

The Influence Of Audit Findings, Follow-Up On Audit Recommendations, And Budget Realization Effectiveness On Audit Opinions On Financial Reports Of City/Regency Governments In East Nusa Tenggara Province

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Abstract

This research is motivated by the persistent recurring audit findings, incomplete follow-up of audit recommendations, and variations in budget realization effectiveness in local governments in East Nusa Tenggara Province. This study aims to analyze the influence of audit findings, follow-up of audit recommendations, and budget realization effectiveness on audit opinions on Regional Government Financial Reports (LKPD). The study uses a quantitative approach with an explanatory research method. The study population includes 22 district and city governments in East Nusa Tenggara Province using a saturated sampling technique, resulting in 88 panel data observations for the period 2020 to 2023. Secondary data were obtained through literature and documentation studies of LHP, LKPD, LRA, and IHPD, then analyzed using binary logistic regression with the help of SPSS. The results show that audit findings, follow-up of audit recommendations, and budget realization effectiveness do not significantly influence audit opinions, either partially or simultaneously. The Nagelkerke R Square value of 0.081 indicates that the three variables are only able to explain 8.1% of the variation in audit opinions. This study concludes that local government audit opinions are influenced by broader factors than the three variables tested, so it is necessary to strengthen the quality of regional financial management and reporting as a whole.

Keywords:Audit Findings, Audit Opinion, Budget Realization Effectiveness, Local Government Financial Statements, Follow-Up Audit Recommendations.



INTRODUCTION

The regional government has the responsibility to manage the Regional Revenue and Expenditure Budget (APBD) in an orderly manner, in compliance with laws and regulations, efficiently, economically, effectively, transparently, and oriented towards justice and propriety as a form of good governance. This form of accountability is realized through the preparation of the Regional Government Financial Report (LKPD) which is then audited by the Supreme Audit Agency (BPK) as an external auditor before being submitted to the DPRD as the basis for establishing regional regulations regarding accountability for the implementation of the APBD (PP No. 58 of 2005). In carrying out the audit, the BPK is guided by the State Financial Audit Standards stipulated through the Supreme Audit Agency Regulation Number 1 of 2007 with reference to the Generally Accepted Government Auditing Standards (GAGAS) of 2003 (BPK RI, 2017). The audit results in the form of audit opinions, audit findings, conclusions, and recommendations are presented in the Audit Result Report (LHP) as regulated in Article 16 of Law Number 15 of 2004, thus becoming an important instrument in assessing the quality of regional government financial management.

The phenomenon of regional government financial management in East Nusa Tenggara Province shows that the problems uncovered by the Supreme Audit Agency (BPK) continue to recur. Based on the Regional Audit Result Summary (IHPD), in 2020 there were 318 findings with 491 issues worth Rp23.22 billion, increasing to 357 findings with 563 issues worth Rp17.36 billion in 2021, then soaring to 464 findings with 920 issues worth Rp65.70 billion in 2022, and in 2023 there were 368 findings with 569 issues worth Rp73.01 billion. Furthermore, the follow-up to audit recommendations as of Semester II of 2024 had reached 76.52 percent, exceeding the BPK's national target of 75.00 percent. However, some regional governments have not yet met the target for completing recommendations, requiring a stronger commitment to addressing financial management weaknesses, improving control systems, and strengthening regional government accountability.

The research problem is reflected in the recurring audit findings and the suboptimal completion of all recommendations from the BPK audit results. Recommendations that have not been fully followed up primarily relate to the return of overpayments of expenditure, deposit of revenue shortfalls into regional treasuries, improvement of regulations and standard operating procedures, arrangement of fixed assets, and strengthening of control and supervision. Although follow-up on recommendations has resulted in the transfer of assets and deposit of funds into state, regional, and corporate treasuries amounting to Rp472.63 billion, there are still 3.99 percent of recommendations that have not been followed up, 19.07 percent are not in accordance, and 0.43 percent cannot be followed up. This condition indicates that the

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effectiveness of follow-up on audit recommendations still needs to be improved in an effort to improve the quality of regional financial management and support the acquisition of better audit opinions.

Furthermore, the effectiveness of regional government budget realization in East Nusa Tenggara Province continues to show variation across regions. Average revenue target achievement and expenditure realization decreased from 2020 to 2021, while in 2022 and 2023, there were differences in the realization of revenue, expenditure, transfers, and SiLPA across districts and cities. This heterogeneity indicates that budget realization effectiveness is uneven due to differences in fiscal capacity, human resource quality, internal control systems, and the geographical conditions of the archipelago. This variation has the potential to impact the quality of financial management and the reliability of financial reports, which are among the considerations of the Supreme Audit Agency (BPK) in issuing audit opinions on the Regional Financial Reports (LKPD) (BPK RI, 2024). Although in 2022 and 2023, all district and city governments in NTT Province received an Unqualified Opinion (WTP), in previous years, some local governments received an Unqualified Opinion (WDP) due to issues with budgeting, asset administration, cash management, BOS funds, and accountability for grants and social assistance. This condition shows that the increase in audit opinion does not fully reflect the elimination of weaknesses in regional financial management.

Previous research also showed inconsistent findings. Salsabila and Wahyudi (2022) concluded that audit findings had no significant relationship, while audit recommendations and local government size had a significant relationship with audit opinions. Wahyuni et al. (2023) stated that audit findings had no partial effect, while follow-up on audit recommendations had a positive effect on audit opinions. Valentina (2022) found that SPI findings had no effect on audit opinions, compliance findings had a negative and significant effect, while follow-up on audit recommendations and settlement of regional losses had no effect. Kamilah et al. (2024) stated that the internal control system had no significant effect on the BPK audit opinion, while compliance with legislation and follow-up on audit recommendations had significant effects. Meanwhile, Junianti (2021) stated that completion of follow-up on findings had an effect on audit opinions. These differences in research results indicate that the relationship between audit findings, follow-up on audit recommendations, budget realization effectiveness, and audit opinions still requires further testing in the context of local governments in East Nusa Tenggara Province.

Based on these conditions, this study aims to analyze the influence of audit findings, follow-up audit recommendations, and the effectiveness of budget realization on audit opinions on the Financial Statements of City/Regency Governments in East Nusa Tenggara Province, both partially and simultaneously. This study is important to conduct



because there are still recurring audit findings, recommendations from audit results that have not been fully followed up, and the effectiveness of budget realization that still varies between local governments, thus potentially affecting the quality of audit opinions. The novelty of this study lies in the development of previous research by adding the variable of budget realization effectiveness and using research objects in 22 city and district governments in East Nusa Tenggara Province so that it is expected to be able to provide more comprehensive empirical evidence regarding the factors that influence audit opinions on LKPD.

RESEARCH METHODS

This study uses a quantitative approach with an explanatory research method. Quantitative research was chosen because it can test hypotheses through measurable data collection and statistical analysis to explain the relationships between research variables (Sugiyono, 2023). The explanatory approach is used to empirically demonstrate the influence of audit findings, follow-up to audit recommendations, and the effectiveness of budget realization on the audit opinion on the Regional Government Financial Reports (LKPD) of cities/regencies in East Nusa Tenggara Province based on the theoretical framework and hypotheses that have been formulated (Sugiyono, 2023). With this approach, this study seeks to provide an objective picture of the causal relationship between the independent and dependent variables.

The research instrument used secondary data obtained through library research and documentation techniques. The research data consisted of the Audit Result Report (LHP) on the Regional Government Financial Report (LKPD), the Regional Government Financial Report (LKPD), the Budget Realization Report (LRA), and the Summary of Regional Audit Results (IHPD). All data were sourced from the official website of the Supreme Audit Agency (BPK) of the East Nusa Tenggara Province Representative Office and the official websites of each city/district government in East Nusa Tenggara Province (Abubakar, 2021; Sekaran and Bougie, 2016). The dependent variable, audit opinion, was measured using a dummy variable: an Unqualified Opinion (WTP) was coded 1, while opinions other than WTP were coded 0 (Rahmi and Ariani, 2020). Independent variables include audit findings measured by the proportion of audit findings to the total budget (Rahmi and Ariani, 2020), follow-up of audit recommendations measured by the percentage of recommendations that have been followed up according to the recommendations to the total recommendations received (Kamilah et al., 2024), and the effectiveness of budget realization measured by comparing budget realization with the planned budget (Taruni and Diatmika, 2025). The data obtained were then tabulated and analyzed using the SPSS program with the binary logistic regression method.



The study population comprised all 22 district and city governments in East Nusa Tenggara Province (Sugiyono, 2023). Saturated sampling was used as the sampling technique, as all members of the population were included in the study (Sugiyono, 2023). The unit of analysis used panel data, a combination of cross-sectional data from 22 local governments and time series data from 2020 to 2023, resulting in 88 observations. The use of panel data was intended to increase the number of observations and illustrate variations in local government financial conditions during each study period.

The research procedure begins with data collection through literature review and documentation of all documents related to the research variables (Purwono, 2005; Sugiyono, 2017). Furthermore, data tabulation and descriptive statistical analysis are carried out to describe the characteristics of each research variable. The next stage is testing the logistic regression model which includes a model feasibility test using the Hosmer and Lemeshow Test (Hosmer et al., 2013), model evaluation through the -2 Log Likelihood value, testing the coefficient of determination using Pseudo R-Square consisting of Cox and Snell R Square and Nagelkerke R Square (Ghozali, 2018), and a classification accuracy test (Classification Table) to assess the model's ability to classify audit opinions (Field, 2013). Hypothesis testing is carried out using binary logistic regression analysis by interpreting the regression coefficient value, significance, and odds ratio (Exp(B)) in the Variables in the Equation table (Hair et al., 2014). Furthermore, the partial influence of each independent variable was tested using the Wald Test (Ghozali, 2018), while the simultaneous influence of all independent variables on audit opinion was tested using the Omnibus Test of Model Coefficients with a significance level of 0.05.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Standard Deviation
Audit Findings	88	.0	1.43	.1560	.2267
Follow-up on Audit Recommendations	88	.0	100	39.5865	25.3309
Budget Realization Effectiveness	88	89.48	102.08	96.6343	2.4451
Audit Opinion	88	0	1	.94	.233

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Source: SPSS Processing Results (2026)

Descriptive statistics are used to describe the data in the study by looking at the mean, maximum, minimum, and standard deviation values of the dependent variable of audit opinion and the independent variables of audit findings, follow-up to audit recommendations, and the effectiveness of budget realization from 22 cities/regencies in NTT Province. The total number of data used is 88 observations and all data can be analyzed because there is no missing data (Missing Value). Based on the results of descriptive statistics in table 4.2, the mean, minimum, maximum, and standard deviation values are obtained as follows:

1. Audit Findings (X1)

Audit findings have a minimum value of 0.00 in several local governments, one of which is Kupang City in 2020, a maximum value of 1.43 in Kupang Regency in 2022. The mean value is 0.1560, and the standard deviation is 0.2267. The low mean value indicates that in general the level of audit findings that have an impact on financial losses for City/Regency governments in NTT Province is relatively low during the study period.

The low financial impact of audit findings is due to increased compliance of City/District governments in NTT Province in financial management, internal control systems, and supervision, as well as follow-up efforts on audit recommendations in previous years so as to minimize the potential for audit findings that could be detrimental to the region.

The standard deviation value of 0.2267, which is greater than the mean, indicates that the magnitude of financial losses due to audit findings varies across local governments in NTT Province. Some local governments still have relatively high losses, while most others have low losses or even no findings that impact regional finances.

2. Follow-up on Audit Recommendations (X2)

The minimum value for follow-up audit recommendations was 0.0 in several cities/regencies, including Rote Ndao Regency in 2021, due to inadequate follow-up recommendations. The maximum value was 100.00 in Lembata Regency in 2021, as all follow-up actions were in accordance with the recommendations received. The mean value for follow-up audit recommendations in cities/regencies in NTT Province during the 2020-2023 period was 39.5865, with a standard deviation of 25.3309.

The mean value indicates that the level of follow-up on audit recommendations in city/district governments in NTT Province has only reached 39.59%. The Supreme Audit Agency (BPK) recommendations have not been fully followed up. The standard

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deviation indicates that the level of completion of audit recommendations varies across regions in NTT Province. Differences are caused by human resources, internal controls, and the complexity of audit recommendation resolution.

3. Budget Realization Effectiveness (X3)

The effectiveness of budget realization has a minimum value of 89.48, namely in Ende Regency in 2022. This value is due to the failure to achieve targets for several revenue components, one of which is local revenue (PAD), which was only realized at 88.60% of the set target. The maximum value of 102.08% was obtained by Rote Ndao Regency in 2020. This high value is due to the high realization of PAD of 126.07% and transfer revenue of 101.27% so that the regional revenue target was successfully exceeded.

The mean value of 96.6343 indicates that the level of effectiveness of budget realization in City/Regency governments in NTT Province is effective because the average realization of regional revenue has approached the set target. The standard deviation value is smaller than the mean value, which is 2.4451, indicating that the level of effectiveness of budget realization among City/Regency governments in NTT Province is relatively homogeneous.

4. Audit Opinion (Y)

The audit opinion has a minimum value of 0, a maximum value of 1, a mean value of 0.94, and a standard deviation value of 0.233. A mean value close to 1 indicates that most of the city/district governments in NTT Province during the study period obtained an unqualified opinion. A small standard deviation value indicates that the audit opinions obtained by governments in NTT Province are homogeneous because they are dominated by unqualified opinions.

A total of 88 observations in the study, only 83 observations (94.3%) received a WTP opinion, while 5 observations (5.7%) received a non-WTP opinion, consisting of West Sumba Regency in 2020, Kupang Regency in 2020-2021, East Flores Regency in 2020, and Southwest Sumba Regency in 2020. All of these regencies received a fair audit opinion with exceptions (WDP).

This condition shows that most of the city/district governments in NTT Province have been able to compile and present LKPD in accordance with the established rules and standards and have fulfilled the criteria set by the BPK to obtain a WTP opinion.

Goodness of Fit Test

The model feasibility test in logistic regression was carried out using the Hosmer and Lemeshow Test to assess whether the model built was in accordance with the research data.



Table 2. Results of the Hosmer and Lemeshow Test

Hosmer and Lemeshow Test			
Step	Chi-square	Df	Sig.
1	13,280	8	.103

Source:SPSS Processing Results (2026)

Based on Table 2, a significance value of 0.103 was obtained. This value is greater than the 0.05 significance level, so H0 can be accepted. The logistic regression model in this study is suitable for use in the analysis because no significant differences were found between the values predicted by the model and the observed values.

The model built using audit findings variables, follow-up audit recommendations, and budget realization effectiveness in accordance with research data so that the influence of the independent variables of audit findings, follow-up audit recommendations, and budget management effectiveness on the dependent variable of audit opinion of the City/District government in NTT Province can be tested.

Logistic Regression Model Evaluation (-2 Log Likelihood)

Table 3. Iteration History Results

Iteration History a, b, c			
Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	45,340	1,773
	2	38,937	2,485
	3	38,398	2,768
	4	38,389	2,809
	5	38,389	2,809
a. Constant is included in the model.			
b. Initial -2 Log likelihood: 38.389			
c. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.			

Source:SPSS Processing Results (2026)

Table 4. Model Summary Results

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	35,818 ^a	.029	.081



a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Source:SPSS Processing Results (2026)

Based on table 3. and table 4. the -2 Log likelihood value in Block 0 (Beginning Block) of the model without independent variables is 38.389 while the -2 Log likelihood value in Block 1 after entering the independent variables of audit findings, follow-up of audit recommendations, and effectiveness of budget realization decreases to 35.818.

The decrease in the value indicates that the model built with the independent variables of audit findings, follow-up on audit recommendations, and budget realization effectiveness has a better ability to predict the dependent variable of audit opinion. A smaller -2 log likelihood value means the model built in the study is better at explaining the relationship between the independent and dependent variables.

The small decrease in the -2 Log likelihood value, namely only 2.571, indicates that the addition of independent variables only provides a limited increase in the model's predictive ability.

Coefficient of Determination Test (Pseudo R-Square)

The results in Table 4.5 show a Nagelkerke R Square value of 0.081. In accordance with the analysis method used, the coefficient of determination is seen based on the Nagelkerke R Square value. This value indicates that the independent variables of audit findings, follow-up to audit recommendations, and budget realization effectiveness are able to explain variations in audit opinions in City/Regency governments in NTT Province by 8.1%. 91.9% of the variation in audit opinions is explained by other variables outside the research model developed.

Classification Accuracy Test (Classification Table)

Table 5. Classification Table Results

<i>Classification Table^{a, b}</i>					
<i>Observed</i>			<i>Predicted</i>		
			Audit Opinion		<i>Percentage Correct</i>
			Non-WTP Opinion	WTP Opinion	
Step 0	Audit Opinion	Non-WTP (0)	0	5	.0
		WTP (1)	0	83	100.0
	<i>Overall Percentage</i>				94.3

a. Constant is included in the model

b. The cut value is 500

Source:SPSS Processing Results (2026)

Based on table 5, the model built in the study has an Overall Percentage of 94.3%. These results indicate that the logistic regression model built using the independent variables of audit findings, follow-up of audit recommendations, and effectiveness of budget realization is able to classify the dependent variable of audit opinion with an accuracy level of 94.3%.

The model successfully classified all 83 observations of local governments receiving a WTP opinion with 100% accuracy. The model failed to correctly identify 5 observations of regions receiving a non-WTP opinion, resulting in a classification accuracy of 0%. These results indicate that the model is more likely to predict all observations as WTP.

The 94.3% accuracy value still requires careful interpretation due to the skewed distribution of the research data. This condition results in the model achieving a high level of accuracy despite its inability to identify non-WTP categories effectively.

Binary Logistic Regression Analysis

Table 6. Results of Logistic Regression Analysis Test

<i>Variables in the Equation</i>							
		B	SE	Wald	Df	Sig.	Exp(B)
Step 1a	Audit Findings	.535	3,364	.025	1	.874	1,708
	TLRA	.007	.021	.129	1	.720	1,007
	Budget Realization Effectiveness	-.315	.219	2,067	1	.151	.730
	Constant	33,162	21,508	2,377	1	.123	252445061771732.840
a. Variable(s) entered on step 1: Audit Findings, Follow-up on Audit Recommendations, Effectiveness of Budget Realization.							

Source:SPSS Processing Results (2026)

Based on table 6. output of the results of the binary logistic regression analysis, the following logistic regression equation is obtained:

$$\ln\left(\frac{p}{1-p}\right) = 33,162 + 0,535TA + 0,007TLRA - 0,315ERA + e$$



This logistic regression equation shows that the Audit Findings (X1) and Follow-up on Audit Recommendations (X2) variables have positive regression coefficients, while the Budget Realization Effectiveness (X3) variable has a negative regression coefficient on the audit opinion on the City/Regency LKPD in NTT Province. The regression coefficient value explains the direction of the relationship of each independent variable to the dependent variable, Audit Opinion.

This study uses a dummy variable for audit opinion with a value of 1 for WTP opinion and 0 for non-WTP opinion so that the logistic regression description refers to the probability of an audit opinion category with a value of 1. The explanation of each regression coefficient is as follows:

1. The constant value (α) of 33.162 means the log odds value of the City/Regency government in NTT Province obtaining an audit opinion when the independent variables of audit findings, follow-up to audit recommendations, and effectiveness of budget realization are held constant. The constant value describes the baseline condition of the model in the study before being influenced by the independent variables.
2. The regression coefficient of Audit Findings (X1) is 0.535, meaning that every one-level increase in the Audit Findings variable will increase the log odds value of the City/Regency government in NTT Province in obtaining an audit opinion, assuming other variables remain constant. Changes in Audit Findings have a directional relationship with the opportunity to obtain an audit opinion because the coefficient value is positive.
3. The regression coefficient of Audit Recommendation Follow-up (X2) is 0.007, meaning that every one-level increase in Audit Recommendation Follow-up will increase the log odds value of the City/Regency government in NTT Province in obtaining an audit opinion by 0.007, assuming that other variables remain constant or changes in Audit Recommendation Follow-up are analyzed without any changes in other independent variables. A small coefficient value means that changes in the Audit Recommendation Follow-up variable contribute to lower changes in log odds compared to other independent variables.
4. The Regression Coefficient of Budget Realization Effectiveness (X3) of -0.315 means that every one level increase in Budget Realization Effectiveness decreases the log odds value of the City/Regency government in NTT Province in obtaining an audit opinion by 0.315 with the same assumption that other variables remain constant. A negative coefficient value means that the Budget Realization Effectiveness variable has an opposite direction of relationship to the opportunity to obtain an audit opinion.



Partial Test (Wald Test)

The Wald test was conducted in this study to determine the influence of the independent variables of audit findings, follow-up on audit recommendations, and budget realization effectiveness on the dependent variable of audit opinion partially. The test was conducted by comparing the significance values with a significance level of 0.05. A significance value smaller than 0.05 indicates that the research hypothesis is accepted; otherwise, a significance value greater than 0.05 indicates that the research hypothesis is rejected. Based on the partial test results (Wald test) in Table 6, it can be concluded that:

1. The audit findings variable has a coefficient value of 0.535, a Wald value of 0.025, and a significance value of 0.874. This significance value is greater than 0.05, so H1 is rejected. The results of this test conclude that audit findings do not significantly influence the audit opinion on the City/Regency LKPD in NTT Province. The regression coefficient has a positive direction, but this relationship is not supported by statistics, so it cannot be stated as having a significant effect.
2. The audit recommendation follow-up variable obtained a regression coefficient value of 0.007, a Wald value of 0.129, and a significance value of 0.720. The significance value of the audit recommendation follow-up variable is greater than 0.05. A greater value means H2 is rejected so that the audit recommendation follow-up does not have a significant effect on the audit opinion on the City/Regency LKPD in NTT Province.
3. The budget realization effectiveness variable has a regression coefficient value of -0.315, a Wald value of 2.067, and a significance value of 0.151. The significance value of the budget realization effectiveness variable is greater than the significance level of 0.05. These results provide the conclusion that H3 is rejected so that the effectiveness of budget realization does not have a significant effect on the audit opinion on the City/Regency LKPD in NTT Province.

Simultaneous Test (Omnibus Tests of Model Coefficients)**Table 7. Results of Omnibus Tests of Model Coefficients**

<i>Omnibus Tests of Model Coefficients</i>				
		<i>Chi-square</i>	<i>Df</i>	<i>Sig.</i>
Step 1	Step	2,571	3	.463
	Block	2,571	3	.463
	Model	2,571	3	.463

Source: SPSS Processing Results (2026)

Based on Table 7, the results of the Omnibus Tests of Model Coefficients obtained a Chi-square value of 2.571 with a degree of freedom (Df) of 3 and a significance value

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of 0.463. The significance value in the simultaneous test is greater than the significance level of 0.05. These results lead to the rejection of H4, so that audit findings, follow-up to audit recommendations, and the effectiveness of budget realization simultaneously do not affect the audit opinion on the City/Regency LKPD in NTT Province.

The addition of independent variables of audit findings, follow-up of audit recommendations, and effectiveness of budget realization to the logistic regression model built in the study has not been able to significantly increase the model's ability to explain variations in audit opinions compared to the model without independent variables.

DISCUSSION OF RESEARCH RESULTS

The Impact of Audit Findings on Audit Opinion

The results of the binary logistic regression test of the audit findings variable produced a regression coefficient value of 0.535 and a significance value of 0.874. The significance value is greater than the significance level of 0.05. The first hypothesis (H1) that audit findings influence audit opinions on City/Regency LKPD in NTT Province is rejected. The direction of the relationship between the audit findings variable and the audit opinion variable is positive as seen from the regression coefficient value. The unidirectional relationship is not significant so that the results of the audit findings test cannot be proven to influence the chances of City/Regency governments in NTT Province obtaining audit opinions.

The study found that the magnitude of audit findings that resulted in financial losses for cities/regencies in NTT Province did not directly impact the issuance of an audit opinion by the Supreme Audit Agency (BPK). Kupang Regency in 2022 had the highest audit finding value during the study period, amounting to Rp16,251,102,892.42, while Kupang City in 2020 had the lowest audit finding value with the lowest financial impact because the audit results did not reveal any audit findings that resulted in financial losses for the region. Both local governments, despite differences in the value of the findings, still received an unqualified opinion.

The opinions received by the NTT provincial government during the 2020-2023 study period were dominated by unqualified audit opinions. These results indicate that audit findings do not always influence the audit opinion received if the findings have not reached a material level, thus affecting the fairness of the overall presentation of the Regional Financial Report (LKPD). The local government continues to address weaknesses identified during the audit process by the Supreme Audit Agency (BPK).

The insignificant research results are also influenced by the measurement of audit findings variables, which are limited to the value of audit findings that impact regional financial losses. Audits by the Supreme Audit Agency (BPK) not only consider the magnitude of financial losses but also consider findings such as material misstatements,

weaknesses in internal control systems (SPI), disorderly administration, adequacy of disclosures, level of compliance with legislation, and the overall materiality of the presentation of the Regional Financial Report (LKPD). The indicators used in the research do not fully represent all aspects used by the BPK in providing an audit opinion.

Several local governments in NTT Province during the 2020-2023 research period did not have audit findings that resulted in financial losses. This situation limited the data variation of the audit findings variable. The presence of observations with a financial loss audit finding value of 0 also explains why the audit findings variable had no significant impact on the audit opinion.

The results of the study are in accordance with the audit opinion theory which explains that the provision of audit opinion by the BPK is not based only on the magnitude of the audit findings that cause financial losses to the City/Regency government in NTT Province but the provision of audit opinion must consider four main criteria, namely compliance with SAP, adequacy of information disclosure, compliance with statutory provisions, and the effectiveness of the internal control system (SPI).

Research results based on agency theory explain that audits are used as a means to reduce information asymmetry between the City/Regency governments in NTT Province acting as agents and the community as principals. Audit findings provide information that contains weaknesses in regional financial management, but the existing information does not always mean that the LKPD prepared and presented is unfair so it is not certain that it can influence the audit opinion given by the BPK.

The study's findings align with those of Salsabila and Wahyudi (2022), who stated that audit findings had no significant impact on audit opinions in local governments. Similar findings were also found by Wahyuni et al. (2023), who also found that audit findings partially had no impact on local government audit opinions on the City/Regency Financial Statements (LKPD) in North Sumatra Province. The similarity between these research findings means that the number and value of audit findings are among the various factors that determine audit opinions.

The Impact of Audit Recommendation Follow-Up on Audit Opinion

The results of the binary logistic regression test on the audit recommendation follow-up variable produced a regression coefficient value of 0.007 with a significance value of 0.720. The significance value of the audit recommendation follow-up variable is greater than the significance level of 0.05, meaning that the second hypothesis (H2) of the effect of audit recommendation follow-up on audit opinion on the City/Regency LKPD in NTT Province is rejected. The direction of the positive relationship between the audit recommendation follow-up variable and audit opinion means that the regression

coefficient value is positive. This relationship has not proven the influence of audit recommendation follow-up on audit opinion significantly so further testing is needed.

The level of follow-up on audit recommendations is not the only factor influencing the audit opinion on the City/Regency LKPD in NTT Province. During the 2020-2023 study period, most local governments received an unqualified opinion (WTP). The level of follow-up on audit recommendations varied across cities/regencies in NTT Province. In 2021, Lembata Regency achieved a 100.00% completion rate for recommendations, while Sikka Regency achieved a 0.00% completion rate for recommendations issued by the Supreme Audit Agency (BPK). Both regions had different levels of completion, but received the same unqualified audit opinion, namely an unqualified opinion.

Follow-up on audit recommendations is a form of commitment by city/district governments in NTT Province to correct the weaknesses found, but it does not always serve as a guideline for the BPK in issuing audit opinions. The research results are in accordance with agency theory, which explains that city/district governments in NTT Province, as agents, are obliged to follow up on recommendations provided by the BPK as a form of accountability to the community as principals.

The theory of follow-up on audit recommendations states that the higher the level of recommendation completion, the greater the local government's commitment to audit findings and to improving regional financial governance. The research results show that high levels of follow-up on audit recommendations received do not necessarily translate into changes in the audit opinion. Follow-up on audit recommendations better reflects a commitment to continuous improvement, while the audit opinion received remains determined based on an assessment of the fairness of the presentation of the Regional Financial Report (LKPD) during the study period.

The results of this study differ from those of Wahyuni et al. (2023), who stated that follow-up on audit recommendations influenced local government audit opinions on the City/Regency Financial Statements (LKPD) in North Sumatra Province. The differences in results are due to the characteristics of the research subjects, the research period, and the financial management conditions of each region.

The Influence of Budget Realization Effectiveness on Audit Opinion

The results of the binary logistic regression test of the budget realization effectiveness variable produced a regression coefficient value of -0.315 with a significance value of 0.151 and a significance value greater than the 0.05 significance level. A significance value greater than the significance level means that the third hypothesis (H3) of the influence of budget realization effectiveness on audit opinion on City/Regency LKPD in NTT Province is rejected. The regression coefficient of the budget realization effectiveness variable is in the opposite direction to the audit opinion. This

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relationship is not statistically significant so that the effectiveness of budget realization cannot be proven to influence the opportunities of City/Regency governments in NTT Province to obtain an audit opinion.

Budget effectiveness is not the sole determining factor in issuing an audit opinion on the City/Regency Financial Statements (LKPD) in NTT Province. During the 2020-2023 study period, most governments in NTT Province had budget effectiveness ranging from effective to very effective. Rote Ndao Regency had the highest budget effectiveness rate in 2020 at 102.08%, while Ende Regency had the lowest at 89.48%.

Based on agency theory, local governments as agents are responsible for managing public resources effectively and are able to account for them to the public as principals. Accountability is in the form of preparing reliable and trustworthy LKPD (Regional Government Accountability Report). The results of the study indicate that the effectiveness of budget realization does not significantly influence the audit opinion on the LKPD of cities/regencies in NTT Province. The success of local governments in realizing the budget effectively does not affect the level of fairness of the LKPD presentation which is assessed by the BPK in providing an audit opinion.

Budget effectiveness reflects the ability of local governments in NTT Province to achieve budget targets, while audit opinions are based on the fairness of the presentation of the LKPD. A local government with high budget effectiveness may not necessarily receive a better opinion if the BPK audit still finds weaknesses related to material misstatements, weaknesses in the SPI, and non-compliance with laws and regulations.

The Influence of Audit Findings, Follow-up on Audit Recommendations, and Budget Realization Effectiveness on Audit Opinions

The significance value of the Omnibus Test of Model Coefficients test results of 0.463 is greater than the significance level of 0.05. This high significance value means that the fourth hypothesis (H4) of the influence of audit findings, follow-up of audit recommendations, and effectiveness of budget realization on audit opinions on LKPD of Cities/Regencies in NTT Province is rejected. Based on the results of the study, although there are variations in the value of audit findings that have an impact on financial losses for the region, the level of completion of follow-up of audit recommendations, and the effectiveness of budget realization in each City/Regencies government in NTT Province, have not been accompanied by significant audit opinion results.

During the study period, most local governments in NTT Province received unqualified audit opinions. This indicates that audit opinions are influenced not only by the independent variables of audit findings, follow-up on audit recommendations, and budget effectiveness, but also by various other aspects assessed by the Supreme Audit Agency (BPK) in assessing the fairness of the presentation of the LKPD.



Based on agency theory, local governments act as agents and are accountable for managing their finances to the public as principal. Accountability is not measured solely by the magnitude of audit findings, the level of follow-up on audit recommendations, or the effectiveness of budget implementation. The independent variables in this study are indicators of regional financial management, but these three variables were unable to significantly explain the audit opinion.

The results of the study are in accordance with the audit opinion theory which explains that the provision of audit opinion by the BPK is not based only on the magnitude of the audit findings that cause financial losses to the City/Regency government in NTT Province but the provision of audit opinion must consider four main criteria, namely compliance with SAP, adequacy of information disclosure, compliance with statutory provisions, and the effectiveness of the internal control system (SPI). The audit opinion is the result of a comprehensive assessment and is not only determined by only a few indicators of regional financial management.

This result is supported by the Nagelkerke R square value of 0.081, which means that the independent variables of audit findings, follow-up on audit recommendations, and budget realization effectiveness are only able to explain 8.1% of the variance in audit opinions, while 91.9% is explained by other factors outside the research model. Future research is expected to add other, more relevant variables to be able to explain the variation in audit opinions more comprehensively.

The study's insignificant results were also due to the unbalanced distribution of the data. Of the 88 observations, 83 received a WTP opinion, while only 5 received a Non-WTP opinion. This limited variation in the dependent variable, potentially reducing the model's sensitivity in detecting the influence of the independent variables on the audit opinion.

CONCLUSION

This study shows that audit findings, follow-up of audit recommendations, and effectiveness of budget realization do not significantly influence audit opinions on the Regional Government Financial Reports (LKPD) of Cities/Regencies in East Nusa Tenggara Province, either partially or simultaneously. The results of the binary logistic regression test show that all independent variables have a significance value above 0.05, while the simultaneous test through the Omnibus Test of Model Coefficients also shows the model is not significant. The Nagelkerke R Square value of 0.081 indicates that the three variables are only able to explain 8.1% of the variation in audit opinions, while 91.9% is influenced by other factors outside the research model. These findings indicate that the issuance of audit opinions by the BPK is not only influenced by audit findings, the level of completion of recommendations, and the effectiveness of budget realization,

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but also considers other aspects such as compliance with Government Accounting Standards, adequacy of disclosure, compliance with laws and regulations, and the effectiveness of the internal control system.

This study has limitations in the use of three independent variables, a relatively limited number of observations of 88 panel data, and an unbalanced distribution of the dependent variable because most local governments received unqualified opinions. These conditions limit the model's ability to explain variations in audit opinions. Therefore, future research is recommended to add other variables related to audit opinions, expand the observation period and research area coverage, and use a larger number of observations to increase representativeness of data variations. Practically, the results of this study provide implications that local governments continue to improve the quality of financial management by strengthening internal control systems, increasing compliance with laws and regulations, improving the presentation of financial reports, and completing follow-up actions on audit recommendations on an ongoing basis to support the creation of accountability in regional financial management.

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