

THE ROLE OF TIMELINESS IN PROVIDING AUDIT OPINIONS OF LOCAL GOVERNMENT FINANCIAL REPORT

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Abstrak

Opini audit atas laporan keuangan pemerintah daerah (LKPD) merupakan pendapat profesional Badan Pemeriksa Keuangan (BPK) sebagai bentuk apresiasi atas kualitas laporan pertanggungjawaban yang disampaikan oleh pemerintah daerah atas pelaksanaan APBD. Penelitian ini membahas tentang pengaruh standar akuntansi pemerintahan, sistem pengendalian intern, rekomendasi tindak lanjut, ketepatan waktu, dan opini audit terhadap laporan keuangan pemerintah daerah (LKPD). Penelitian ini merupakan penelitian kuantitatif dengan data sekunder. Subjek penelitiannya adalah pemerintah kabupaten di Jawa Tengah dan Daerah Istimewa Yogyakarta. Sampel terdiri dari 50 laporan keuangan pemerintah kabupaten tahun anggaran 2018 dan 2019 yang dipilih melalui metode purposive sampling. Analisis data dilakukan dengan regresi berganda dan regresi moderasi selisih mutlak.

Hasil penelitian menunjukkan bahwa standar akuntansi pemerintah dan sistem pengendalian internal berpengaruh pada opini audit. Sedangkan tindak lanjut rekomendasi tidak berpengaruh pada opini audit. Hasil pengujian moderasi menghasilkan ketepatan waktu mampu memoderasi pengaruh standar akuntansi pemerintah dan sistem pengendalian internal pada opini audit. Namun ketepatan waktu tidak mampu memoderasi pengaruh tindak lanjut rekomendasi terhadap opini audit. Kontribusi dari penelitian ini yaitu adanya peningkatan dan bahan evaluasi pada pemerintah daerah pada pelaporan keuangan sesuai dengan standar akuntansi pemerintah daerah yang berlaku dan juga sesuai dengan skedul yang ditentukan atau timeliness dengan adanya sistem pengendalian internal yang efektif dan hasil tindak lanjut rekomendasi yang baik memberikan pengaruh terhadap opini audit.

Kata kunci: Standar akuntansi pemerintah, sistem pengendalian internal, tindak lanjut rekomendasi, opini audit, ketepatan waktu

JEL Code: M41, M42, H83

Abstract

The audit opinion on local government financial report is a professional opinion of The Audit Board of the Republic of Indonesia (BPK) as a form of appreciation for the quality of the accountability report presented by the regional government regarding the implementation of the Local Government Budget (APBD). This study discusses the influence of government accounting standards, internal control systems, follow-up recommendations, timeliness, and audit opinion of local government financial report (LKPD). This research is quantitative research with secondary data. The research subjects are local governments in Central Java and the Special Region of Yogyakarta. The sample consisted of 50 local government financial report for the 2018 and 2019 fiscal years, which were selected using a purposive sampling method. Data analysis and processing were performed using multiple regression and moderated regression with absolute difference.

The results showed that government accounting standards and internal control systems had an effect on audit opinions. Meanwhile, the follow-up of the recommendations has no effect on the audit opinion. The results of the moderation test resulted in timeliness being able to moderate the influence of government accounting standards and internal control systems on audit opinions. However, timeliness is not able to moderate the effect of follow-up recommendations on audit opinions. The contribution of this research is the improvement and evaluation materials in local governments on financial reporting in accordance with applicable local government accounting standards and also in

accordance with the specified schedule or timeliness with the existence of an effective internal control system and the results of good follow-up recommendations that influence audit opinions.

Keywords: government accounting standards, internal control system, follow-up recommendations, audit opinion, timeliness

JEL Code: M41, M42, H83

INTRODUCTION

The Audit Board of the Republic of Indonesia (*Badan Pemeriksa Keuangan/BPK*) considers that the local government financial report (*Laporan Keuangan Pemerintah Daerah/LKPD*) in Indonesia for the 2018 and 2019 fiscal years have experienced an increase in quality. This assessment was based on an examination that showed an increase in the number of LKPDs that received an unqualified opinion. The opinion is BPK's professional statement as an audit conclusion regarding the fairness of the information in financial reports ([Safitri & Darsono, 2015](#)). Based on an overview of the audit results, LKPDs that received an unqualified opinion was 82% for the 2018 FY and increased to 90% in the 2019 FY. This achievement exceeded the regional financial performance targets set in the 2015-2019 RPKMN ([BPK RI, 2020](#)).

In contrast, several LKPD have experienced a decrease in the quality of opinions. There were 15 LKPD in the 2018 FY and 5 LKPD in the 2019 FY, which experienced a decrease in opinion. Many factors can influence the giving of an audit opinion. According to information from BPK's audit results, many accounts still need to comply with government accounting standards, especially regarding recognizing assets and expenditures. The BPK said this was a common reason why LKPD did not get a reasonable opinion ([Pamungkas, Ibtida, & Afrian, 2018](#)). [King, Setiyawati & Mappanyuki \(2019\)](#) and [Cilya, Rantelangi & Kusumawardani \(2017\)](#) concluded that Government Auditing Standards affect opinion. Meanwhile, [Suryanih, Setiyawati & Mappayuki \(2021\)](#) concluded that GAS did not affect opinion.

The BPK found 5,858 cases of internal control problems in the 2018 FY and 6,160 cases in the 2019 FY. These findings could cause a decrease in the quality of the audit opinion obtained (IHPS BPK RI, 2020). [Fitriana, Anugerah & Fitrios \(2020\)](#) and [Rosadi, Siyanto & Aisyiah \(2017\)](#) revealed that internal control system weaknesses harmed audit opinion. Meanwhile, [Pamungkas et al. \(2018\)](#) concluded that the findings of internal control weaknesses did not affect audit opinion.

The BPK stated in the IHPS that the implementation of follow-up recommendations was one of the reasons for increasing the quality of opinion in Indonesia. [Hamidayanti & Wardani \(2018\)](#) concluded that the number of recommendations made by local governments affected the decrease or increase in opinion gains. [Amyulianthy, Anto & Budi \(2020\)](#) revealed that the audit opinion is getting worse the more recommendations the local government does not carry out. Meanwhile, [Nusa & Muslihah \(2021\)](#) and [Chadegani & Farsani \(2019\)](#) reveal that follow-up recommendations tend not to affect audit opinion.

Financial reports are considered quality if they meet the elements of qualitative characteristics ([Yuliani, 2017](#)). One of the elements is relevance, which can be achieved by timely financial reporting. In this regard, [Sutaryo, Naviantia & Muhtar \(2020\)](#) revealed that the timeliness of financial reporting positively interacts with the quality of financial reports, which increases the possibility of obtaining a better audit opinion. The Head of the BPK RI representative for North Sumatra stated that local governments that are late in submitting financial reports would certainly not receive an unqualified opinion ([Neli, 2019](#)). The demand for compliance with the timely submission of financial reports in Indonesia is contained in Article 56, paragraph 3 of Law No. 1 2004 concerning the State Treasury - LKPD must be submitted to BPK three months after the end of the fiscal year. Based on these reasons, timeliness is added as a moderating variable in this research.

The high quality of financial report as a basis for taking an opinion is reflected in the consistent application of government accounting standards (GAS). The timeliness of financial reporting brings perceptions that increase confidence in the quality by guaranteeing the relevant elements of the information it contains ([Sutaryo et al., 2020](#)). Timeliness can moderate the effect of government accounting standards on audit opinions. An adequate internal control system indicates the reliability of a financial report. Timely presentation of information can increase the reliability of information ([Dhonal, Rahayu & Yudi, 2018](#)). Timeliness can moderate the effect of the internal control system on the audit opinion. Follow-up recommendations aim to achieve financial report accountability by correcting existing mistakes. The main focus of financial report accountability is to ensure accuracy and timely ([BPKAD, 2017](#)). In other words, timeliness can be a sign of the accountability of a financial report. Therefore, timeliness can moderate the effect of follow-up recommendations on audit opinion.

Research by [Rosadi et al \(2017\)](#) concluded that the longer the financial reports are submitted, the worse the opinion obtained. [Ikriyati & Aprila \(2019\)](#) revealed that the application of regional SAPs will realize the timeliness of presentation of financial reports. According to [Noviani & Hendarsyah \(2020\)](#), SPI that is not implemented properly slows down financial reporting. Meanwhile, [Renwarin & Sumtaky \(2019\)](#) stated that the internal control system had no effect on timeliness.

The objects of this study are government accounting standards, internal control systems, follow-up recommendations, timeliness, and audit opinions. Research locations in district governments in Central Java and the Special Region of Yogyakarta. The area was chosen because it is considered the area closest to the ideal model for the implementation of transparent and accountable local government. In addition to having excellent opinion quality achievements, many other achievements have also been obtained. In the 2018 FY, 96% of LKPDs in Central Java and DIY succeeded in obtaining an unqualified opinion and increased to 100% in the 2019 FY. Sleman Regency, Bantul Regency, and Kulonprogo Regency received an A from the results of an evaluation of the government agency work accountability system ([BPK RI, 2019](#)). While data from Central Java Provincial Inspectorate for year 2019 showed that Banyumas Regency, Cilacap Regency, and Wonogiri Regency received BB grades. In addition, information from [Public Communications Team for Dinkominfo Pekalongan City \(2020\)](#) informed that there are 15 district governments in Central Java received awards for obtaining unqualified opinions for five consecutive years.

This strengthens the reasons for choosing district LKPDs in Central Java and DIY for the 2018 and 2019 Fiscal Years as research subjects because it is hoped that the results of this research can provide information for other regional governments so that they can emulate the strategies of district governments in Central Java and the Special Region of Yogyakarta in order to achieve and or maintain a favorable opinion. The contribution of this study is that there is an increase and evaluation material for local governments in financial reporting in accordance with applicable local government accounting standards and also in accordance with the specified schedule or timeliness with an effective internal control system and good follow-up recommendations that have an impact on audit opinion.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

The agency theory put forward by [Jensen & Meckling \(1976\)](#) is a theory that discusses the relationship of the transfer of authority between two parties, where the party giving the authority is called the principal, and the party receiving the authority is called the agent. The relationship between agents and principals has the potential to cause two problems, namely, moral hazard, problems that arise as a result of not carrying out the things that have been agreed upon in the contract by the agent, and adverse selection, namely problems that arise due to the principal not knowing the background of the agent's decision, whether the decision is based on consideration of

the information it has or whether it occurs because agents are negligent in their duties ([Amyulianthy et al., 2020](#)).

In this study, the local government is the agent, and the community is the principal. One of the assumptions stated in agency theory is that the two parties (agent and principal) often have different goals, which can lead to conflict. In addition, there is a lot of information asymmetry between principals and agents ([Karno & Alliyah, 2021](#)). That is a situation where one party has more information than the other party. Agents, namely local governments, are superior in mastering information, so they have the possibility of misappropriation. Therefore, the government must be able to increase public transparency and accountability ([Wardani & Andriyani, 2017](#)). With accountability, the information received by the community becomes more balanced.

Government Accounting Standards and Audit Opinion

According to agency theory, the application of government accounting standards (GAS) can minimize information asymmetry that occurs between principals and agents (Amani, 2018). Government accounting standards help agents maximize their role in carrying out the mandate of the principal. [Cilya et al. \(2017\)](#) concluded that the application of GAS has a positive influence on the auditor's opinion because the financial report prepared according to the GAS are considered to be accountable, so they will have a good effect on the audit opinion. [King et al. \(2019\)](#) concluded that the application of government accounting standards would produce quality financial report so that they can get a good opinion. The application of government accounting standards aims to improve the quality of financial report by minimizing misstatements so as to increase the possibility of obtaining a better opinion. Hence it can be concluded that government accounting standards have an effect on audit opinion.

H1: Government accounting standards affect audit opinion.

Internal Control System and Audit Opinion

Agency theory assumes that society, as the principal wants local governments as agents to design and implement an effective internal control system in accordance with applicable regulations ([Kusumawati & Ratmono, 2017](#)). An inadequate internal control system indicates that agents are negligent in carrying out their duties, and this will cause adverse selection problems. [Yaqin & Jatmiko \(2018\)](#) revealed that the better the existing SPI, the better the quality of financial reports. [Fitriana et al. \(2020\)](#) concluded that the many findings of weaknesses in the internal control system have a negative effect on audit opinion. [Rosadi et al. \(2017\)](#) concluded that the decreasing change in audit opinion is the cause of the weaker existing internal controls. Weak internal control will lead to audit findings; the more findings, the less the reliability of financial reports. Apart from that, the truth and accuracy of documents and data will also be doubted; this will reduce the possibility of getting a good opinion. Hence it can be concluded that the internal control system influences the audit opinion.

H2: Internal control systems affect audit opinion

Follow-up Recommendations and Audit Opinion

Based on agency theory, the local government, as the agent, is responsible for following up on recommendations from the inspection results ([Amyulianthy et al., 2020](#)). [Hamidayanti & Wardani \(2018\)](#) revealed a decrease or increase in the acquisition of local government audit opinions depending on the number of follow-ups carried out. According to [Amyulianthy et al. \(2020\)](#), the audit opinion is getting worse the more recommendations the local government does not carry out because the financial reports are considered to still contain errors. Follow-up recommendations aim to avoid finding repeated problems so as to improve the quality of financial reports and have high hopes for obtaining a better audit opinion. The more recommendations are implemented, the better the opinions obtained. Therefore, the second hypothesis of this research states is:

H3: follow-up recommendations affect audit opinion

Timeliness, Government Accounting Standards, and Audit Opinion

Financial reports are a means of communicating information between agents and principals, according to [Pratama \(2013\)](#). The problem of information asymmetry in agency relations can be minimized by applying government accounting standards and timely financial reporting. Timeliness moderation research on the effect of SAP on audit opinion has never been done; therefore, research using timeliness as the dependent variable is used. [Ikriyati & Aprila, \(2019\)](#) revealed that SAP is able to realize the timeliness of the presentation of financial reports and make the information in financial reports reliable and usable as one of the criteria for giving an opinion, the application of government accounting standards reflects the quality of a financial report. One of the qualitative characteristics is relevance, and timeliness brings perceptions that increase confidence in the quality of the financial reports presented by ensuring the relevance of the information therein. Therefore, it can be concluded that timeliness is able to moderate the influence of government accounting standards on audit opinions.

H4: Timeliness moderates the effect of government accounting standards on audit opinion

Timeliness, Internal Control Systems, and Audit Opinion

According to [Kusumawati & Ratmono \(2017\)](#), principals demand agents to carry out their work in accordance with applicable regulations. Therefore, principals must strive to submit financial reports on time as stipulated in Law Number 71 of 2012, which can be achieved through the design of an effective internal control system. There has been no research on timeliness moderation on the effect of internal control systems on audit opinion. Therefore, research is used that uses timeliness as the dependent variable. [Noviani & Hendarsyah \(2020\)](#) revealed that an internal control system has an effect on the timeliness of financial reporting. The internal control system will create an effective and efficient performance so that local governments are able to submit financial reports in a timely manner. An internal control system is intended to provide reasonable assurance of the reliability of the data or documents presented. [Dhonal et al. \(2018\)](#) revealed that timeliness could increase the reliability of the information. Timely submission of financial reports will assist the internal control system in assuring the reliability of a financial report, thereby increasing the opportunity to obtain a good quality opinion.

H5: Timeliness moderates the effect of internal control system on audit opinion.

Timeliness, Follow-up Recommendations, and Audit Opinion

Agency theory assumes that moral hazard problems arise due to the non-implementation of things that have been mutually agreed upon by agents ([Kusumawati & Ratmono, 2017](#)). The local government, as the agent, is responsible for following up on recommendations. Communities, as principals, demand local governments to present accountable financial reports to minimize information asymmetry. Research regarding the moderation of timeliness on the effect of follow-up recommendations on audit results has not been found. The results of testing this hypothesis will become new findings in research on audit opinions. The purpose of following up on recommendations is to increase the accountability of financial reports by preventing repeated findings of errors. One of the main focuses of accountability is timeliness. Therefore, timeliness is able to moderate the effect of follow-up recommendations on audit opinion because it reflects the accountability of financial reports, thereby increasing the possibility of obtaining a better audit opinion.

H6: Timeliness moderates the effect of follow-up recommendations on audit opinion.

RESEARCH METHOD

Sample

This research uses a quantitative approach with descriptive methods. Purposive sampling was used as a sample selection technique. The criteria for this research sample include: (1) district LKPDs in Central Java and DIY have a list of accounts subject to BPK corrections, (2) there are findings of internal control systems weaknesses, (3) there is information on follow-up recommendations, and (4) there is date information the submission of its financial reports is owned by BPK and or accessible for the public.

There are 29 LKPDs in Central Java and 4 LKPDs in DIY in each fiscal year; hence the population is 66 LKPD. A total of 14 LKPD had to be removed from the sample list because they did not provide data, did not publish, and/or the data could not be accessed, so they could not be used as research samples. In addition, there are 2 data with extreme residual values that need to be removed from the sample list because it is feared that this will disrupt the normality of the data and result in the invalidity of the regression results. Detection of outlier data in this study uses the explore menu in SPSS descriptive statistics to obtain a list of variables that have extreme residual values. Therefore, the final sample size is 50 district LKPD in Central Java and DIY.

Variables Measurement

The measurement of BPK's audit opinion refers to research by [Amyulianthy et al. \(2020\)](#), which uses scoring on alternative audit opinions provided by BPK on local government LKPDs. WTP (unqualified opinion) score = 4, WDP (qualified opinion) = 3, TMP (disclaimer of opinion) = 2, TW (adverse opinion) = 1. Because the resulting data is ordinal data, ordinal data must be transformed into intervals to meet the requirements of the statistical regression procedure ([Sarwono, 2013](#)). This research used the Successive Interval Method (MSI) with Microsoft Excel by adding the STAT97 add-ins.

To measure Government Accounting Standards variable, this study uses natural logarithm (Ln) of the total accounts subject to correction by the BPK ([Cilya et al., 2017](#)), as well as for internal control variable, natural logarithm (Ln) of the total findings of problems with internal control system weaknesses is used. This measurement is an application of the audit findings measurement method used in research ([Amyulianthy et al., 2020](#)). Follow-up on recommendations is measured by comparing the number of recommendations followed up with the total recommendations given by BPK ([Rahayu & Fidiana, 2018](#)). The measurement of timeliness is based on Article 56, paragraph 3 of Law No. 1 of 2004 concerning the State Treasury, that LKPD is submitted to BPK no later than three months after the end of the fiscal year or until the end of March. Timeliness is measured by a dummy variable, with a value of 1 for financial reports that are submitted on time and 0 for those that are submitted over the specified time limit ([Saputra & Ariani, 2018](#)).

Hypothesis Testing

Multiple Regression Analysis

Multiple regression analysis test which functions to test the effect of more than one independent variable on one dependent variable ([Ghozali, 2016](#)).

$$\text{OPINION} = \alpha + \beta_1\text{GAS} + \beta_2\text{ICS} + \beta_3\text{FUR} + e \dots\dots\dots (1)$$

Where: OPINION refers to audit opinion; GAS refers to Government Accounting Standards; ICS refers to Internal Control Systems; and FUR refers to Follow-up Recommendations.

Moderated Regression with Absolute Difference Analysis

Moderating variable regression model with an absolute difference method was carried out by regressing the absolute difference between the standardized independent variables and the

hypothesized variable as the standardized moderating variable. If the difference is significant, it can be concluded that the variable hypothesized as a moderating variable actually moderates the relationship between the independent variable and the dependent variable ([Suliyanto, 2018](#)).

$$\text{OPINION} = \alpha + \beta_1 \text{GAS} + \beta_2 \text{ZICS} + \beta_3 \text{ZFUR} + \beta_4 \text{ZTIME} + \beta_5 |\text{ZGAS-ZTIME}| + \beta_6 |\text{ZICS-ZTIME}| + \beta_7 |\text{ZFUR-ZTIME}| + e \dots\dots\dots (2)$$

Where: TIME refers to timeliness

RESULT AND DISCUSSION

As seen from table 1, the significance value of Government Accounting Standards is 0.001, which is less than (α) = 0.05 so that H1 is accepted; the significance value of the Internal Control System is 0.005 less than (α) = 0.05 so that H2 is accepted; while the significance value of Follow-Up Recommendations is 0.447 greater than (α) = 0.05 so that H3 is rejected.

Table 1. Multiple Regression Test

| No | Description | Value | | |
|----|---------------|-------------|--------|-------|
| 1 | Model Summary | | | |
| | R | 0,501 | | |
| | R Square | 0,251 | | |
| | ANOVA | | | |
| | F | 5,138 | | |
| | Sig | 0,004 | | |
| | | Coefficient | t | Sig |
| 2 | Coefficient | | | |
| | constant | 4,365 | 15,121 | |
| | GAS | -0,449 | -3,531 | 0,001 |
| | ICS | -0,305 | -2,930 | 0,005 |
| | FUR | 0,150 | 0,767 | 0,447 |

Source: author's processed data

Table 2. Moderated Regression with Absolute Difference Test

| No | Description | Value | | |
|----|---------------|-------------|--------|-------|
| 1 | Model Summary | | | |
| | R | 0,918 | | |
| | R Square | 0,843 | | |
| | ANOVA | | | |
| 2 | F | 32,233 | | |
| | Sig | 0,000 | | |
| | | Coefficient | t | Sig |
| 3 | Coefficient | | | |
| | Constant | 1,374 | 3,821 | |
| | GAS | -0,119 | -4,299 | 0,000 |
| | ICS | -0,626 | -7,471 | 0,000 |
| | FUR | -0,024 | -0,934 | 0,356 |
| | TIME | 0,426 | 6,197 | 0,000 |
| | GAS*TIME | -0,168 | -4,909 | 0,000 |
| | ICS*TIME | 1,254 | 6,488 | 0,000 |
| | FUR*TIME | -0,060 | -1,576 | 0,123 |

Source: author's processed data

In table 2, timeliness as a moderating variable is included in the quasi-moderate category, which means that timeliness can strengthen/weaken the influence of Government Accounting Standards, Internal Control Systems, and Follow-Up Recommendations on Audit Opinions of Local Government Financial Report and also timeliness as an independent variable with significant influence on the Audit Opinion of Regional Government Financial Report.

As seen from table 2: the significance value of timeliness moderates Government Accounting Standards by 0.000, which is less than $(\alpha) = 0.05$, so H4 is accepted. The significance value of timeliness moderates the Internal Control System by 0.000, which is less than $(\alpha) = 0.05$; hence H5 is accepted. The significance value of timeliness moderates Follow-Up Recommendations of 0.123 greater than $(\alpha) = 0.05$; therefore, H6 is rejected.

The results of the first hypothesis test show that government accounting standards have a negative effect on local government financial report audit opinions. Agency theory holds that the application of government accounting standards can reduce the possibility of information asymmetry that occurs between principals and agents. Government accounting standards that are applied consistently help agents to maximize their role in carrying out the mandate of the principal. This results are in line with [King et al. \(2019\)](#), [Ikriyati & Aprila, \(2019\)](#), and [Cilya et al. \(2017\)](#), who concluded that government accounting standards have an effect on audit opinion Financial reports prepared according to GAS are considered accountable, this affects the audit opinion to be achieved. However, the results of this test are not in line with [Suryanah et al. \(2021\)](#), who concluded that government accounting standards do not affect audit opinion.

Government accounting standards are a reference for preparing financial report that are useful for improving the quality of financial report by minimizing the discovery of misstatements during the inspection process, thereby increasing the possibility of obtaining a better opinion. Therefore in this study, the application of government accounting standards shows a negative effect on audit opinion. [Suryanah et al. \(2021\)](#) revealed that if the government accounting standards that have been prepared are not applied consistently in the preparation of financial reports, then the preparation of financial reports is no longer in line with government accounting standards so that it can have a negative influence on opinion. Therefore, financial reports that do not refer to government accounting standards are considered less accountable.

The results of the second hypothesis test show that the internal control system has a negative effect on the audit opinion of local government financial reports. In agency theory, it is explained that the principal wants the agent to design and implement effective controls in accordance with applicable regulations. Effective control aims to ensure that principals obtain adequate assurance that organizational goals will be achieved by carrying out effective and efficient activities. An inadequate internal control system indicates that the agent is negligent in his duties.

These results are in line with the research by [Fitriana et al. \(2020\)](#), [Rosadi et al. \(2017\)](#), and [Widodo & Sudarno \(2017\)](#), which concluded that the internal control system affects audit opinion. The number of findings of internal control system weaknesses has a negative effect on audit opinion. However, this study's results differ from [Pamungkas et al. \(2018\)](#) and [Alfiani et al. \(2017\)](#), stating that an internal control system does not affect audit opinion. The number of findings of internal control system weaknesses measures the internal control system in this study. Research on LKPDs in Central Java and DIY concluded that the findings of weaknesses in the internal control system would worsen the quality of the opinions achieved. The finding of weaknesses in the internal control system can signal the unreliability of a financial report. The more the findings of internal control system weaknesses, the lower the reliability of financial reports, and the result is a poor opinion.

The results of the third hypothesis show that follow-up recommendations have no significant effect on the audit opinion of local government financial report. According to agency theory, the local government, as the agent, is responsible for carrying out a follow-up on audit recommendations to build principals' trust that the agent acts according to the agreement. These results align with the research by [Nusa & Muslihah \(2021\)](#) and [Chadegani & Farsani \(2019\)](#), revealing that follow-up recommendations tend to be independent of audit opinion. Moreover, these results differ from

[Hamidayanti & Wardani \(2018\)](#) and [Amyulianthy et al. \(2020\)](#), which reveal that follow-up recommendations affect audit opinion.

Research on LKPDs in Central Java and DIY concluded that follow-up recommendations did not affect audit opinions. This condition happens because opinions are not just conclusions regarding follow-up recommendations but conclusions about the overall fairness of the presentation of financial statements. Follow-up recommendations can increase the possibility of obtaining a better opinion by minimizing the existence of repeated error findings. However, in the end, the determination of the audit opinion still depends on the materiality factor, namely the extent to which the recommendation can influence the situation. According to this research, local governments with low follow-up recommendations (13%) could obtain an unqualified opinion. Therefore, it was concluded that the follow-up recommendations did not significantly affect the audit opinion.

The results of the fourth hypothesis show that timeliness moderates the negative effect of government accounting standards on the audit opinion of local government financial report. Agency theory considers the application of government accounting standards and financial reporting in a timely manner to minimize the occurrence of information asymmetry in the relationship between agents and principals. The test results using the absolute difference moderation regression model conclude that timeliness is able to moderate the effect of implementing government accounting standards on audit opinion.

No previous research has used timeliness as a moderator of the effect of implementing government accounting standards on audit opinions. [Sutaryo et al. \(2020\)](#) suggested that timeliness has a positive relationship with the quality of financial reporting, which increases the possibility of obtaining a better audit opinion. [Ikriyati & Aprila, \(2019\)](#) revealed that GAS could realize the timeliness of the presentation of financial reports and make financial information reliable and usable.

Research on LKPDs in Central Java and the Special Region of Yogyakarta concluded that timeliness moderates the effect of government accounting standards on audit opinions. Government accounting standards can be used as a reflection of the quality of a financial report. In this regard, timely financial reporting can also be a sign of the quality of financial reporting information by guaranteeing the achievement of one of the elements of the qualitative characteristics of financial reports, namely relevance. So timeliness can moderate government accounting standards in influencing audit opinion by bringing perceptions that increase confidence about the quality of reports.

The results of hypothesis testing five show that timeliness moderates the positive effect of internal control systems on audit opinion of local government financial report. According to the view of agency theory, the principal demands the agent to do his job following existing regulations. Therefore, the principal must submit reports under the rules within the submission deadline, which can be achieved if the internal control system is designed effectively. From the test results with the analysis of moderation of absolute differences, it is concluded that timeliness can moderate the influence of the internal control system on audit opinion.

There has been no previous research using timeliness as a moderation of the influence of the internal control system on audit opinion. [Noviani & Hendarsyah \(2020\)](#) revealed that a weak internal control system impacts the timeliness of financial reporting because it cannot create effective and efficient local government performance. Research on district LKPDs in Central Java and the Special Region of Yogyakarta concluded that timeliness moderates the effect of the internal control system on audit opinions. The internal control system is closely related to the reliability of financial report, which will ultimately affect the audit opinion. Presenting timely information increases the reliability of that information. It was concluded that timeliness could moderate the influence of the internal control system on audit opinion by supporting perceptions of the reliability of the information presented in financial statements.

The test results of hypothesis 6 show that timeliness does not moderate the effect of follow-up recommendations on audit opinions of local government financial report. Agency theory assumes that if the agent's responsibility is not carried out to follow up on recommendations and the agent's

failure to submit financial reports on time will lead to moral hazard problems and information inequality. There has been no research on timeliness moderation on the effect of follow-up recommendations on audit opinions. The results of this test align with the phenomena in the research sample. There is evidence that LKPDs with low follow-up rates but submit financial reports promptly get unqualified opinions. On the other hand, LKPDs with a high level of recommendation completion but submitting accountability reports beyond the stipulated time also got an unqualified opinion. Whether late or not, the submission of financial report does not moderate the effect of follow-up recommendations on audit opinion. This condition can happen because, in actual circumstances, local governments that get many recommendations from the inspection process will need more time to follow up on all of their recommendations.

CONCLUSION AND SUGGESTIONS

Government accounting standards and internal control systems have an effect on audit opinion. The large number of accounts corrected by the BPK indicates that government accounting standards have not been applied consistently and maximally, thereby reducing the possibility of obtaining a favorable opinion. The many findings of internal control system weaknesses reduce the reliability of financial reports and result in a worse audit opinion that will be received. Follow-up recommendations have no effect on audit opinion. The opinion is not a conclusion regarding the follow-up of recommendations only, depending on the level of the materiality of the recommendation in influencing the situation.

Timeliness is able to moderate the effect of government accounting standards on audit opinion. Timeliness brings perceptions that increase confidence in the reliability of a financial report by ensuring the relevance of the information therein. Timeliness is able to moderate the influence of the internal control system on the audit opinion. Timeliness can increase confidence in the reliability of financial reporting information which is the objective of the internal control system. Timeliness does not moderate the effect of follow-up recommendations on the audit opinion. Research on district LKPDs in Central Java and DIY shows that whether or not LKPDs are submitted on time does not moderate the effect of follow-up recommendations on opinions.

The limitation of this study is that the audit opinion in the study population consisted of unqualified opinions and qualified opinions, so it is not representative of the audit opinion as a whole. Apart from that, this research is also only based on secondary data sources, so the data processed is limited because it is only based on data that is published/accessible to the public. Future researchers are expected to add other variables except for the variables that have been studied, for example, the level of disclosure of financial report, the level of independence, etc. Further research is also can replace the proxies for measuring government accounting standard variables so that the resulting direction of influence is in line with what is formulated. Besides that, expanding the research sample by adding research periods or areas is also very insightful so that research results more representative of the actual conditions.

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