



The Role of Audit Opinions in Moderating Local Government Characteristics and the Disclosure Level of Financial Statements of the Sintang District Government

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ABSTRACT

This study analyzes the role of audit opinions in moderating the impact of local government characteristics

– government size, transfer income, and independence ratio – on the disclosure level of the Sintang District Government's Financial Statements (LKPD). The findings indicate that these three variables do not significantly affect LKPD disclosure. Financial transparency is more influenced by factors such as regulation, leadership commitment, and internal oversight. Additionally, the audit opinion does not moderate the impact of government characteristics on disclosure. The study recommends strengthening leadership commitment and oversight to improve the quality of financial statement disclosures.

INTRODUCTION

Transparency and accountability serve as fundamental pillars in good governance. The Central Government, which plays a major role in managing state finances, holds significant responsibility for ensuring transparency and accountability in its financial reporting. This aligns with the growing demands of a critical public that increasingly expects easy and open access to information. Within this context, local government financial statements are a vital instrument for demonstrating the accountability and transparency in the management of public finances. The degree of disclosure within these reports indicates the extent to which local governments meet their responsibility to deliver pertinent and trustworthy financial information to the public (Sani, Muhammad, 2024).

As entities entrusted with the authority to promote economic growth, drive development, and provide public services, local governments are mandated to uphold transparency and accountability in financial management as a cornerstone of good governance.

One crucial factor influencing the disclosure level of financial statements is the inherent characteristics of local governments, including regional size, dependency level, and independence ratio. However, strong local government characteristics alone are insufficient to guarantee high-quality financial reports. The audit opinion provided by the Supreme Audit Agency (BPK) on local government financial statements acts as a moderating factor for the disclosure level of these statements. This audit opinion is instrumental in assessing the credibility and reliability of financial statement disclosures. In essence, it has the capacity to either reinforce or diminish the relationship between the characteristics of local governments and the extent of financial statement disclosure.

The level of financial statements in Sintang District is an important issue for enhancing public transparency and accountability. Sintang, as a region in Indonesia, also encounters challenges in elevating the quality of its financial statement disclosures to align with established governmental accounting standards. A positive audit opinion, such as an unqualified opinion, is anticipated to support the local government in enhancing the quality of its financial statements, particularly in terms of disclosure and compliance with governmental accounting standards.. Conversely, a less favorable audit opinion, such as a qualified opinion or even an adverse opinion, may indicate serious financial management issues that could undermine public trust.

Sintang District, like many other regions in Indonesia, faces challenges in enhancing the quality of its financial statements. Given the possible heavy reliance on transfer funds from the central government, along with variable regional size and fiscal independence, it is important to understand how these three factors influence the disclosure level of financial statements. Larger regions with high independence ratios are expected to have better disclosure levels, while high dependency on central funds may reduce the motivation for transparency.

This study modifies research conducted by Ventiarso & Firmansyah (2024) on the role of audit opinions as a moderating variable in the relationship between local government characteristics and mandatory disclosure in local government financial statements, and research by Sunarti *et al.* (2020) on the impact of local government characteristics on disclosure levels with audit opinion variable as a moderating variable. This study differs in that it combines variables from both reference studies and uses a unique research object.

This research is important to ascertain whether audit opinion can be a determining factor that strengthens the relationship between local government characteristics and the quality of financial statement disclosures, specifically in Sintang District. This analysis will provide a deeper understanding of the role of external auditors in ensuring local financial transparency and accountability. Furthermore, it aims to formulate strategies to enhance public accountability. This understanding will provide a foundation to enhance local governments' financial reporting systems by the principles of transparency and accountability.

LITERATURE REVIEW

Agency Theory

Agency theory describes the relationship between the principal, who grants authority, and the agent, who receives and exercises that authority. In the context of local government, the public functions as the principal, while the local government acts as the agent responsible for administering governance and managing the budget. Audits play a crucial role in mitigating information asymmetry between the local government and the public (Febriansyah *et al.*, 2020). Furthermore, the audit opinion serves as a tool to ensure that financial management within the government adheres to principles of transparency and accountability (Masdar *et al.*, 2021). The Supreme Audit Agency (BPK) issues audit opinions, which are regarded as indicators of the quality of local government financial statements

Accountability Theory

Accountability theory emphasizes the importance of government responsibility in reporting and justifying the use of public funds (Manaf *et al.*, 2022). Local governments must provide transparent financial statements that adhere to applicable accounting standards. Financial statement disclosure is a form of this accountability (Solarin *et al.*, 2020). The grade of disclosure is determined by various characteristics of local governments, including government size, dependency level, and independence ratio. Audit opinions can act as a moderating factor, either enhancing or diminishing the relationship between local government characteristics and the extent of disclosure with an unqualified opinion (WTP), often considered indicative of higher-quality financial management (Rakhman *et al.*, 2019).

The Role of Audit Opinion

The audit opinion is expected to function as a moderating variable that either strengthens or weakens the relationship between local government characteristics (such as region size, revenue, expenditures, and others) and the level of financial statement disclosure (Pamungkas *et al.*, 2019). Local governments that receive favorable audit opinions are more likely to be motivated to disclose their financial information more fully and transparently (Masdar *et al.*, 2021).

Disclosure in Financial Statement

In categorizes disclosure into two types: mandatory disclosure and voluntary disclosure (Suwardjono, 2013). Mandatory disclosure refers to information that organizations are obligated to provide in compliance with accounting standards or regulatory requirements. Conversely, voluntary disclosure pertains to information disclosed by organizations that exceed the minimum requirements set by accounting standards or regulations. In the context of the government sector in Indonesia, both central and local governments adhere to the Government Accounting Standards for disclosing information in financial statements, as regulated by Government Regulation No. 24 of 2005, which was later revised by Government Regulation No. 71 of 2010 concerning Government Accounting Standards.

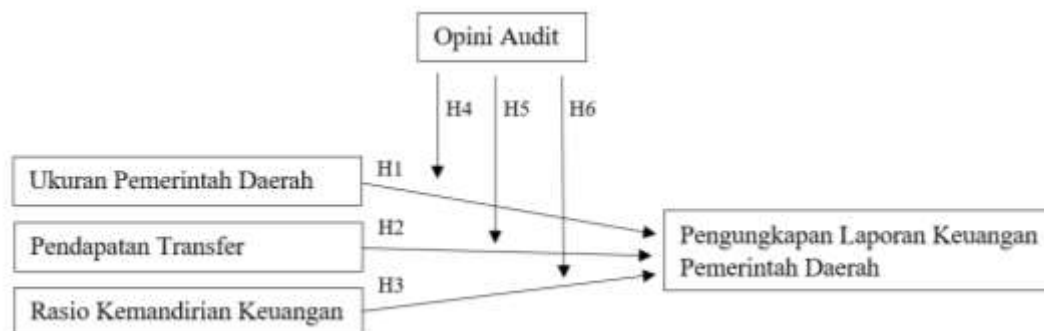


Figure 1 Conceptual Framework

METHODOLOGY

The researcher in this study uses a quantitative approach with secondary data. The population comprises all local governments in Sintang Regency from 2021 to 2023. Panel data, which combines cross-sectional and time-series data from the years 2021-2023, is utilized in this research. The sample is selected through purposive sampling, where the researcher chooses specific individuals who are expected to provide relevant information based on predetermined criteria.

The dependent variable in this study is mandatory disclosure in local government financial statements. The measurement of mandatory disclosure follows the method used by Ventiarso & Firmansyah (2024), which evaluates the disclosure items in local government financial statements. Each disclosed item is given a score of 1, while non-disclosed items receive a score of 0. The total disclosure score is then calculated by dividing the sum of disclosed items by the total items required for full disclosure.

Total assets represent the size of the local government. According to Maulana (2015), local government size is proxied by total assets using the formula: Local Government Size (SIZE) = Ln Total Assets.

Transfer revenue refers to income derived from central government transfers, other central government transfers, and provincial government transfers, expressed in rupiah. The grade of dependency is measured by dividing the total transfer revenue (from the central government, other central government transfers, and provincial government) by the total revenue of the local government (Pramesti and Misran, 2021).

The financial independence of the region indicates the local government's ability to finance its own governance activities, development, and public services. According to Hiola & Harun (2021), the financial independence ratio is measured by comparing local original revenue (PAD) with total regional revenue.

Audit opinion refers to the opinion provided by the Financial Audit Agency (BPK) as a conclusion from the examination of the financial statements. Sasmita (2021) assigns scores for the audit opinion variable for each type of opinion, with a score of 5 for an unqualified opinion (WTP), a score of 4 for an unqualified opinion with an emphasis of matter paragraph (WTP-DPP), a score of 3 for a qualified opinion (WDP), a score of 2 for an adverse opinion (TW), and a score of 1 for a disclaimer of opinion (TMP). In this study, the researcher assigns a score of 1 for an unqualified opinion (WTP) and a score of 0 for opinions other than WTP.

Data analysis tool or software for this research is SPSS program which is used to evaluate and test the hypothesis statistically and make decisions based on the hypothesis results using multiple regression analysis used to analyze and test the hypothesis statistically further. As a prerequisite for regression analysis, classical assumption testing is required. The assumption tests include normality, multicollinearity, and heteroscedasticity tests. The regression equation formulated in this study is as follows:

$$Disc = \alpha + \beta_1SZ + \beta_2PT + \beta_3RKK + \beta_4OA + e$$

Where:

DISC: Level of financial statement disclosure of the local government

SZ: Size of the local government

PT: Transfer revenue

RKK: Financial independence ratio

OA: Audit opinion

α : Constant

β : Regression coefficient

RESEARCH RESULT

Research Result

Classical Assumption Test

Table 1
Normality Test Results

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	5
Test Statistic	,236
Asymp. Sig. (2-tailed)	,200 ^{c,d}

Source: Processed Data (2024)

Table 1 presents the results of the Kolmogorov-Smirnov One-Sample test, which has a test statistic value of 0,236 and a significance value of 0,200. The residuals follow a normal distribution based on the test findings.

Table 2
Multicollinearity Test Results

Coefficients^a		
Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Size	,534	1,872
Pendapatan Transfer	,370	2,703
Rasio Kemandirian Keuangan	,546	1,831

a. Dependent Variable: Y

Source: Processed Data (2024)

An independent variable is considered uncorrelated with other independent variables if the Tolerance value exceeds 0.1 and the Variance Inflation Factor (VIF) is lower than 10. Based on the analysis results presented in Table 2, the Tolerance values for all variables are larger than 0.1, and while the VIF values are below than 10. This shows that the independent variables in the research model do not exhibit multicollinearity.

Table 3
Heteroscedasticity Test Results

Coefficients^a		
Model	t	Sig.
1 (Constant)	8,937	,071
Size	-6,522	,097
Pendapatan Transfer	-9,556	,066

Rasio Kemandirian -6,296 ,100
Keuangan

a. Dependent Variable: ABS_RES

Source: Processed Data (2024)

Table 3 shows the results of the heteroscedasticity test. This test aims to detect whether there are differences in the variance of residuals among observations within a model. The heteroscedasticity test employed is the Glejser Test. The criterion used is that if the beta parameter coefficient is greater than 0.05, then heteroscedasticity does not occur. A probability level larger than 0,05 suggests that there is no indication of heteroscedasticity in the study model.

Multiple Linear Regression Analysis

Coefficient of Determination Test

Table 4
Results of Determination Coefficient Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,859 ^a	,738	,047	3,923
a. Predictors: (Constant), X3, X1, X2				

Source: Processed Data (2024)

Table 4 indicates an Adjusted R Square value of 0.47, or 47%. This indicates that the independent variables can account for 47% of the variation in the dependent variable (in this case, the disclosure of regional government financial reports), with the remaining 53% coming from additional factors not covered by the study model. The study's independent variables are the independence ratio, transfer income, and the size of the regional administration.

Table 5
F Test Results

ANOVA ^a		
Model	F	Sig.
1 Regression	,940	,622 ^b
Residual		
Total		
a. Dependent Variable: Y		
b. Predictors: (Constant), X3, X1, X2		

Source: Processed Data (2024)

Table 5 shows that the significance threshold for the F test is 0.622, with a F value of 0.940. Because the significance level is larger than 0.05, it appears that the size of the regional government, transfer income, and independence ratio do not all have an impact on the publication of regional government financial reports.

Table 6
T Test Result

Model	Coefficients ^a			
	Unstandardized Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	240,256	216,978	1,107	,468
Size	-3,949	3,795	-1,040	,487
Pendapatan Transfer	-,224	1,295	-,173	,891
Rasio Kemandirian Keuangan	-1,885	2,036	-,926	,525

a. Dependent Variable: Y

Source: Processed Data (2024)

H1: The Size of Local Government Has a Positive Effect on the Disclosure of Local Government Financial Reports

The analysis conducted via t-tests reveals that the Size of Local Government variable has a regression coefficient of -3.949 and a t-statistic of -1.040. The significance value associated with this variable is 0.487, which surpasses the 0.05 significance threshold. Consequently, this indicates that the Size of Local Government does not have a statistically significant impact on the disclosure of local government financial reports. As a result, the first hypothesis (H1), which asserts that the Size of Local Government significantly influences financial report disclosure, is rejected. This finding suggests that, within the framework of this study, the size of local government does not dictate the quality or thoroughness of the information presented in its financial reports (Middin *et al.*, 2021).

H2: Transfer Income Has a Positive Effect on the Disclosure of Local Government Financial Reports

The results from the t-test indicate that the Transfer Income variable has a regression coefficient of 0, a t-statistic of -0.173, and a significance value of 0.891, which exceeds the 0.05 significance level. This suggests that Transfer Income does not significantly affect the disclosure of local government financial reports (Ajefu *et al.*, 2022). Accordingly, the second hypothesis (H2), which posits that Transfer Income significantly impacts financial report disclosure, is rejected. This outcome implies that the level of transfer income received by local governments does not directly influence the transparency or completeness of the information contained in their financial reports.

H3: The Financial Independence Ratio Affects the Disclosure of Local Government Financial Reports

The t-test results for the Financial Independence Ratio variable demonstrate a regression coefficient of -1.885, a t-statistic of -0.926, and a significance value of 0.525, which is above the 0.05 significance threshold. This

indicates that the Financial Independence Ratio does not significantly affect the disclosure of local government financial reports. Consequently, the third hypothesis (H3), which claims that the Financial Independence Ratio significantly influences financial report disclosure, is rejected. This finding suggests that the degree of financial independence of local governments, which reflects their capacity to fund activities without excessive reliance on external sources, does not impact the quality or completeness of financial report disclosures (Sesung *et al.*, 2021).

MRA Analysis

Table 7
MRA Test Result

Model	Coefficients ^a			
	Unstandardized		t	Sig.
	B	Std. Error		
1 (Constant)	92,051	9,659	9,531	,067
Size*Opini Audit	-1,543	1,698	-,909	,530
Pendapatan Transfer*Opini Audit	,470	,602	,780	,578
Rasio Kemandirian Keuangan*Opini Audit	,114	1,506	,076	,952

a. Dependent Variable: Y

Source: Processed Data (2024)

H4: Audit Opinion Strengthens the Relationship Between Local Government Size and Financial Disclosure

The outcomes of the Moderated Regression Analysis (MRA) reveal that the interaction term Local Government Size*Audit Opinion has a regression coefficient of -1.543 and a t-statistic of -0.909. The significance value of 0.530 exceeds the 0.05 significance threshold, indicating that Audit Opinion does not moderate or enhance the relationship between Local Government Size and the Disclosure of Local Government Financial Reports. In fact, the interaction of these two variables appears to diminish the existing relationship. Hence, the fourth hypothesis (H4), which posits that Audit Opinion significantly moderates this relationship, is rejected. This finding suggests that the audit opinion, regardless of whether it is favorable or unfavorable, does not affect the relationship between local government size and the quality of financial disclosures (Furqan *et al.*, 2021).

H5: Audit Opinion Strengthens the Relationship Between Transfer Income and Financial Disclosure

Depending on Moderated Regression Analysis (MRA), the Transfer Income*Audit Opinion variable has a regression coefficient of 0.470, a t-statistic of 0.780, and a significance value of 0.578, which exceeds the 0.05 significance threshold. This indicates that Audit Opinion does not moderate or enhance the relationship between Transfer Income and the Disclosure of Local Government

Financial Reports. In fact, the interaction between these two variables weakens the relationship. Hence, the fifth hypothesis (H5), which asserts that Audit Opinion significantly moderates this relationship, is rejected. This result indicates that the audit opinion does not influence or enhance the relationship between transfer income and the quality of financial disclosure in local government reports (Sari *et al.*, 2023).

H6: Audit Opinion Strengthens the Relationship Between Financial Independence Ratio and Financial Disclosure

The outcomes of the Moderated Regression Analysis (MRA), indicate that the Financial Independence Ratio*Audit Opinion variable has a regression coefficient of 0.114, a t-statistic of 0.076, and a significance value of 0.952, which is above the 0.05 significance threshold. This suggests that Audit Opinion does not moderate or strengthen the relationship between the Financial Independence Ratio and the Disclosure of Local Government Financial Reports. Instead, the interaction between these two variables appears to weaken the existing relationship. Consequently, the sixth hypothesis (H6), which posits that Audit Opinion significantly moderates this relationship, is rejected. This finding implies that the audit opinion does not influence the relationship between the financial independence of local governments and the quality of disclosures in their financial reports (Rakhman *et al.*, 2019).

DISCUSSION

The Influence of Local Government Size on the Disclosure of Local Government Financial Reports

The findings of this study align with the research conducted by Anggara & Cheisviyanny (2020), Nur & Murwaningsari (2020), and Kogoya (2019), which indicate that local government size does not significantly affect the grade of disclosure in Local Government Financial Reports (LKPD). However, these findings contradict studies by Sunarti *et al.* (2020), Astuti *et al.* (2022), and Simbolon & Kurniawan (2018), which assert that local government size does have an impact on financial disclosure. Typically, in public accounting theory, local government size is expected to influence the quality of financial disclosure. Larger local governments, with bigger budgets, more human resources, and higher managerial capabilities, are anticipated to disclose financial reports more transparently and accurately. Organizational size is often used as an indicator of a local government's capacity to comply with accounting regulations and disclosure standards. Nevertheless, despite theoretical expectations, several empirical studies indicate that local government size does not significantly influence financial disclosure. Various studies, both in Indonesia and internationally, show diverse results. For instance, research in different regions suggests that local government size does not directly affect the level of financial disclosure. Other factors, such as local leadership commitment, internal monitoring systems, and public policy, may have a more dominant influence on financial management transparency. Although theoretically, local government size could be assumed to affect financial disclosure, in practice, many other factors play a more significant role, such as

regulations, oversight, and the internal capacity of local governments. This explains why, in many cases, local government size does not significantly impact financial disclosure.

The Influence of Transfer Income on the Disclosure of Local Government Financial Reports

This study's conclusions are congruent with studies conducted by Pramesti and Misran (2021), Sasmita (2021), and Setyowati (2016), which indicate no significant effect of transfer income on the grade of disclosure in LKPD. In contrast, this study contradicts findings from Astuti *et al.* (2022), Haryanto *et al.* (2023), and Setiawan & Maryono (2023), which state that transfer income affects the level of local government financial disclosure. Theoretically, a higher amount of transfer income received by local governments is expected to correspond to an increased level of accountability. This is because local governments are obliged to report transparently regarding the use of funds received, especially since these funds come from external sources (the central government) and involve significant public money. However, some studies show that transfer income does not significantly influence the disclosure of local government financial reports. This is since financial disclosures of local governments in Indonesia adhere to Government Accounting Standards (SAP), which establish standards for financial reporting, including for transfer income. Local governments only need to comply with these regulations, regardless of the amount of transfer funds received, making the transfer amount not a primary factor affecting the quality of disclosure. While theoretically, transfer income may be viewed as influential in financial disclosure, empirical results often show that this factor does not provide significant influence. Uniform regulations, centralized financial systems, and strict oversight from the central government render transfer income not a key determinant in local government financial disclosure. Other factors, such as managerial capacity, commitment to transparency, and local original revenue, often play a more substantial role in this context.

The Influence of Financial Independence Ratio on the Disclosure of Local Government Financial Reports

The findings of this study align with research conducted by Verawaty *et al.* (2019), Utami & Sulardi (2019), and Anggara & Cheisviyanny (2020), which state that the financial independence ratio does not influence the disclosure of local government financial reports. Conversely, these findings contradict studies by Ventiarso & Firmansyah, Najah & Purwati (2019), and Hiola & Harun (2021), which found that regional independence significantly affects mandatory disclosure in local government financial reports. Generally, the financial independence ratio is often regarded as a measure reflecting a local government's ability to manage its finances. In other words, fiscally independent regions should have a stronger commitment to accountability and more transparent financial management, including in terms of financial disclosure. However, despite the theoretical expectation that the financial independence ratio would influence LKPD disclosure, several empirical studies

indicate that this ratio doesn't significantly impact the grade of local government financial disclosure. Although theoretically, the financial independence ratio should influence LKPD disclosure due to the relationship between fiscal independence and public accountability, empirical evidence shows that this ratio doesn't have a significant effect on the extent of local government financial disclosure. Other factors may be more dominant in determining the quality of disclosure, such as uniform regulations, strict oversight, and local leadership commitment to transparency and good governance. The financial independence ratio is merely one indicator of fiscal performance but does not always reflect the extent of transparency or the quality of financial disclosure.

The Influence of Local Government Size on the Disclosure of Local Government Financial Reports with Audit Opinion as a Moderating Variable

This study's conclusions are congruent with studies conducted by Sunarti *et al.* (2020), which shows that audit opinions weaken the influence of local government size on the disclosure of local government financial reports. However, this contradicts studies by Nazaruddin and Sita (2019) and Naopal *et al.* (2017), which indicate that audit opinions affect the grade of LKPD disclosure. The issue of audit opinions weakening the influence of local government size on financial disclosure is intriguing and relates to how the interaction between organizational size and the quality of audit outcomes can affect financial management transparency. In general, audit opinions are independent evaluations provided by auditors (e.g., the Supreme Audit Agency - BPK in Indonesia) of local government financial reports. These audit opinions reflect the quality of financial reports depending on certain criteria, such as conformity with accounting standards, consistency, and integrity of financial information. The opinions given can be Unqualified Opinion (WTP), Qualified Opinion (WDP), Adverse Opinion, or Disclaimer (No Opinion).

The Influence of Transfer Income on the Disclosure of Local Government Financial Reports with Audit Opinion as a Moderating Variable

This study's conclusions are congruent with studies conducted by Utami & Sulardi (2019), which shows that audit opinion doesn't strengthen the impact of transfer income on the disclosure of local government financial reports. However, this contradicts studies by Sasmita (2021) and Teriyani *et al.* (2022), which indicate that audit opinion has a significant positive effect on the level of financial disclosure. Audit opinions focus more on the conformity of transactions in financial reports with accounting standards rather than the degree of dependency of local governments. Audit opinions do not detail the impact of local government dependency levels on LKPD disclosure. Auditors tend to focus more on materiality and risk in their assessments of financial reports. While the level of local government dependency can be identified as a potential risk, audit opinions do not always provide an assessment of how such dependency can affect LKPD disclosure. Audit opinions are provided by examiners based on several criteria, one of which is the adequacy of disclosure.

This indicates that a high level of disclosure does not necessarily result in a favorable opinion, and vice versa (Utami & Sulardi, 2019).

The Influence of Financial Independence Ratio on the Disclosure of Local Government Financial Reports with Audit Opinion as a Moderating Variable

This study's conclusions are congruent with studies conducted by Utami & Sulardi (2019), which shows that audit opinion does not strengthen the influence of the financial independence ratio on the disclosure of local government financial reports. However, this contradicts studies by Sasmita (2021) and Teriyani *et al.* (2022), which indicate that audit opinions have a strong favorable impact on financial transparency levels.

The influence of the financial independence ratio is weakened by an audit opinion on local government financial disclosure involves a deeper understanding of the role of fiscal independence ratios and the impact of audit opinions as moderating variables concerning financial disclosures. As an evaluation of quality from external auditors, audit opinions can influence how fiscal independence is translated into financial transparency practices at the local government level. While fiscal independence is theoretically supposed to improve financial disclosure, audit views can undermine that effect by highlighting flaws in financial management that are not obvious from the financial independence ratio.

CONCLUSIONS AND RECOMMENDATIONS

This study examines the role of audit opinions in moderating the impact of local government characteristics—namely the size of the local government, transfer revenues, and the financial independence ratio—on the level of information disclosure in the Local Government Financial Reports (LKPD) of Sintang Regency. Based on the analysis results, the size of the local government does not have a significant effect on the disclosure of LKPD. Although public accounting theory suggests that governments with larger budgets and resources tend to be more transparent, in practice, the commitment of leadership and internal oversight play a more crucial role.

The findings also indicate that transfer revenues do not significantly affect disclosure levels. This is due to the fact that the transparency of LKPD adheres to uniform accounting standards (SAP), rendering the amount of transfers less critical in determining the quality of disclosures. Furthermore, the financial independence ratio does not influence the level of disclosure. While fiscal independence is theoretically assumed to correlate with transparency, empirical findings suggest that the commitment and oversight of leadership play a more significant role in ensuring the openness of financial reports.

As a moderating variable, audit opinions neither strengthen nor weaken the impact of local government size, transfer revenues, or financial independence on LKPD transparency. Audit opinions focus more on compliance with accounting standards and transaction risks rather than on the dependency level or fiscal independence of local governments.

Based on these findings, local governments are advised to strengthen leadership commitment to promoting transparency, enhance the effectiveness

of internal control systems, and utilize audit results as tools for performance evaluation rather than merely fulfilling formalities.

Furthermore, local governments must emphasize the importance of transparency policies and regulations to ensure that the quality of disclosures is not solely influenced by fiscal conditions or transfer revenues. Overall, this research underscores that regulatory frameworks, leadership commitment, and oversight play a more dominant role than fiscal characteristics in

ADVANCED RESEARCH

More study into the impact of local government features and the role of audit views on financial statement disclosures can be conducted in a variety of methods. First, employing a panel data methodology would provide a deeper understanding by observing data from multiple regions over various time periods. This approach allows for the analysis of changes in financial disclosures over time and helps mitigate biases that may arise in cross-sectional data analyses.

Second, future studies could expand the scope of variables by incorporating factors such as the political commitment of local leaders, governance indices, and the effectiveness of internal oversight. These factors have been extensively discussed in the literature as crucial elements influencing financial transparency and accountability.

Third, research could also take into account contextual and cultural factors, such as differences in socio-economic conditions or educational levels of communities in each region, which may affect local governments' commitment to public information disclosure. Additionally, comparative studies across provinces or countries could provide broader insights into financial disclosure patterns under varying governmental systems and regulations.

Finally, a mixed-methods approach that combines quantitative and qualitative analyses could yield a more comprehensive understanding. Conducting interviews with auditors, local government officials, and other stakeholders could help uncover non-quantitative factors influencing the quality of financial disclosures. With these various developments, future research is expected to make more significant contributions to promoting transparency and better financial governance in the public sector.

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