

Analysis of Factors Affecting Audit Opinion of Supreme Audit Agency (BPK) on the Fairness of Local Government Financial Reports In NTT

Tiffany Natalia Petronela Gah
Politeknik Negeri Kupang
Accounting
tiffanygah@gmail.com

Sri Endar Utami
Politeknik Negeri Kupang
Accounting
Endar.utami@gmail.com

Febryanti Kristiani
Politeknik Negeri Kupang
Accounting
febryanti@gmail.com

Abstract- The Local Government Financial Reports (LKPD) is a form of accountability report that needs to be audited by an independent external auditor (BPK) to realize and apply the principles of transparency and accountability. The results of the audit by BPK are expressed in the form of an opinion, namely the auditor's professional statement regarding the fairness of the financial information in the Financial Reports. The increase or decrease in the level of BPK's audit opinion has not been considered, especially in terms of scientific development related to the influence of the weaknesses of the Internal Control System (SPI) and the level of compliance with statutory provisions. This research aims to identify the effect of the weakness of the internal control system (SPI), statutory provisions, and compliance with government accounting standards (SAP) on the fairness of local government financial reports in NTT. This quantitative research will use inferential statistical analysis with the help of SPSS software. Quantitative analysis techniques will be used to examine the relationship between the dependent variable and the independent variable. Data will be analyzed using ordinal logistic regression.

Keywords: Audit Opinion; Internal Control System Weaknesses; Compliance with Government Accounting Standards; Law.

I. INTRODUCTION (HEADING 1)

The Covid-19 pandemic outbreak in Indonesia started in The government financial report is an accountability report of the accounting process that is useful for decision-making. Regional financial managers are required to submit accountability reports for APBD management which are stated in the form of Local Government Financial Reports (LKPD). LKPD needs to be audited by an independent external auditor in order to increase the trust of users of government financial reports and to realize and apply the principles of transparency and accountability. The audit is performed by the Supreme Audit Agency (BPK), a state institution that has the authority to supervise the government.

Article 6 of Law Number 15 of 2006 concerning BPK states that BPK is responsible to examine the management and accountability of state finances carried out by the Central Government, Local Governments, other State Institutions, Bank Indonesia, BUMN, BLU, BUMD, and other institutions managing state finances. The Audit of Financial Reports by the Supreme Audit Agency is guided by the State Financial Audit Standards (SPKN) stipulated in the BPK Regulations.

Law Number 15 of 2006 concerns the establishment of SPKN as standards for conducting audits of the management and accountability of state finances. The results of the Audit by BPK are stated in the form of an opinion. The opinion is the auditor's professional statement regarding the fairness of the financial information presented in the financial reports based on the criteria of (i) suitability with Government Accounting Standards (SAP), (ii) compliance with laws and regulations, and (iii) effectiveness of the internal control system (SPI). BPK's opinions consist of four categories, namely (i) unqualified opinion, (ii) qualified opinion, (iii) adverse opinion, and (iv) disclaimer of opinion.

Table 1.1. Local Government Financial Report (LKPD) Opinion for 2015-2019

Year	OPINI			
	WTP	WDP	TMP	TW
2015	313	194	31	4
2016	378	141	23	0
2017	411	113	18	0
2018	443	86	13	0
2019	485	9	6	0

Source: Semester Examination Result Overview (IHPS) 2020

The increase or decrease in the level of BPK's audit opinion as presented in Table 1.1, has not received much attention, especially in terms of scientific development related to the fairness criteria of financial statements. Luthfina and Marita (2017) concluded that one of the causes of providing audit opinions to district/city governments in Central Java is the weakness of the internal control system (SPI).

Table 1.2 Number and value of LKPD examination findings in semester 1 2020

Findings	Number of findings	Value of findings
Weaknesses of the internal control system	1,729	
Weaknesses of accounting and reporting control systems	2,338	
Weaknesses of the control system for the implementation of the revenue and expenditure budget	1,108	
Weaknesses of the internal control structure	5,175	
Number of internal control system weaknesses	5,175	

Non-compliance with the provisions of laws and regulations		
Loss	2,147	Rp898.30 billion
Potential loss	359	Rp342.86 billion
Lack of acceptance	715	Rp285.75 billion
Administrative irregularities	2,103	
Number of Non-compliance	5,324	Rp1.52 trillion

Source: Semester Examination Result Overview (IHPS) 2020

Table 1.2 shows that the amount of state losses due to non-compliance with the law results in low state revenue. The total state revenue is lower than the total amount that should be received by the state for the fiscal year. This attracts the researchers to investigate the results of the BPK audit of LKPD in NTT from 2018 to 2021. This research aims to identify the effect of the weakness of the internal control system (SPI), statutory provisions, and compliance with government accounting standards (SAP) on the fairness of local government financial reports in NTT.

II. LITERATURE REVIEW

Local Government Financial Reports

Financial reports are the result of the accounting process which covers recording, classifying, summarizing, reporting, and analyzing financial data from an entity. Article 55 paragraph 2 and paragraph 3 and Article 56 paragraph 3 of Law Number 1 of 2004 concerning the State Treasury, the Central Government, Ministries, Institutions, and Regional Governments are required to compile Financial Reports that are useful for users in making and evaluating decisions regarding resource allocation.

Government Financial Reports need to be audited by an independent external auditor in order to apply the principles of transparency and accountability. The audit is performed by Supreme Audit Agency, a state institution that has the authority to supervise the government. The audit aims to provide reasonable assurance that the financial reports have been presented fairly, in all material respects, in accordance with generally accepted accounting principles in Indonesia.

Fairness of Financial Reports and Audit Opinions

Fair financial reports are financial reports that can present information fairly and are free from material misstatement as well as provide audit opinion. Article 16 paragraph (1) of Law Number 15 of 2014 states that an opinion is a professional statement of an examiner regarding the fairness of the information in financial audits presented in financial reports based on some criteria, namely:

- i. Suitability with government accounting standards;
- ii. the adequacy of financial information disclosure;
- iii. compliance with laws and regulations,
- iv. effectiveness of the internal control system

The audit of the financial reports aims to provide an opinion on the fairness of the financial information presented in the financial reports. Based on Article 16 Paragraph (1) of Law

Number 15 of 2004 there are 4 (four) types of Opinions given by the Supreme Audit Agency (BPK) on the Audit of Government Financial Reports: **Unqualified Opinion (WTP), Qualified Opinion (WDP), Adverse Opinion (TW), and Disclaimer of Opinion (TMP).**

Internal Control System

Internal control as the process implemented by the board of directors management, and those under their direction to provide reasonable assurance that control objectives are achieved with regard to effectiveness and addiciency of operations, reliability of financial reporting and compliance with applicable laws and regulations, (COSO, 2013). Purpose of internal control is Securing assets, Manage records properly to report company assets accurately and fairly, Provide reliable and accurate information, Prepare financial reports in accordance with the criteria that have been determined, Promote and improve operational efficiency, Encouraging adherence to established managerial policies set, Comply with applicable laws and regulations, (Romney, 2014:226). ISA 315 Auditor shall obtain an understanding of internal control relevant to the audit that allows the auditor to identify factors that affect the risk of material misstatement within financial statement (Colling, 2011: 99).

Weaknesses of the Internal Control System

Internal Control System (SPI) is an integral process for actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations. SPI is declared effective if it can provide adequate assurance on the effectiveness and efficiency of achieving the entity's objectives, reliability of financial reporting, security of state assets, and compliance with applicable laws and regulations. The control environment created is designed to be able to recognize whether the SPI is adequate and can detect any weaknesses. Oka Purnawan Widodo and Sudarno (2017) in their research concluded that the findings of weaknesses in the internal control system had a negative effect on determining the opinion of the BPK audit on LKPD.

Non-compliance with Legislative Provisions

Law Number 17 of 2003 concerning State Finance, especially article 23 states that the contents of the accountability report for the implementation of the APBN/APBD are prepared and presented in accordance with the Government Accounting Standards (SAP). Financial report users use SAP to be able to understand the information presented in the financial reports. External auditors use SAP as a criterion in carrying out audits.

Government Accounting Standards applicable in Indonesia are stipulated by Government Regulation Number 71 of 2010 which becomes the basis for all reporting entities including local governments in presenting financial reports as accountable to various parties. Besides SAP, BPK uses other criteria in compiling audit results including three packages of state finance

laws (Law No. 17 of 2003, Law No. 1 of 2004, and Law No. 15 of 2004), Law No. 32 of 2004, various government regulations, and the regulation of the ministry of home affairs regarding guidelines for regional financial management in the year of the audit) and BPK has developed an important standard, namely the State Financial Audit Standard (SPKN). This standard is a reference for government auditors in carrying out their duties as examiners (Deddi Nordiawan, 2018 Pg:35). BPK issues an opinion by considering four criteria, one of which is compliance with laws and regulations. Fatimah (2014) argues that non-compliance with laws and regulations can cause material misstatement of information in financial statements or other financial data that is significantly related to audit objectives, one of them is causing state losses (Atmaja dan Probohudono, 2015).

Suitability with Government Accounting Standards

SAP in the government regulation No. 71 of 2010 states that SAP is accounting principles applied in preparing and presenting government financial statements. The SAP Committee has compiled SAP on an accrual basis which is the first step in implementing accrual-based accounting by stipulating the government regulation No. 24 of 2005. Government Regulation No. 71 of 2010, article 1 paragraph (8) states that accrual-based SAP is a government accounting standard that recognizes revenues, expenses, assets, debts, and entities in accrual-based reporting, and recognizes revenues, expenditures, and financing in reporting budget implementation based on the same basis determined by APBN and APBD.

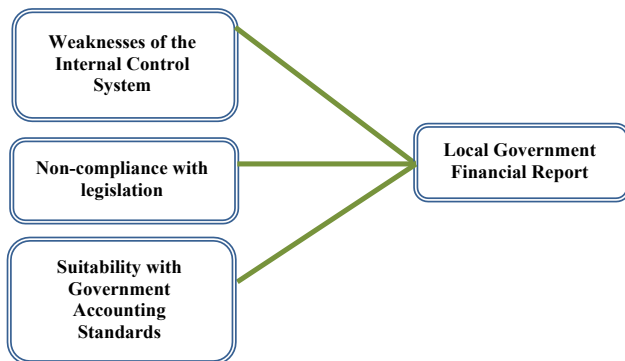


Figure 2.1 Research Framework

Research Road Map

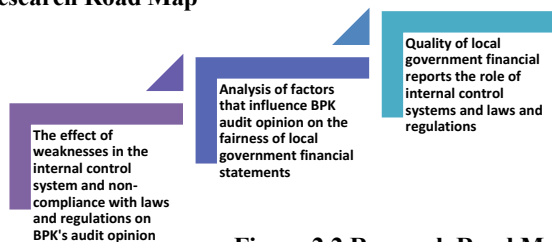


Figure 2.2 Research Road Map

III. METHOD

This quantitative research will use an explanatory research design that aims to explain the relationship or influence between one variable and another through hypothesis testing. The population in this study is all local government financial reports in Indonesia, while the sample is local government financial reports in NTT. This research is to examine the effect of weaknesses in the internal control system and non-compliance with statutory provisions for granting BPK audit opinions on the fairness of local government financial reports. Hypothesis testing will be carried out using Ordinal Logistics regression analysis with the help of the SPSS 20 data processing tool. The data will be collected from documentation and literature study by collecting and studying data taken from the Supreme Audit Agency (BPK) and NTT BPK.

Research Variables, Operational Definitions, and Measurement of Variables

Table 3.1. Variable operations

Variable	Indicators	Parameter	Scale
Weaknesses of SPI (X₁) Findings that contain the problem of the ineffectiveness of internal control.	i. Weaknesses of accounting and reporting control systems. ii. Weaknesses of the budget execution system iii. Weaknesses of the internal control structure	Number of findings	Interval
Non-compliance (X₂) Findings that contain problems regarding non-compliance with the provisions of laws and regulations that result in material losses.	i. Loss ii. Potential Disadvantages iii. Lack of acceptance iv. Administrative Weaknesses	Number of findings	Interval
Suitability with SAP (X₃) Findings that contain problems related to the presentation of Financial Reports that are not in accordance with SAP	i. Measurement ii. Classification iii. Presentation iv. Financial Report Calculation	Number of findings	Interval
Audit opinion (Y) BPK's audit opinion is the auditor's professional statement regarding the fairness of the financial information presented in the financial reports.		4 = WTP 3 = WDP 2 = TW 1 = TMP	Ordinal

The independent variable is measured by the number of findings with a 3-point scale as follows:

Table 3.2. Measurement Scores

Range of findings	Classification	Value
> Mean value	High	1
= Mean value	Moderate	2
< Mean value	Low	3

Source: Masiantini, Erawati (2016)

Data Analysis Technique

This quantitative research will use statistical regression analysis with the help of the SPSS software. The regression analysis technique is used to test the relationship between the dependent variable and the independent variable. This study uses a causal relationship design to examine the weaknesses of the internal control system and non-compliance with statutory provisions on BPK's opinion on local government financial reports. Data analysis in this study will be carried out using ordinal logistic regression.

Descriptive Data Analysis

Descriptive analysis is used to provide an overview or description of data based on the mean value, standard deviation, variance, maximum value, minimum value, sum, range, kurtosis, and skewness (skew of distribution) (Ghozali, 2016. Pg. :19). The data analyzed are the number of SPI findings and the number of findings of compliance with laws and regulations.

Ordinal Logistics Regression Analysis

Regression analysis is a statistical tool to see the relationship between two or more variables, where one variable can be predicted from the other variables. One method of regression analysis is ordinal logistic regression analysis. Ordinal logistic regression is a non-linear regression analysis method that can be used to obtain the relationship between the response variable (Y) and the predictor variable (X), where the response variable has more than two categories with an ordinal scale and the predictor variable can be categorical or numerical. In ordinal logistic regression, no classical assumptions are needed, but data screening can still be done. The ordinal logistic regression equation used in hypothesis testing can be seen below:

$$Logit(Y) = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 \quad (1)$$

where:

Logit(Y) = Audit opinion

α = Constant

β = Regression coefficient

X_1 = Number of SPI findings

X_2 = Number of non-compliance findings

X_3 = Suitability with SAP

Regression Model Parameter Test

Goodness of Fit test

The goodness of fit test is used to find out whether the ordinal logistic regression model obtained is feasible to use.

The tested hypotheses are:

H_0 : logit model is feasible to use

H_1 : logit model is not feasible to use

The test criteria are to reject H_0 if the Deviance significance value is less than 0.05 ($\alpha = 0.05$).

Significance Level Test

The approach to testing the significance level of the model and parameters in logistic regression uses the G-Test/Model Significance Test and the Wald (W) test to test the overall model and the partial (individual) test. The two test instruments are identical to the F-Test and T-Test in linear regression.

Model Fitting Test Using the G-test

The Model Fitting Test aims to determine whether there is an effect of the independent variables used in the model together on the response variable. The model fitting test is carried out by comparing the models without predictor variables.

The tested hypotheses are:

H_0 : independent variables have no effect on dependent variables

H_1 : independent variables affect the dependent variables

Partial Test/Parameter Estimates Test Using the Wald Test

The parameter estimates test is used to partially test a parameter. Parameter Estimates are the result of ordinal logistic regression modeling, where from the output of Parameter Estimates a logistic regression equation can be generated. Wald's test is used to find out which variables have an effect. The significance level/error level uses 5% or = 0.05.

Coefficient of Model Determination (Pseudo R-Square Test)

The value of the coefficient of determination in the logistic regression model is indicated by the value of Mc Fadden, Cox and Snell, Nagelkerke R Square. The Pseudo R-Square test is used to describe the coefficient of determination test (variation of the dependent variable) which can be explained by the independent variable.

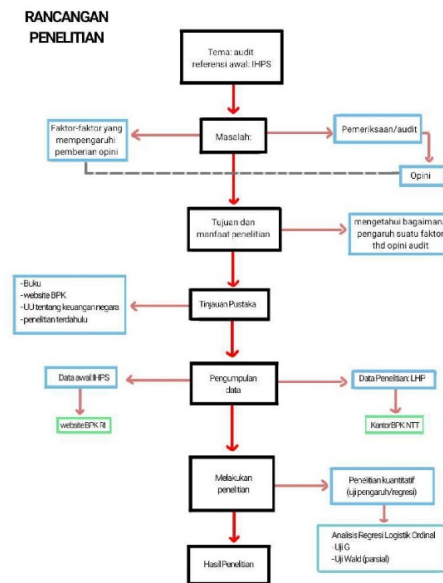


Figure 3.1 Research Design

III. RESULT

The total population in this study was 92. This figure was obtained from 23 NTT local governments * 4 years of research (2018-2021). The size of the sample in this study was 75 based on the Slovin formula. The sample size was calculated using the Slovin formula:

$$n = \frac{N}{\sqrt{N(d^2) + 1}}$$

$$n = \frac{92}{\sqrt{92(0.05^2) + 1}}$$

$$n = 74.79 \sim 75$$

Descriptive Statistics

Descriptive Statistics						
	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
SPI	75	1.00	3.00	1.9867	.10133	.87755
KPU	75	1.00	3.00	2.3467	.08801	.76217
SAP	75	3.00	4.00	3.5867	.05724	.49575
OPINI	75	3.00	4.00	3.6400	.05580	.48323
Valid N (listwise)	75					

Based on the descriptive statistics table above, the sample size is 75. The dependent variable in this study is Opinion with a mean value of 3.64, the lowest value of 3.00, the highest value of 4.00, and a standard deviation of 0.558. The independent variable has the highest mean case finding value of 3.58 during 2018-2021, for the variable of conformity with the government accounting standard (SAP).

Ordinal Logistics Regression Analysis

1. Goodness of Fit

Goodness-of-Fit			
	Chi-Square	df	Sig.
Pearson	12.552	13	.483
Deviance	14.964	13	.310

Link function: Logit.

H0: logit model is feasible to use
 H1: the logit model is not feasible to use
 H0 is rejected if the significant value is lower than 0.05 (α). The Deviance test value in the table above shows that the significance value is 0.310. Based on the table above, H0 is accepted (the model is feasible to use) because the significance value is higher than 0.05.

2. Model Fitting with G-test

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	59.980			
Final	32.485	27.495	3	.000

Link function: Logit.

Based on the G-test, the G statistic value is 27.495 and the Chi-square distribution table shows X2 (0.05,3) = 7.814. As the statistical value of G (27.495) > X2(0.05.2)(7.814), it can be said that the model fits/ideal with the data. This can also be seen from the sig value of 0.000 < (0.05). This indicates that the hypothesized model fits the data, with an interpretation of at least 1 independent variable that significantly affects the dependent variable.

3. Partial Test/Parameter Estimates Test with Wald Test

Parameter Estimates								
Threshold	[OPINI = 3.00]	Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Location	SPI	.845	.368	5.270	1	.022	.124	1.567
	KPU	.845	.422	4.003	1	.045	.017	1.672
	SAP	2.081	.601	11.978	1	.001	.902	3.259

Link function: Logit.

Based on the table above:

- 1) SPI variable has a significance value of 0.022 (97.8% effect on opinion)
- 2) KPU variable has a significance value of 0.045 (95.5% effect on opinion).
- 3) SAP variable has a significance value of 0.001 (99.9% effect on opinion)

4. Model Determination Coefficient (Pseudo-R-Square Test)

The Pseudo-R-Square test aims to describe the coefficient of determination test (variation of the dependent variable) that can be explained by the independent variable.

Pseudo R-Square	
Cox and Snell	.307
Nagelkerke	.421
McFadden	.281

Link function: Logit.

Based on the table above, the coefficient of determination of Nagelkerke is 0.421 or 42.1%. This means that the independent variable affects the provision of audit opinion by 42.1%, while 57.9% is influenced by other factors outside the model.

DISCUSSION

Opinion is the examiner’s professional statement. In this case, it is opinions from BPK regarding the fairness of the information in the financial audit presented in the financial statements. Opinions are produced from a financial audit, namely an examination of the financial statements of the central government and local governments. The audit of the financial statements aims to provide an opinion on the fairness of the financial

information presented in the financial statements. Opinions given by BPK on the audit of Government Financial Statements sequentially consist of Unqualified Opinion (WTP), Qualified Opinion (WDP), Adverse Opinion (TW), and Disclaimer Opinion (TMP).

The audit opinion regarding the fairness of the financial statements is based on the criteria of (i) conformity with government accounting standards, (ii) adequate disclosures, (iii) compliance with laws and regulations, and (iv) effectiveness of the internal control system. Compliance with laws and regulations and the effectiveness of the internal control system can be seen from audit findings regarding the internal control system (SPI) weaknesses and non-compliance with statutory provisions. The number of findings is an indicator to analyze the SPI weaknesses and non-compliance with statutory provisions.

The Effect of SPI Weaknesses on BPK's Opinion on the Fairness of LKPD

The results of the hypothesis testing show that the weakness of the internal control system has a significant effect on the BPK's audit opinion on the fairness of the LKPD. The weakness of the internal control system has a significance of 0.22 or has an influence of 97.8% on the BPK's audit opinion. Based on the score, the direction of the influence of the internal control system weakness on BPK's audit opinion is positive. However, it is negative based on the number of findings. The fewer findings of the internal control system weaknesses (high score), the greater the opportunity to obtain a good opinion (WTP). These results meet the hypothesis: "The weakness of the Internal Control System (KSPI) affects the BPK's opinion on the fairness of local government financial statements".

Based on the results of the study, the weaknesses of the internal control system cover the management, administration, and presentation of assets that have not been orderly; errors in budgeting revenues and expenditures; and the lack of an internal control structure. Generally, the weakness of the internal control system occurs due to the responsible officials/executors are not careful in planning to carrying out tasks, both related to reporting and accounting controls such as recording and presenting financial statements, controlling revenue and expenditure budgets, and lack of overall internal control by the responsible official. The findings indicate the lack of effectiveness of the internal control system.

The State Financial Audit Standards (SPKN) explain that BPK also examines the internal control system as outlined in an audit opinion on the fairness of financial statements to obtain adequate assurance of the fairness of financial statements. The internal control used is a determining factor of the reliability of the financial statements produced. This is one of the basis for BPK to conduct a financial audit on the fairness of LKPD which then leads to BPK's consideration in giving an audit opinion.

The results of this study are in line with previous studies by Luthfina and Marita (2017), Oka and Sudarno (2017), and Munawar (2016) that the weakness of the internal control system affects the BPK audit opinion on the fairness of LKPD.

The Effect of Non-compliance with Statutory Provisions on BPK's Opinion on the Fairness of LKPD

The results of hypothesis testing indicate that non-compliance with statutory provisions provides a significant effect on BPK's audit opinion on the fairness of LKPD with a significance value of 0.045 or has an effect of 95.5% on BPK's audit opinion. Based on the score, the direction of the influence of non-compliance with the provisions of the legislation on BPK's audit opinion is positive, but it is negative based on the number of findings. The fewer findings of non-compliance (high score), the greater the opportunity to obtain a good opinion (WTP). These results meet the hypothesis: "Non-compliance with the statutory provision (KPU) affects the provision of BPK's opinion on the fairness of local government financial statements" (H2).

The findings of non-compliance with statutory provisions cover overpayment of salaries and work packages, lack of acceptance, lack of work volume, and administrative weaknesses. In general, non-compliance with statutory provisions occurs because the responsible officials are negligent and do not comply with the applicable provisions, as well as lack supervision and control. This can result in regional losses such as finding a lack of work volume and spending that is not in accordance with the provisions, and potential losses such as overpayments and lack of revenue. The findings above indicate a lack of accountability in the presentation of government accounting information and financial reporting.

Based on the State Financial Audit Standards (SPKN), to obtain adequate assurance of the fairness of financial statements, BPK also examines compliance with statutory provisions, which are stated in the audit opinion. The ineffective performance of regional financial management is a form of non-compliance with statutory provisions that have a direct and material effect on the presentation of financial statements. This becomes one of the basis for BPK to conduct a financial audit on the fairness of LKPD which then leads to BPK's consideration in giving an audit opinion.

The results of this study are in line with previous studies by Oka and Sudarno (2017) and Munawar (2016) that non-compliance with statutory provisions affects the BPK audit opinion on the fairness of LKPD.

The Effect of Conformity with Government Accounting Standards on BPK's Opinion on the Fairness of LKPD

The results of hypothesis testing show that conformity with SAP provides a significant effect on

BPK's audit opinion on the fairness of LKPD with a significance value of 0.001, or has a 99.9% effect on BPK's audit opinion. Based on the score, the direction of the influence of conformity with SAP on BPK's audit opinion is positive. The greater the score, the better the local government's financial statements. Therefore, the opportunity to obtain a good opinion (WTP) is greater. These results meet the hypothesis: "Conformity with SAP affects the provision of BPK's opinion on the fairness of local government financial statements" (H3).

The finding of conformity with SAP is incomplete information presented in the financial statements. Most of the Local Governments received a Qualified Opinion (WDP) in 2018 and 2019 because the Balance Sheet Reports in 2018 and 2019 were not in accordance with PSAP, for example, there was no information related to inventory, and no basis for valuation for fixed assets such as machinery and equipment, buildings, roads, and irrigation. The next finding is related to the construction where there is no information delivered related to the costs incurred or down payment. Therefore, the assessment score is lower compared to 2020 and 2021.

The State Financial Auditing Standard (SPKN) states that to obtain adequate assurance on the fairness of the financial statements, BPK also examines conformity with SAP, which is stated in the audit opinion. If the financial statements are not in accordance with SAP, it will have a direct and material effect on the implementation of the financial audit by the BPK on the fairness of the LKPD which then affect BPK's consideration in giving an audit opinion.

V. CONCLUSION

The opinion is the examiner's professional statement. In this case, the opinion is from BPK regarding the fairness of the information in the financial audit presented in the financial statements. Opinions are generated from a financial audit, namely an examination of the financial statements of the central government and local governments. The financial statement audit aims to provide an opinion on the fairness of the financial information presented in the financial statements.

The BPK's opinion regarding the financial reports produced by the Regional Government is based on some criteria namely, the Internal Control System, Compliance with Laws, and Compliance with SAP. As the examiner, BPK needs to provide an opinion on the fairness of the financial statements provided. The results of this study indicate that the weaknesses of the internal control system, Compliance with Legislation, and Compliance with SAP have a positive effect on the opinion on financial statements.

The weaknesses of the internal control system cover management, administration, and presentation of assets that are not in an orderly manner and others. The weakness of the internal control occurs because the responsible officials are not careful in planning and the implementation of tasks, both related to reporting control

and controlling the income and expenditure budget, as well as the lack of overall internal control by the responsible official. Concerning compliance with laws and regulations, the findings of non-compliance with statutory provisions cover overpayment of salaries and work packages, lack of acceptance, lack of work volume, and administrative weaknesses. Generally, cases of non-compliance with statutory provisions occur because the responsible officials are negligent and do not comply with the applicable provisions and supervision and control.

The last thing related to providing an opinion is compliance with SAP. SAP is a standard used by the government in presenting financial reports. The resulting report should be in accordance with SAP so that the financial report obtains a good assessment from the examiner and obtains a WTP opinion. The results of the study show that many regional governments received an Unqualified opinion because the financial statements produced are not in accordance with SAP. Therefore, it can be concluded that the audit opinion on financial statements must be presented based on the SAP and law and has a good internal control system.

The limitation of this research is that the researcher only analyzes three variables which are factors in giving opinion. Therefore, the researcher suggests that according to the results of the study, it is

1. that further research is expected to add other variables that can affect the provision of BPK audit opinions on the fairness of LKPD for better testing.
2. calculate material things found in non-compliance with statutory provisions as a new variable in order to better represent the actual situation

VI. ACKNOWLEDGMENT

This research grant was supported by the DIPAPoliteknik Negeri Kupang

VII. REFERENCES

- [1] Atmaja, W, R.S.A dan Probohudono, A.N. 2015. Analisis Audit BPK-RI terkait Kelemahan SPI, Temuan Ketidaktepatan dan Kerugian Negara. Jurnal Integritas. (Vol. 1). 81- 110
- [2] Badan Pemeriksa Keuangan. *Dasar Hukum BPK Perwakilan Provinsi NTT*. Dalam Website resmi BPK (<https://ntt.bpk.go.id/dasar-hukum-bpk-ri/>) Diakses pada tanggal 07 Maret 2022
- [3] Badan Pemeriksa Keuangan. *Ikhtisar Hasil Pemeriksaan Semester*. Dalam Website resmi BPK (<https://www.bpk.go.id/ihps>) Diakses pada tanggal 07 Maret 2022
- [4] Badan Pemeriksa Keuangan. *Opini BPK atas Pemeriksaan atas Laporan Keuangan Pemerintah*. Dalam Website resmi BPK (<https://www.bpk.go.id/news/ragam-opini-bpk>) Diakses pada tanggal 07 Maret 2022
- [5] Badan Pemeriksa Keuangan. *Sejarah BPK Perwakilan Provinsi NTT*. Dalam Website resmi BPK

- (<https://ntt.bpk.go.id/sejarah/>) Diakses pada tanggal 07 Maret 2022
- [6] Badan Pemeriksa Keuangan. *Visi Misi Badan Pemeriksa Keuangan*. Dalam Website resmi BPK (<https://ntt.bpk.go.id/dasar-hukum-bpk-ri/>) Diakses pada tanggal 07 Maret 2022
- [7] Badan Pusat Pengembangan dan Pembinaan Bahasa. *Pemerintah*. Dalam Kamus Besar Bahasa Indonesia (KBBI) Online (<https://kbbi.web.id>) Diakses pada tanggal 07 Maret 2022
- [8] Collings, Steven. 2011. *Interpretation and Application of International Standards on Auditing*. United Kingdom: Wiley
- [9] COSO. (2013). *Internal Control – Integrated Framework: Executive Summary*. Durham, North California, May 2013.
- [10] DeANGELO, E. Linda. 1981. Auditor Size and Audit Quality. *Journal of Accounting and Economics* No.3. 183-199
- [11] DeFond, Mark., dan Zhang, Jieying. 2014. A Review of archival auditing research. *Journal of Accounting and Economics*. No. 58. 275-326
- [12] Fatimah, D. Sari, R.N dan Rasuli, M. 2014. Pengaruh Sistem Pengendalian Intern, Kepatuhan terhadap Peraturan Perundang-Undangan, Opini Audit Tahun Sebelumnya dan Umur Pemerintah Daerah terhadap Penerimaan Opini Wajar Tanpa Pengecualian pada Laporan Keuangan Pemerintah Daerah di Seluruh Indonesia. *Jurnal Akuntansi* (Vol. 3) No. 1:1-15
- [13] Ghozali, Imam. 2016. *Aplikasi Analisis Multivariate dengan Program IBM SPSS 23 Edisi ke-8*. Semarang:Badan Penerbit Universitas Diponegoro (Statistik deskriptif, hal: 19, Regresi logistik, hal: 321)
- [14] Mardiasmo. 2018. *Akuntansi Sektor Publik*. Yogyakarta: Andi
- [15] Marshall B. Romney dan Paul John Steinbart. 2014 *Sistem Informasi Akuntansi: Accounting Information Systems* (Edisi 13), Prentice Hall.
- [16] Munawar. 2016. Pengaruh Jumlah Temuan Audit atas SPI dan Jumlah Temuan Audit atas Kepatuhan Terhadap Opini atas Laporan Keuangan Pemerintah Kabupaten/Kota di Aceh. *Jurnal Magister Akuntansi*, ISSN 2302-0164, hal 57-67.
- [17] Nordiawan, Deddi. 2018. *Akuntansi Sektor Publik*. Jakarta: Salemba Empat
- [18] Widodo, Oka Purnawan dan Sudarno. (2017). Pengaruh Temuan Kelemahan Sistem Pengendalian Intern dan Temuan Ketidakpatuhan Terhadap Ketentuan Peraturan Perundang-Undangan Terhadap Opini BPK atas Laporan Keuangan Pemerintah Daerah. *Diponegoro Journal of Accounting*, Vol 6, No 1 Hal 1-9.
- [19] Peraturan Pemerintah PP Nomor 71 Tahun 2010 tentang Standar Akuntansi Pemerintah
- [20] Peraturan Badan Pemeriksa Keuangan Republik Indonesia Nomor 1 Tahun 2017 tentang Standar Pemeriksaan Keuangan Negara (SPKN)
- [21] Permendagri Nomor 4 Tahun 2008 tentang Pedoman Pelaksanaan Reviu Atas Laporan Keuangan Pemerintah Daerah
- [22] PERMENPAN Nomor: PER/15/M.PAN/7/2008 tentang Pedoman Umum Reformasi Birokrasi Menteri Negara Pendayagunaan Aparatur Negara
- [23] Sugiono. 2016. *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta
- [24] Undang-undang Nomor 1 Tahun 2004 tentang Perbendaharaan Negara
- [25] Undang-undang Nomor 15 tahun 2006 tentang Badan Pemeriksa Keuangan
- [26] Undang-undang Nomor 17 Tahun 2003 tentang Keuangan Negara
- [27] Undang-undang Nomor 23 Tahun 2014 tentang Pemerintahan Daerah

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

