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The Impact of Monitoring Follow-Up on Regional Budget Recommendations and Realization on Regional Government Audit Opinions in West Kalimantan 2021-2024

Ridho Prayoga[1], Elok Heniwati[2]

[1]Student, Department of Accounting, Tanjungpura University.
[2]Lecturer, Department of Accounting, Tanjungpura University.

Abstract

This study aims to examine the effect of Follow-Up Monitoring of Audit Recommendations and Regional Budget Expenditure Realization (RBER) on the Audit Opinion of Local Governments. This study employs a quantitative approach with explanatory research design, examining 14 districts and cities in West Kalimantan Province from 2021 to 2024, resulting in 56 observation units via purposive sampling. Binary logistic regression was used for data analysis on IBM SPSS Statistics. The results indicate that both and RBER, partially and simultaneously, have no significant effect on the Local Government Audit Opinion. The Nagelkerke R Square of 0.250 indicates that both variables explain only 25% of audit opinion variation. The insignificance is attributed to the homogeneity and achievements among entities in West Kalimantan. These findings imply that unqualified audit opinions are primarily determined by the quality of financial statement presentation and compliance with government accounting standards.

Keywords: Opinion, Monitoring, Budget, Logistic Regression.

INTRODUCTION

Accountability and transparency in state financial management are fundamental principles for achieving good governance. In this regard, transparency and accountability are two key pillars that must be implemented to ensure proper and efficient state financial management. Public demand for accountability and transparency from state administrators is increasing. Both play a crucial role in enhancing public trust in the government and state institutions (Natision et al., 2025). Within local governments in

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Indonesia, these two principles are realized through the preparation of Regional Government Financial Reports, subsequently examined by the highest auditing body of Indonesia, known as BPK RI. As well the highest external auditing institution, is responsible for assessing the accuracy of financial reports, identifying weaknesses in internal control systems, and verifying compliance with applicable laws and regulations. The BPK audit findings are outlined in the Audit Result Report (LHP) and summarized every six months in the Semester Audit Result Summary (IHPS).

The Indonesian Supreme Audit Agency (BPK RI) has representatives in each province to audit the regional and provincial government financial statements (LKPD). This representative role is crucial to promote transparency and minimize bias in local government opinion and performance (Rasyid et al., 2022). One example is the BPK Representative Office for West Kalimantan Province, located on Jalan A. Yani, Pontianak. The BPK West Kalimantan is tasked with auditing the LKPD of all regional government entities in West Kalimantan Province, which includes one provincial government and 14 district and city governments, including the regencies of Sambas, Bengkayang, Landak, Mempawah, Sanggau, Ketapang, Sintang, Kapuas Hulu, Sekadau, Melawi, Kayong Utara, Kubu Raya, as well as the cities of Pontianak and Singkawang.

One of the strategic instruments used by the Supreme Audit Agency (BPK) to encourage improvements in regional financial governance is a mechanism for monitoring the follow-up of audit recommendations. Each finding outlined in the Audit Report (LHP) is accompanied by recommendations for improvement that must be followed up by the audited entity within a specified timeframe. Regional governments' compliance with these recommendations is not merely administrative but a direct reflection of their commitment to continuous improvement in regional financial management. The West Kalimantan BPK consistently monitors the progress of follow-up actions from all entities within its jurisdiction. A low completion rate could potentially indicate a weak bureaucratic response to audit findings, which could ultimately impact the BPK's audit opinion (Hawari & Sari, 2023). Based on Law Number 15 of 2004 concerning the Audit of State Financial Management and Accountability, regional governments are required to provide a response or explanation to the BPK for each recommendation no later than 60 days after receiving the audit report. However, in reality, not all recommendations were successfully completed completely and on time, so that the accumulation of recommendations that have not been followed up from year

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to year reflects structural problems in financial governance that directly have implications for the audit opinion issued by the BPK on the local government financial statement.

Furthermore, aspects of follow-up to recommendations and the realization of regional budget expenditures are also important variables closely related to the audit opinion on the Regional Financial Report. Suboptimal budget absorption or spending implementation that deviates from regulations can be early signals of problems in regional financial accountability. Regional governments that are able to implement their budgets accurately, on target, and responsibly tend to produce more reliable financial reports. Conversely, discrepancies between budget plans and realization without adequate documentation can open up loopholes in the BPK's findings regarding adherence to lega standards and guidelines may influence the stance provided on the local goverment financial statements.

This study still addresses the gaps in the previous study (Wijaya et al., 2022), with an updated research integrating the variables of Follow-up Recommendation Monitoring (X1), Regional Budget Realization (X2), and Audit Opinion (Y) into a single research model focused on West Kalimantan province. With its vast territory and diverse district and city characteristics, challenges remain in regional financial management, as indicated by repeated findings by the West Kalimantan Supreme Audit Agency (BPK).

THEORITICAL BASIS

Agency Theory

This research is based on agency theory developed by Jensen and Meckling (1976) as cited in (Subroto et al., 2024) as the main foundation in explaining the relationship between the variables studied. In the context of local government, agency theory describes the relationship between the principal consisting of community and legislature with agents such as the executive/local government) where the agent is given the mandate to manage public resources accountably and transparently (Watts & Zimmerman, 1983). This agency relationship is vulnerable to the problem of information inequality, when conditions where the agent has greater access to information than the principal, thus potentially causing two economic problems that arise due to information asymmetry according to (Jensen and Meckling, 1976) as cited in (Subroto et al., 2024).

Stewardship Theory

According to additional theory, stewardship theory strengthens agency theory. This study also uses stewardship theory developed by Davis, Schoorman, and

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Donaldson (1997) as cited in (Subroto et al., 2024). This theory implies that government managers (stewards) are not solely motivated by personal interests, but rather by a shared drive to manage state resources responsibly for the public interest. This demonstrates that government officials act as stewards, directly responsible to the public for sound regional financial management.

Audit Opinion on Local Goverment

An audit opinion is an auditor's professional statement regarding the fairness of the presentation of an entity's financial statements based on generally accepted accounting principles and established audit standards. In the context of regional government financial audits by the Indonesian Supreme Audit Agency (BPK RI), opinions are given on Regional Government Financial Reports (LKPD) and are classified into four categories based on Law Number 15 of 2004 Article 16 paragraph (1), namely: Unqualified Opinion (WTP), Qualified Opinion (WDP), No Opinion (TMP), and Unqualified Opinion (TW). A WTP opinion indicates a condition in which the financial statements of a regional government entity have been prepared fairly in all material respects, in accordance with applicable Government Accounting Standards (SAP), this becoming the highest indicator quality of regional financial accountability (DeAngelo, 1981). The provision of a WTP opinion is not merely administrative in nature, but is an independent confirmation that the regional government has managed and accounted for its finances accountably, thus becoming an important benchmark for the public, legislature, and other stakeholders in assessing the integrity of regional financial management.

From an empirical perspective, research by Lustrilanang et al. (2023) found that high-quality audits contribute to the financial resilience of public sector organizations by improving information quality. This finding strengthens the argument that the audit opinion issued by the Supreme Audit Agency (BPK) is not simply a formal assessment but rather a reflection of a rigorous audit process, which in turn drives sustainable improvements in local government financial governance and accountability.

Follow-up Monitoring of Examination Result Recomendations

Monitoring the follow-up on audit recommendations a key strategic task for the Indonesian Supreme Audit Agency functions (BPK RI), ensuring that every recommendation contained in the Audit Report (LHP) is actually implemented by the audited entity. This process is explicitly regulated in Law Number 15 of 2004 concerning

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Audit of State Financial Management and Accountability, which requires audited officials to provide a response or explanation to the BPK for each recommendation no later than 60 days after the LHP is received. Audit Board of the Republic of Indonesia recommendations themselves are classified based on their follow-up status, namely: in accordance with the recommendation, not in accordance with the recommendation, not yet followed up, and cannot be followed up for valid reasons. The percentage of completion of follow-up recommendations is a quantitative indicator that reflects the level of responsiveness and commitment of local governments to improving financial governance.

Empirically, according to Tian et al. (2025), companies that repeatedly disclose internal control weaknesses face multiple consequences in the form of increased audit costs, delayed report issuance, and decreased financial reporting quality. This comparison is relevant in the context of local governments in Indonesia, where the consistent failure to follow up on BPK recommendations reflects a structural inability to address the same weaknesses and becomes a factor that can cumulatively worsen the quality of the LKPD and potentially lower the audit opinion obtained.

In the follow-up monitoring practices conducted by the West Kalimantan Audit Board (BPK), the percentage of recommendation completion is calculated based on the comparison between the number of recommendations that have been followed up and the total recommendations submitted to the entity since the first audit period. A higher PTLR percentage reflects the regional government's commitment to responding to and resolving the problems identified by the BPK. Conversely, a low PTLR indicates that various weaknesses in regional financial management have the potential to recur, which in turn increases the risk of the auditor issuing an opinion other than WTP on the entity's LKPD (Regional Financial Statements) (Hawari & Sari, 2023).

H1: Follow-up Monitoring of Recommendations Influences Regional Goverment Audit Opinions

Realization of Regional Budget Expenditure

Regional Budget Realization is a concrete illustration of the implementation of the Regional Budget in a fiscal year, reflecting the ability of regional governments to absorb and account for budget use effectively, efficiently, and accountably. The level of regional budget realization is measured based on expenditure realization data Sourced Directorate General Fiscal Balance, Ministry Finance of the Republic Indonesia. Realization ratio calculated by comparing total regional expenditure to the total regional

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expenditure budget stipulated in the APBD. The high or low level of budget realization can reflect the extent to which regional financial governance is running according to plan, which ultimately affects quality of regional financial accountability and the audit opinion provided by the Supreme Audit Agency (Arini et al., 2025).

H2: Realization of Regional Expenditure Budget Influences Regional Government Audit Opinion

Conceptual Framework

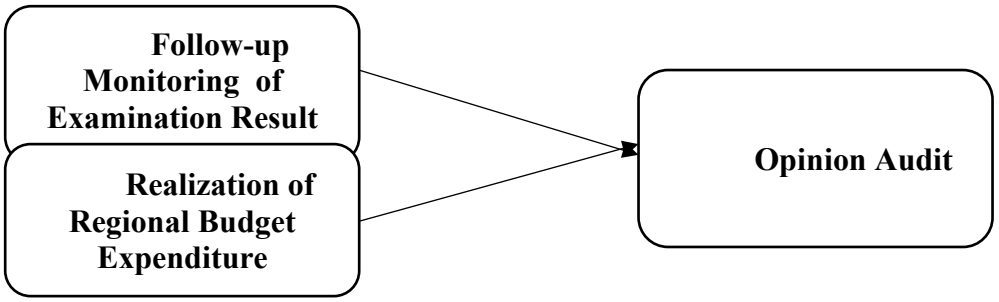


Figure 1. Conceptual Framework

METHOD

This study employs a quantitative approach with an explanatory research design, which aims to explain and test the causal relationship between research variables (Sugiyono, 2013). This approach was chosen because this study specifically examines the effect of Recommendation Follow-Up Monitoring (X1) and Regional Budget Realization (X2) on Audit Opinion (Y). The statistical analysis used is Binary Logistic Regression on IBM SPSS Analysis to test this analysis model processed from research (Heniwati & Angga, 2024).

Population and Sample

The population of this study is all district and city governments in West Kalimantan Province, totaling 14. The study period covers the 2021-2024 fiscal year, so the total study population is 14 entities x 4 years = 56 observation units. The sampling technique uses purposive sampling with the following criteria: (1) Regional governments whose Regional Government Financial Reports have been audited by the Indonesian Audit Board (BPK RI) and contain information regarding the Audit Opinion in the Semester I IHPS document for the 2021-2024 period; (2) Regional governments in the performance

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report at the West Kalimantan BPK for the 2021-2024 period; (3) Through the Ministry of Finance's DJPK regarding budget data for 2021-2024 regional expenditures of 14 districts and cities in West Kalimantan.

Variable Measurement

Opinion Audit (Y)

The variables are measured using the following variable assessments: WTP = 1, WDP = 0, TMP = 0, and TW = 0. This measurement is the same as the research by Skousen et al. (2009) which uses audit opinion as the main indicator in assessing the quality of local government financial accountability.

Follow-up Monitoring of Examination Result Recomendations (X1)

It is used as a measure of the level of compliance in governance, measured using the official Percentage of Follow-Up Monitoring of Audit Result Recommendations from the Performance Report of the BPK Representative Office of West Kalimantan Province. This measurement aligns with the approach that uses performance achievements as a proxy for the quality of government agency accountability (Tian et al., 2025).

Realization of Regional Budget Expenditure (X2)

Measured using regional expenditure realization data sourced Directorate General Fiscal Balance, Ministry Finance of the Republic Indonesia for 14 regencies and cities in West Kalimantan Province for the 2021-2024 period. This variable is measured using the budget realization ratio, which is the comparison between total regional expenditure realization and the total regional expenditure budget stipulated in the Regional Budget. This ratio reflects the level of regional government budget absorption in one fiscal year, where a higher or lower realization ratio can indicate the effectiveness and accountability of regional financial management, which directly affects the quality of financial accountability and the audit opinion of the Regional Financial Report (Arini et al., 2025).

Hypothesis testing using Binary Logistic Regression Analysis with the following regression equation model:

$$\text{logit}(p) = \ln(p/(1-p)) = B0 + B1X1 + B2X2$$

Information:

Y = Opinion Audit

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X1 = Follow-up monitoring of examination result recomendations
X2 = Realization of regional budget expenditure
P = Probability of WTP opinion (value 1)
1 – p = Probability of opinion other than WTP (value 0)
B = Constant

RESULT AND DISCUSSION

Descriptive Statistical Analysis

The results of the descriptive statistical tests are intended to make them easier to understand and the analysis results are presented in table 1.

Table 1. Descriptive Statistics

Variables	N	Min	Max	Mean	Std. Dev.
Opinion	56	0		,96	,187
Follow-up Monitoring	56	60,75	86,75	74,0488	5,82676
Realization of Regional Budget	56	87,63	113,76	97,8991	5,43703

Based on Table 1, the Audit Opinion (Y) variable, measured using a dummy variable, has a minimum value of 0 (Non-WTP), and an average value (mean) for the opinion variable of 0.96 with a standard deviation of 0.187. Conversely, the Follow-up Recommendation Monitoring variable has a minimum value of 60.75% and a maximum value of 86.75%. The average value (mean) is 74.0488% with a standard deviation of 5.82676. Finally, the Regional Budget Realization variable shows a minimum value of 87.63% and a maximum value of 113.76%. The average value (mean) is 97.8991% with a standard deviation of 5.43703.

Table 2. Hosmer and Lemeshow Test

Step	Chi-Square	Df	Sig.
1	1,294	7	,989

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Based on Table 2, the obtained Sig. value was 0.989 (>0.05). This result indicates that the logistic regression model is feasible because there is no significant difference between the predicted classification and that observed in the field data.

Table 3. Model Summary

Step	-2 Log likelihood	Cox & Snell RSquare	Nagelkerke R Square
1	13,416	0,66	,250

Based on Table 3, the Nagelkerke R Square value of 0.250 shows that the variation in the Audit Opinion variable (Y) can be explained by the variables of Follow-up Recommendation Monitoring (X1) and Regional Budget Realization (X2) by 25%, while the remaining 75% is explained by other variables outside this model.

Table 4. Omnibus Test of Model Coefficients

Step 1	Chi-Square	df	Sig.
Step	3,840	2	,147
Block	3,840	2	,147
Model	3,840	2	,147

Based on Table 4, The Omnibus Test shows a Sig. value of 0.147 (>0.05). This indicates that simultaneously, Monitoring of Follow-up Recommendations (X1) and Realization of Regional Expenditure Budget (X2) do not have a significant influence on the WTP Audit Opinion.

Table 5. Variables in the Equation

Variable	B	Wald	Sig.	Exp (B)	Remark
Follow-up Monitoring	,267	,405	,121	,306	Not Significant
Realization of Regional Budget	-,169	,738	,390	,845	Not Significant
Constant	1,363	,005	,942	3,907	-

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Based on Table 5, significance value of 0.121 (>0.05) was obtained for the Follow-Up Monitoring (LK) variable, proving that, partially, follow-up monitoring has no significant effect on obtaining an Audit Opinion. B value of 0.267, although not significant, is positive, indicating that each increase in follow-up mathematically tends to increase the chance of obtaining an Unqualified Opinion (WTP). Exp (B) value, or Odds Ratio, of 0.306, indicates that regions with higher levels of follow-up are 1.3 times more likely to achieve an Unqualified Opinion. Meanwhile, the Regional Budget Realization variable yielded a significance value of 0.390 (>0.05), indicating that, partially, regional budget realization also has no significant effect on Audit Opinions in Regional Governments. B value of -0.169 indicates that the higher the spending realization, the lower the chance of obtaining a WTP (in accordance with the logic of the risk of misstatement when setting the budget) and Exp (B) value of 0.845 could decrease below 1 because it is negative.

CONCLUSION

Based on the result of study examined the effect of Follow-Up Monitoring of Audit Recommendations (X1) and Regional Budget Expenditure Realization (X2) on the Audit Opinion of local governments in West Kalimantan Province for the 2021–2024 period. Based on binary logistic regression analysis on 56 observation units from 14 districts and cities, the results show that partially, Follow-Up Monitoring of Recommendations has no significant effect on Audit Opinion (Sig. 0.121 > 0.05), and Regional Budget Expenditure Realization also has no significant effect on Audit Opinion (Sig. 0.390 > 0.05). Simultaneously, both variables also do not have a significant effect on Audit Opinion, as indicated by the Omnibus Test Sig. value of 0.147 (> 0.05). The Nagelkerke R Square value of 0.250 indicates that both variables together explain only 25% of the variation in audit opinion, while the remaining 75% is determined by other factors outside this model. The insignificant results are primarily attributed to the high level of homogeneity among local government entities in West Kalimantan, where the majority (96%) consistently achieved Unqualified Opinions (WTP) throughout the study period, limiting the statistical variation needed to detect significant effects. These findings suggest that unqualified audit opinions in West Kalimantan are predominantly determined by the quality of financial statement presentation and compliance with Government Accounting Standards (SAP), rather than by the level of recommendation follow-up completion or budget expenditure realization. Future research is recommended to incorporate additional variables such as the quality of the internal

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control system, human resource competence, and the use of regional financial management information systems, as well as to expand the scope of research to cover other provinces in Indonesia to obtain more generalizable findings.

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