table 4. Final Likelihood L Test Results (Block Number 1)

Iteration History ^{a,b,c,d}						
Iteration		-2 Log likelihood	Coefficients			
			Constant	Weakness of SPI (X1)	Regulatory Non-Compliance (X2)	Age of Local Government (X3)
Step 1	1	42,144	-.511	.323	.640	.001
	2	33,359	-2.128	.756	1,320	.003
	3	29,965	-3,856	1,203	2,039	.006
	4	29,040	-5,098	1,472	2,640	.009
	5	28,923	-5,632	1,556	2,945	.010
	6	28,920	-5,719	1,566	3,003	.011
	7	28,920	-5,721	1,566	3,004	.011
	8	28,920	-5,721	1,566	3,004	.011
a. Method: Enter						
b Constant is included in the model.						
c. Initial -2 Log Likelihood: 49,261						
d. Estimation terminated at iteration number 8 because parameter estimates changed by less than .001.						

Table 3 shows that the -2 Log Likelihood value after entering 3 independent variables is 28.920. So, the -2 Log Likelihood value decreased by 20.341 (49.261 – 28.920 = 20.341). To determine the significance of the decrease in the -2 Log Likelihood value, it can be compared with the df value (the difference between the df value only with the constant and the df value with the independent variable). Df 1 : (nk) = 68 and df 2: 68-3 = 65. The difference between df 1 and df 2: 68-65 = 3. By looking at the chi-square table with df = 3, the figure is 7.815. So, the value of the decrease in -2 Log Likelihood is declared significant because the value of the decrease in -2 Log Likelihood is greater than the value of the chi-square table (20.341 > 7.815). This indicated that the addition of independent variables to the model makes the model better after the model has previously been fit, when tested only with constants without including independent variables.

d. Cox and Snell's R 2 test and Nagelkerke R 2

Table 5. Results of Cox and Snell's R Square and Nagelkerke's R Square Tests

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	28,920 ^a	.259	.502
a. Estimation terminated at iteration number 8 because parameter estimates changed by less than .001.			

Based on Table 5, the value of the determination coefficient of Cox and Snell's R Square and Nagellkerke's R Square are respectively 0.259 and 0.502, which means that the dependent variable (WTP opinion on local government financial reports) is explained by the independent variables (weakness of SPI, non-compliance with laws and regulations and age of local government) by 50.2%, while 49.8% is influenced by variables outside the research model.

e. Classification Matrix Table

Table 6. Results of Classification Matrix Table

Classification Table ^a					
Observed			Predicted		
			Audit Opinion (Y)		Percentage Correct
			NON WTP	WTP	
Step 1	Audit Opinion (Y)	NON WTP	3	5	37.5
		WTP	3	57	95.0
	Overall Percentage				88.2

a. The cut-off value is .500

Table 6 shows that three local governments are predicted to receive a non-WTP opinion, while observational data show eight local governments receiving a non-WTP opinion. Therefore, the predictive power of local governments receiving a non-WTP opinion is 37.5 %.

f. Logistic Regression Analysis

The results and discussion section typically begins with a restatement of the main findings, concisely summarizing the key outcomes of the research. This provides the reader with a clear and focused overview of the study's results.

g. Descriptive Statistics Results

Table 7. Logistic Regression Test Results

Variables in the Equation							
		B	SE	Wald	df	Sig.	Exp(B)
Step 1	Weakness of SPI (X1)	1,566	.725	4,671	1	.031	4,787
	Regulatory Non-Compliance (X2)	3,004	1,167	6,627	1	.010	20,175
	Age of Local Government (X3)	.011	.021	.265	1	.607	1,011
	Constant	-5,721	2,577	4,927	1	.026	.003

a. Variable(s) entered in step 1: SPI Weaknesses (X1), Regulatory Non-Compliance (X2), Regional Government Age (X3).

Based on Table 7, the test results for the regression coefficient are as follows:

$$\ln \left(\frac{p}{1-p} \right) = B_0 + \beta_1 \text{SPI} + \beta_2 \text{KTTP} + \beta_3 \text{AGE} + e$$

$$= -5.721 + 1.566\text{SPI} + 3.004\text{KTTP} + 0.011\text{AGE} + e$$

Based on the equation above, it can be concluded that the constant value of -5.721 means that if the independent variable is considered zero or constant, it is estimated that the government will get a WTP opinion on the regional government financial report of -5.721. The regression coefficient value of SPI weakness is 1.566, so it can be said that SPI Weakness (X1) has a positive effect on the WTP Opinion variable (Y). This shows that increasing the internal control system by 1 unit can cause an increase in the WTP opinion

by 1.566. A positive coefficient indicates a positive relationship between SPI weaknesses and WTP opinion. The regression coefficient value of non-compliance with laws and regulations is 3.004, so it can be said that Non-Compliance with Laws and Regulations (X2) has a positive effect on the WTP Opinion variable (Y). A positive coefficient indicates a positive relationship between non-compliance with laws and regulations and WTP Opinion. The regression coefficient value of the age of the regional government is 0.011, so it can be said that the age of the regional government (X3) does not have a positive effect on the WTP Opinion variable (Y). A positive coefficient indicates a positive relationship between non-compliance with laws and regulations and WTP Opinion.

h. Partial Hypothesis Test (Wald Test)

Table 8. Partial Test Results (Wald Test) Variables in the Equation

		Wald	df	Sig.	Exp(B)
Step 1 ^a	Weakness of SPI (X1)	4,671	1	.031	4,787
	Regulatory Non-Compliance (X2)	6,627	1	.010	20,175
	Age of Local Government (X3)	.265	1	.607	1,011
	Constant	4,927	1	.026	.003
a. Variable(s) entered in step 1: SPI Weaknesses (X1), Regulatory Non-Compliance (X2), Regional Government Age (X3).					

Based on Table 8, it can be concluded that SPI weaknesses have a Sig value of $0.031 < 0.05$, so H1 is accepted, which means that partially SPI weaknesses have a positive effect on the WTP opinion on regional government financial reports. Non-compliance with laws and regulations has a Sig value of $0.010 < 0.05$, so H2 is accepted, which means that partial non-compliance with laws and regulations has a positive effect on the WTP opinion on regional government financial reports. The age of the local government has a Sig value of $0.607 > 0.05$, so H3 is rejected, which means that the age of the local government has no effect and is not significant on the WTP opinion on the local government's financial reports.

i. Simultaneous Hypothesis Testing (Omnibus Test)

Table 9. Results of the Simultaneous Test (Omnibus Test)

Omnibus Tests of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	20,340	3	.000
	Block	20,340	3	.000
	Model	20,340	3	.000

Based on the results of the simultaneous test (Omnibus Test of Model Coefficients) in Table 9, the Chi-square value obtained is 20.340 with a degree of freedom (df) of 3 and a significance value of 0.000. When compared to the Chi-square table value at a 0.05 significance level and $df = 3$, which is 7.815, the calculated Chi-square value (20.340) is greater than the table value (7.815). Furthermore, the significance value (0.000) is lower than 0.05. This indicates that the null hypothesis (H0), which states that there is no simultaneous effect of the independent variables on the dependent variable, is rejected. Therefore, it can be concluded that collectively the variables weaknesses of the internal control system (SPI), non-compliance with laws and regulations, and local government age have a significant effect on the dependent variable, namely the Unqualified Opinion (WTP) on the financial statements of local governments in districts/cities of South Sumatra Province during the 2020–2023 period. This finding highlights that the quality of the internal control system, the level of compliance with legal regulations, and the age of the local government are factors that simultaneously explain the variation in audit opinions. Consequently, the logistic regression model employed

can be considered appropriate to test the relationship among these variables, while also providing empirical evidence that the combination of weaknesses in SPI, non-compliance, and government age has important implications for the accountability of local government financial reporting.

4.2. Discussion

a. The Influence of Weaknesses in the Internal Control System (SPI) on the Unqualified Opinion on Regional Government Financial Reports

The first hypothesis in this study is that SPI Weakness has a positive effect on the WTP Opinion on Regional Government Financial Reports. Based on the partial test that has been conducted, the results of the SPI weakness test have a positive and significant effect on the WTP opinion on the financial reports of district/city governments in South Sumatra province for the 2020-2023 period. In Explanatory Paragraph 16, Paragraph 1 of Law Number 15 of 2004, the internal control system is one of the factors that can influence the issuance of an unqualified opinion by the Supreme Audit Agency (BPK) on regional government financial reports. In the Summary of Audit Results for Semester 1 of 2019, it was also stated that one of the reasons for the increase in the opinion on regional government financial reports was due to regional governments making improvements to weaknesses in the internal control system (BPK RI, 2019).

Based on the results of the tests that have been carried out, the SPI weakness variable has an influence on the WTP opinion of regional government financial reports. Thus, H1 is accepted. This shows that the number of findings in the internal control system can reflect whether the financial management of a regional government is good or not. Financial reports prepared by local governments are a form of responsibility of government officials as stewards who manage public resources effectively, efficiently, transparently, and accountably. An adequate internal control system reflects the implementation of these responsibilities and supports the preparation of reliable financial reports, which ultimately increases the possibility of obtaining an unqualified opinion from the BPK. The results of this study align with those of Hamidayanti & Wardani (2018, Kusumawati and Ratmono (2017, and Wahib (2022, which stated that SPI weaknesses influence the unqualified opinion on local government financial reports. However, this study disagrees with those of Mutiara et al. (2022, Safitri & Darsono (2014), and Hartanto (2017), which found that SPI weaknesses do not influence the opinion on local government financial reports.

b. The Influence of Non-Compliance with Legislation on Unqualified Opinions on Regional Government Financial Reports

The second hypothesis in this study is that Non-Compliance with Legislation has a positive effect on the WTP Opinion on Regional Government Financial Reports. Based on the partial test that has been conducted, the results of the non-compliance test in statutory regulations have a positive and significant effect on the WTP opinion on the financial reports of district/city governments in South Sumatra province for the 2020-2023 period. In the Explanatory Paragraph of Article 16, Paragraph 1 of Law Number 15 of 2004 concerning the Audit of State Financial Management and Accountability, it is stated that compliance with laws and regulations is one of the aspects that influences the provision of an opinion by the BPK on regional government financial reports.

Based on the results of the tests that have been carried out, the variable of non-compliance with laws and regulations has an impact on the WTP opinion on regional government financial reports. Thus, H2 is accepted. This indicates that the number of findings related to non-compliance with laws and regulations influences the quality of the audit opinion issued by the Supreme Audit Agency (BPK), as the auditing body, to local governments. Financial reports prepared by local governments are a form of responsibility of government officials as stewards who manage public resources effectively, efficiently, transparently, and accountably. Compliance with laws and regulations reflects the implementation of these responsibilities and supports the preparation of reliable financial reports, which ultimately increases the possibility of obtaining an unqualified opinion from the BPK. The results of this study align with those of Irman & Suryati (2017),

Darmawati (2017), and Putro et al. (2020, which showed that non-compliance with laws and regulations impacted the WTP opinion on local government financial reports. Meanwhile, studies by Hamidayanti & Wardani (2018), Kusumawati & Ratmono (2017) showed that non-compliance with laws and regulations had no impact on the opinion on local government financial reports.

c. The Influence of Regional Government Age on the WTP Opinion on Regional Government Financial Reports

The third hypothesis in this study is that the age of the regional government has a positive effect on the WTP opinion on the regional government's financial report. Based on the partial test that has been conducted, the results of the test show that the age of the regional government does not have a significant effect on the WTP opinion on the financial reports of district/city regional governments in South Sumatra province for the 2020-2023 period. Based on the results of the tests that have been carried out, the variable of the age of the regional government does not influence the WTP opinion on the regional government's financial reports. Thus, H3 is rejected. This is possible because the newly formed region does not become an obstacle to the regional government's ability to produce regional government financial reports in accordance with regulations. Because newly formed governments tend to have fewer problems and smaller budgets than long-established local governments. The results of this study are in line with the results of research (Fatimah et al., 2013), (Rosadi & Okfitasari, 2019), (Irman & Suryati, 2017), (Kusumawati & Ratmono, 2017), and Okfitasari (2015), which showed that the variable of regional government age did not affect the BPK audit opinion. Meanwhile, research (Sari et al., 2013a) and Wicaksono et al. (2013) stated that the age of the regional government affected the audit opinion and the quality of financial reports.

d. The Influence of Weaknesses in Internal Control Systems, Non-Compliance with Legislation, and the Age of Regional Governments on WTP Opinions on Regional Government Financial Reports

The fourth hypothesis in this study is that the influence of Internal Control System Weaknesses, Non-Compliance with Legislation, and the Age of the Regional Government has a positive effect on the WTP Opinion on Regional Government Financial Reports. Based on the simultaneous test that has been conducted, the results of the SPI weakness test, non-compliance with legislation, and the age of the regional government have a significant positive effect on the WTP opinion on the financial reports of district/city regional governments in South Sumatra province for the period 2020-2023. Based on the results of the F test (Simultaneous Test), the calculated Chi-Square value for the variables of SPI Weakness, Non-Compliance in Legislation, and Age of the Regional Government is $20.340 > \text{Chi-Square table } 7.815$ with a significant value of $0.000 < 0.05$. It can be concluded that the variables of SPI Weakness, Non-Compliance in Legislation, and Age of the Regional Government together have a significant influence on the WTP Opinion on the Financial Reports of the Regency/City Regional Government in South Sumatra Province. The results of this F test are also supported by the Nagelkerke R2 value in the coefficient of determination test. The Nagelkerke R2 value is known to be 0.502. Thus, the influence of the variables SPI Weakness, Non-Compliance with Legislation, and Age of the Regional Government is 50.2%; the remaining 49.8% is influenced by other variables not discussed in this study. The results of this study align with those of Irman & Suryati (2017), which showed that SPI weaknesses, non-compliance with laws and regulations, and the age of the local government jointly influenced the BPK audit opinion. Studies by Munawar et al. (2016) and Prahatiwi Hanny et al. (2024) also stated that SPI weaknesses and non-compliance with laws and regulations jointly influenced the audit opinion.

V. Conclusion

The SPI Weakness variable (X1) has a partial and significant influence on the WTP Opinion of regional government financial reports. This shows that the number of SPI weaknesses found has an impact on the acceptance of the WTP opinion on regional government financial reports. Thus, the results of this study

confirm the important role of SPI in realizing financial reports that are transparent, reliable, and in accordance with government accounting standards. Strengthening the internal control system is one of the main strategies that local governments need to implement to increase financial accountability and obtain an unqualified opinion. The variable of Non-Compliance with Legislation (X2) partially influences the WTP Opinion of regional government financial reports. This indicates that the number of non-compliance findings in laws and regulations influences the acceptance of an unqualified opinion (WTP) in local government financial reports. Therefore, regulatory compliance is a crucial factor in the audit and opinion-issuing process by the Supreme Audit Agency (BPK). Local governments need to improve compliance with laws and regulations to create transparent financial management and meet the principles of good governance, which support obtaining an unqualified opinion.

The variable of Regional Government Age (X3) does not affect the WTP opinion of regional government financial reports. This shows that the BPK does not consider how long a regional government has been established in providing a WTP opinion in the current year. Newly formed regional governments tend to have fewer problems and smaller budgets than the old regional governments. So, with a little hard work, you can achieve a WTP (Unqualified Opinion). This confirms that achieving a WTP opinion is not determined by the age of the local government, but rather by accountability, transparency, and good financial governance. The variables of SPI Weakness, Non-Compliance with Laws and Regulations, and the Age of the Regional Government simultaneously and significantly influence the WTP Opinion of regional government financial reports. This indicates that achieving a WTP opinion is not determined by a single aspect, but rather is the result of the accumulation of good financial governance, an adequate control system, and the level of compliance with applicable regulations. To obtain the best audit opinion from the BPK, regional governments need to strengthen their internal control systems, increase compliance with laws and regulations, and continuously improve the quality of financial management as the institution ages. Thus, regional governments can demonstrate higher accountability and transparency in financial reporting.

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