

FACTORS AFFECTING *BPK* AUDIT FINDINGS ON LOCAL GOVERNMENT FINANCIAL REPORTS IN WEST SULAWESI PROVINCE FOR THE PERIOD 2020 TO 2022

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ABSTRACT

The Supreme Audit Agency (BPK) is the only institution authorized to carry out the task of examining the management and financial responsibility of the state / region in accordance with applicable laws and regulations. Central / local governments are required to submit their financial reports to BPK for examination as a form of responsibility to the people, in this case represented by the House of Representatives (DPR) / Regional People's Representative Council (DPRD). This study aims to determine the factors that influence the number of BPK audit findings on the Internal Control System (SPI) and compliance with applicable laws and regulations. Factors that are examined for their influence in determining the number of BPK audit findings in this study are the size of local government, the level of local wealth, fixed asset procurement, and the complexity of local government. The data used is the Audit Report (LHP) on the examination of regional financial statements in West Sulawesi Province issued by BPK from 2020 to 2022.

Keywords: *Audit Findings; Audit Report; Financial Report Audit; Local Government Financial Report; BPK; Local Government*

INTRODUCTION

The issuance of Law No. 22 of 1999 concerning Regional Government, which was later amended to Law No. 32 of (2004) concerning Regional Government, was the beginning of changes in government administration from centralization to decentralization. Decentralization is the principle in the administration of government marked by the division of authority and the availability of adequate public space to interpret authority to lower government units or called local governments (Thubany, 2005). Local governments are given the authority to carry out local financial management, local development, and local services without any interference from the central government. However, local governments must be accountable for their authority to remain in accordance with existing laws and to create a good governance system (Mahmod, 2013).

In order to be accountable for the management of the region, each year the Regional Government is required to prepare a Regional Government Financial Report (LKPD) in accordance with Government Accounting Standards based on Government Regulation Number 71 of 2010 (2010). The LKPD must be submitted by the Regional Head to the Supreme Audit Agency (BPK) no later than 3 (three) months after the end of the fiscal year as mandated by Law Number 1 of (2004) concerning State Treasury. BPK as the external auditor of local governments in Indonesia conducts an examination of LKPD, and provides opinions and findings of the examination results on the fairness of information in the financial statements compiled in the Audit Report (LHP). According to Indra, Iskak, and Khaq (2022), the government external auditor acts as a third party in agency theory, which is able to bridge the differences between agents and principals in the management and accountability of state / regional finances (Christensen, Hail, & Leuz, 2021).

Based on the results of the BPK audit in the last three years, all Regional Governments in West Sulawesi Province, totaling 7 entities, received an Unqualified Opinion (WTP) on LKPD for the 2020 to 2022 fiscal years (Juanda, Setyawan, & Inata, 2023). Despite getting WTP opinion, BPK still found a number of problems as outlined in the audit findings. According to the Head of the West Sulawesi BPK Representative, Hery Ridwan, the BPK still found several problems that need attention, inclon findings on the Internal Control System (SPI) and compliance with laws and regulationsuding examinati (Anagnostopoulos, 2018).

This shows that although the Regional Government obtained WTP opinion, its financial management has not been fully carried out in accordance with statutory provisions, and it is necessary (Chang et al., 2020). to follow up on the recommendations of the problems submitted by BPK (Anagnostopoulos, 2018).

BPK audit findings can be an interesting thing to study. Because there are several research gaps from the results of previous studies, where from several studies there are differences in research results, both positive and negative significant (Paranata, 2022a). On the basis of this, the researcher is motivated to re-examine the determinants that affect the number of PKD audit findings in West Sulawesi. In terms of local government characteristics, namely, the size of the local government as seen from the number of assets owned by the local government, the level of regional wealth as seen from Regional Original Revenue (PAD), the procurement of fixed assets as seen from capital expenditures, and the level of regional complexity as seen from the number of Regional Work Units (SKPD) in the local government (Masduki, Rindayati, & Mulatsih, 2022).

Selection of the research population in the Regional Government in West Sulawesi Province by taking the observation year for three years, namely 2020 to 2022 (Nguyen, Nguyen, & Dai Vo, 2022). Based on this, the research is entitled "Factors Affecting BPK Audit Findings on Local Government Financial Reports in West Sulawesi Province for the Period 2020 to 2022".

RESEARCH METHOD

This research uses secondary data that has been provided and published by other parties, both in the form of financial data and non-financial data (Salehi & Arianpoor, 2021). Financial data is obtained from the Local Government Financial Report (LKPD) which has been audited and published by BPK in the form of an Examiner Results Report. In addition to financial data, the Examination Results Report (LHP) also shows other non-financial data, namely the number of audit findings of the Audit Board on Local Government Financial Reports (Salehi & Arianpoor, 2021).

This study uses quantitative research with hypothesis testing, which is research that explains phenomena in the form of relationships between variables (Indriantoro & Supomo, 2002). This study is to determine whether the variables of regional size (assets), regional wealth level (PAD), procurement of fixed assets (capital expenditure realization), and regional complexity (number of SKPD) have an influence on the findings of the Audit Board examination of Local Government Financial Reports in Provinces and Districts in West Sulawesi (Bahfiarti, 2020). The population of this study is Provinces and Regencies in West Sulawesi from 2020 to 2022, with a total sample of 21 using the purposive sampling method (Bahfiarti, 2020).

Operasional Variabel

Variabel Dependen

The dependent variable is the variable that is the main concern of the researcher. Through analysis of the dependent variable it is possible to find the answer to a problem (Sekaran, 2009). The dependent variable in this study was the findings of the CPC examination. The findings of the Audit Board (BPK) examination in this study are seen from the number of findings or violations that occur (Paranata, 2022b).

Audit Board (BPK) examination findings = number of cases of examination findings

Independent Variables

Independent variables are variables that affect the dependent variable, where the influence that appears can be positive or negative (Sekaran, 2009). The independent variables used in this study are as follows:

Local Government Size

The size of the organization refers to how large the organization is. Districts/Municipalities with larger total assets will be more complex in maintaining and managing their assets (Suhardjanto et al., 2010). The size of local government in this study is measured by the total assets owned by the government because assets are a relatively more stable measure (Alqahtani & Mayes, 2018). To avoid high data variability, the total asset data will be transformed into a natural logarithm (Singh & Sharma, 2016).

$$\text{Local Government Size} = \text{Ln (Total Assets)}$$

Regional Wealth Level

The level of regional wealth describes the ability and independence of the region based on the amount of PAD produced by the area. PAD is sourced from local tax revenues, regional levy proceeds, segregated regional wealth management results and other legitimate local original revenues (Xia & Song, 2017). PAD is measured by the total realization of PAD contained in the Budget Realization Report (LRA) (Shalehah, Handiani, Wahyunita, Faizah, & Oktaviana, 2022). The level of regional wealth is calculated by comparing the PAD obtained with the total regional income (Musaazi et al., 2015).

$$\text{Regional Wealth Level} = \text{Local Original Revenue} / \text{Total Revenue}$$

Addition of Regional Fixed Assets

The addition of regional fixed assets is closely related to the implementation of capital expenditure (Wang, Zhang, Fu, Tan, & Chen, 2021). Capital expenditure is a Regional Government expenditure whose benefits exceed 1 (one) fiscal year and will increase regional assets or wealth and will subsequently increase routine expenditures such as maintenance costs in the general administrative expenditure group (PP Number 71 of 2010) (2010). Capital expenditure consists of capital expenditure on land, equipment and machinery, buildings and buildings, roads, irrigation and networks, and other physical capital expenditures (Asiedu, Sadekla, & Bokpin, 2020). Capital expenditure in this study is measured from the total realization of capital expenditure. The addition of regional fixed assets is calculated by comparing the realization of capital expenditure with the total regional expenditure (Fan, Yu, Li, Xu, & Zhang, 2022).

$$\text{Additional Regional Fixed Assets} = \text{Realization of capital expenditure} / \text{total expenditure}$$

Kompleksitas Daerah

The complexity of local government can be seen from several aspects, one measure of the complexity of a regional government through the number of SKPD (Masduki et al., 2022). The number of SKPD is one of the considerations in seeing the level of public service needs in an area. According to Puspitasari (2013), complexity is based on an individual's perception of the difficulty of a task or job. Complexity shows how many SKPD Regional Apparatus Work Units there are in the area (Sari, Ikhwal, & Soufyan, 2023).

$$\text{Regional Complexity} = \text{Number of Regional Equipment Work Units (SKPD)}$$

Data Analysis Methods

The analysis method used to prove the hypothesis is panel data regression analysis (Liu, Ren, Cheng, & Wang, 2020). The processing of this research data will use the Eviews statistical test tool. Panel data is a combination of *cross section* data and time series data (Guliyev, 2023).

Descriptive Statistics

Descriptive statistics were used to briefly describe the variables in this study. Descriptive analysis is carried out to find out the picture of the data to be analyzed. Ghozali (2019) mentioned that the analytical tools used in descriptive statistical tests include the mean

value, standard deviation, variance and statistical range. The mean is used to estimate the estimated average population size of a sample (Clayson, Carbine, Baldwin, & Larson, 2019). Standard deviation is used to assess the mean dispersion of a sample. Maximum-minimum is used to see the minimum and maximum values of the population (Li, Yang, Wang, & Lin, 2018). This needs to be done to see the overall picture of the samples that have been successfully collected and are eligible to be sampled in research (Li et al., 2018).

Analysis Regresi Data Panel

According to Widarjono (2018), based on the problems faced and the characteristics of existing data, in panel data regression estimation techniques there are three techniques (models) that can be used, namely:

1. Model Common Effect

This technique is the simplest technique to estimate the parameters of the panel data model, namely by combining cross section and time series data as a whole without looking at the difference in time and entities (individuals) (Kabdrakhmanova, Memon, & Saurbayeva, 2021). The approach that is often used is the Ordinary Least Square (OLS) method. This model ignores differences in individual dimensions or time or in other words the behavior of data between individuals is the same in various periods of time (Henningsen & Henningsen, 2019).

2. Model Fixed Effect

This technique uses dummy variables to capture intercept differences between individuals. However, this method brings the disadvantage of reducing degrees of freedom which ultimately reduces the efficiency of parameters. The Fixed Effect model approach assumes that the intercepts of each individual are different while the slopes between individuals are fixed (the same).

3. Model Random Effect

A random effect model is a method that will estimate panel data in which interference variables may be interconnected over time and between individuals (Yu et al., 2020). The technique used is to add error terms that may appear in relationships between time and between entities. The OLS method technique cannot be used to obtain an efficient estimator, so it is more appropriate to use the Generalized Least Square (GLS) method.

To determine the panel data model regressed with the common effect method, fixed effect method or random effect method, regression testing of panel data was carried out with the Chow test and Hausman test.

1. Chow Test

This test is conducted to choose between a common effect or fixed effect model. The hypotheses to be used are:

H₀ : Model Common Effect

H₁ : Model Fixed Effect

If the value of Chow Statistics (F-stat) is greater than the F of the table, then the null hypothesis is rejected. In Eviews if the p-value is $< \alpha$ then go H₀ and accept H₁ so that the model used is a fixed effect model, vice versa.

2. Hausman Test

This test is carried out to choose between fixed effect or random effect models. The hypotheses used are:

H₀ ; Model Random Effect

H₁ : Model Fixed Effect

If the Hausman statistics are greater than the chi-square table then there is enough evidence to reject the null hypothesis so that the model chosen is fixed effect, and vice versa. In eviews if the p-value is $< \alpha$ then reject H₀ and accept H₁ so that the model used is a fixed effect model, the opposite happens.

The panel data regression equation model is as follows:

$$TP_{it} = \beta_0 + \beta_1TA_{it} + \beta_2PAD_{it} + \beta_3BM_{it} + \beta_3SKPD_{it} + \varepsilon$$

Information:

TP = Examination findings

β_0 = Constant

$\beta_1, \beta_2, \beta_3$ = Regression coefficient of the independent variable

TA = Local Government size

PAD = Raise Regional Wealth

BM = addition of regional fixed assets

SKPD = The complexity of the area

i = Provinces/Regencies in West Sulawesi

t = Specific time (2020 - 2022)

ε = Error coefficient

Uji Model

Model feasibility testing is the initial stage of identifying regression models that are estimated to be feasible or not. The feasibility test of the model was carried out to measure the accuracy of the sample regression function in calculating the actual value statistically (Ghozali, 2019). This test can be measured from the coefficient of determination (R²), statistical test t, and statistical test F.

Test Coefficient of Determination (R²)

The R² value is used to measure the level of the model's ability to explain the variation of the independent variable (Hair Jr, Howard, & Nitzl, 2020). The value of the coefficient of determination is between zero and one. A small R² value means that the ability of independent variables to explain dependent variable variation is very limited. A value close to one means that the independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2019). But because R² contains a fundamental weakness, namely bias towards the number of independent variables entered into the model, this study used adjusted R² ranging between zero and one.

Simultaneous Significance Test (Statistical Test F)

The F test basically shows whether the independent variables included in the model have a joint influence on the dependent variable (Ghozali, 2019). The criteria of simultaneous significance are as follows:

- a. If the significance > 0.05 then H₀ is accepted, meaning that together the independent variables have no significant effect on the dependent variable.
- b. If the significance < 0.05 then H₀ is rejected, meaning that together the independent variables have a significant influence on the dependent variable.

Individual Parameter Significance Test (Statistic Test t)

This test aims to show how far the influence of one explanatory variable (independent) individually in explaining the variation of the dependent variable. Comparing the p-value with a significance level of 0.05, it can be determined whether H₀ is rejected or accepted (H₀ is accepted if the p-value > 0.05, rejected if the p-value < 0.05). The criteria for the significance of the hypothesis are as follows:

- a. If the significance > 0.05 then H₀ is accepted, meaning that there is no significant influence between the independent variable and the dependent variable.
- b. If the significance < 0.05 then H₀ is rejected, meaning that there is a significant influence between the independent variable and the dependent variable.

RESULT AND DISCUSSION

Description of Research Data

The main object of this research is the financial statements of all Local Governments in West Sulawesi Province that have been audited by BPK for the period 2020 to 2022. West

Sulawesi Province has 7 entities, consisting of 1 Provincial Government and 6 District Governments, so the research objects totaled 21 LKPDs. Analisis Deskriptif.

The results of descriptive analysis in this study are illustrated in table 1 as follows:

Table 1 Descriptive Analysis Results

	TP	TA	PAD	BM	SKPD
Mean	14.95238	2.05E+12	1.11E+12	1.02E+12	42.38095
Median	15.00000	2.14E+12	9.23E+11	8.95E+11	43.00000
Maximum	21.00000	3.34E+12	2.02E+12	1.86E+12	48.00000
Minimum	8.000000	1.28E+12	6.12E+11	5.51E+11	34.00000
Std. Dev.	3.866215	6.06E+11	4.40E+11	4.18E+11	4.005948

Based on the results of the descriptive analysis above, the mean, median, maximum, minimum and standard deviation values for all research variables are obtained as follows:

1. The Inspection Findings (TP) variable obtained a mean value of 14,952, a median value of 15,000, a maximum value of 21,000, a minimum value of 8,000 and a standard deviation value of 3,866.
2. The Local Government Size variable (TA) obtained a mean value of 2.05E+12, a median value of 2.14E+12, a maximum value of 3.34E+12, a minimum value of 1.28E+12 and a standard deviation value of 6.06E+11.
3. The Regional Wealth Level (PAD) variable obtained a mean value of 1.11E+12, a median value of 9.23E+11, a maximum value of 2.02E+12, a minimum value of 6.12E+11 and a standard deviation value of 4.40E+11.
4. The Regional Fixed Asset Addition (BM) variable obtained a mean value of 1.02E+12, a median value of 8.95E+11, a maximum value of 1.86E+12, a minimum value of 5.51E+11 and a standard deviation value of 4.18E+11.
5. The Regional Complexity Variable (SKPD) obtained a mean value of 42.381, a median value of 43.000, a maximum value of 48.000, a minimum value of 34.000 and a standard deviation value of 4.006.4.006.

Panel Data Regression Analysis

Model Estimation Stage

In estimating the panel regression model, there are three approaches that are often used, including the Common Effect Model (CEM), Fixed Effect Model (FEM), Random Effect Model (REM):

Table 2 Common Effect Model (CEM) table output:

Dependent Variable: TP
 Method: Panel Least Squares
 Date: 09/12/23 Time: 15:21
 Sample: 2020 2022
 Periods included: 3
 Cross-sections included: 7
 Total panel (balanced) observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.86556	10.08716	1.275440	0.2204
TA	1.71E-12	3.31E-12	0.517938	0.6116

PAD	-1.57E-11	1.12E-11	-1.395383	0.1820
BM	1.67E-11	1.04E-11	1.609315	0.1271
SKPD	-0.026573	0.230052	-0.115508	0.9095
R-squared	0.182172	Mean dependent var	14.95238	
Adjusted R-squared	-0.022285	S.D. dependent var	3.866215	
S.E. of regression	3.909058	Akaike info criterion	5.768727	
Sum squared resid	244.4917	Schwarz criterion	6.017422	
Log likelihood	-55.57163	Hannan-Quinn criter.	5.822700	
F-statistic	0.891002	Durbin-Watson stat	2.547024	
Prob(F-statistic)	0.491777			

Table 3 Output tabel Fixed Effect Model (FEM):

Dependent Variable: TP
 Method: Panel Least Squares
 Date: 09/12/23 Time: 15:22
 Sample: 2020 2022
 Periods included: 3
 Cross-sections included: 7
 Total panel (balanced) observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	51.82811	33.04753	1.568290	0.1479
TA	2.27E-11	9.93E-12	2.282638	0.0456
PAD	-4.77E-11	1.92E-11	-2.481400	0.0325
BM	-4.65E-11	1.62E-11	-2.880769	0.0164
SKPD	0.406601	0.458044	0.887689	0.3956

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.761776	Mean dependent var	14.95238
Adjusted R-squared	0.523552	S.D. dependent var	3.866215
S.E. of regression	2.668664	Akaike info criterion	5.106714
Sum squared resid	71.21766	Schwarz criterion	5.653845
Log likelihood	-42.62050	Hannan-Quinn criter.	5.225456
F-statistic	3.197728	Durbin-Watson stat	3.578826
Prob(F-statistic)	0.040324		

Table 4 Random Effect Model (REM)

Dependent Variable: TP
 Method: Panel EGLS (Cross-section random effects)
 Date: 09/12/23 Time: 15:23
 Sample: 2020 2022
 Periods included: 3
 Cross-sections included: 7

Total panel (balanced) observations: 21

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14.41596	9.177825	1.570738	0.1358
TA	2.48E-12	2.96E-12	0.836657	0.4151
PAD	-1.28E-11	8.23E-12	-1.556959	0.1390
BM	1.25E-11	7.89E-12	1.581803	0.1333
SKPD	-0.073219	0.204225	-0.358521	0.7246

Effects Specification

	S.D.	Rho
Cross-section random	1.560376	0.2548
Idiosyncratic random	2.668664	0.7452

Weighted Statistics

R-squared	0.118426	Mean dependent var	10.50582
Adjusted R-squared	-0.101968	S.D. dependent var	3.522605
S.E. of regression	3.697843	Sum squared resid	218.7847
F-statistic	0.537337	Durbin-Watson stat	2.653061
Prob(F-statistic)	0.710441		

Unweighted Statistics

R-squared	0.162782	Mean dependent var	14.95238
Sum squared resid	250.2884	Durbin-Watson stat	2.319121

Selection of the right panel data regression model

Selection of panel data regression model is an analysis stage to determine the best estimation method between common effect, fixed effect and random effect (Ullah, Akhtar, & Zaefarian, 2018).

Chow Test

The Chow test aims to determine the choice of model that is better used between common effect and fixed effect.

H0 : CEM model is selected (prob > 0.05)

H1 : FEM model is selected (prob < 0.05)

Table 5 Output tabel Uji Chow:

Redundant Fixed Effects Tests
Equation: MODEL_FEM
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.055036	(6,10)	0.0253
Cross-section Chi-square	25.902255	6	0.0002

Cross-section fixed effects test equation:

Dependent Variable: TP

Method: Panel Least Squares

Date: 09/12/23 Time: 15:23

Sample: 2020 2022

Periods included: 3

Cross-sections included: 7

Total panel (balanced) observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.86556	10.08716	1.275440	0.2204
TA	1.71E-12	3.31E-12	0.517938	0.6116
PAD	-1.57E-11	1.12E-11	-1.395383	0.1820
BM	1.67E-11	1.04E-11	1.609315	0.1271
SKPD	-0.026573	0.230052	-0.115508	0.9095
R-squared	0.182172	Mean dependent var		14.95238
Adjusted R-squared	-0.022285	S.D. dependent var		3.866215
S.E. of regression	3.909058	Akaike info criterion		5.768727
Sum squared resid	244.4917	Schwarz criterion		6.017422
Log likelihood	-55.57163	Hannan-Quinn criter.		5.822700
F-statistic	0.891002	Durbin-Watson stat		2.547024
Prob(F-statistic)	0.491777			

Based on the table above, the p-value of the cross-section chi-square is $0.000 < \alpha = 0.05$, so H_0 is rejected, which means that the fixed effect model is better used than the common effect model.

Hausman Test

This test is used to determine the choice of a better model between fixed effect and random effect.

H_0 : REM model is selected (prob > 0.05)

H_1 : FEM model is selected (prob < 0.05)

Table 6 Output tabel uji Hausman:

Correlated Random Effects - Hausman Test

Equation: MODEL_REM

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	18.720570	4	0.0009

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
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TA	0.000000	0.000000	0.000000	0.0332
PAD	-0.000000	-0.000000	0.000000	0.0446
BM	-0.000000	0.000000	0.000000	0.0000
SKPD	0.406601	-0.073219	0.168097	0.2419

Cross-section random effects test equation:

Dependent Variable: TP

Method: Panel Least Squares

Date: 09/12/23 Time: 15:23

Sample: 2020 2022

Periods included: 3

Cross-sections included: 7

Total panel (balanced) observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	51.82811	33.04753	1.568290	0.1479
TA	2.27E-11	9.93E-12	2.282638	0.0456
PAD	-4.77E-11	1.92E-11	-2.481400	0.0325
BM	-4.65E-11	1.62E-11	-2.880769	0.0164
SKPD	0.406601	0.458044	0.887689	0.3956

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.761776	Mean dependent var	14.95238
Adjusted R-squared	0.523552	S.D. dependent var	3.866215
S.E. of regression	2.668664	Akaike info criterion	5.106714
Sum squared resid	71.21766	Schwarz criterion	5.653845
Log likelihood	-42.62050	Hannan-Quinn criter.	5.225456
F-statistic	3.197728	Durbin-Watson stat	3.578826
Prob(F-statistic)	0.040324		

Based on the table above, it shows that the p-value of $0.0310 < \alpha = 0.05$, which means that H_0 is rejected, so the fixed effect model is better to use.

Lagrange Multiplier Test

This test is used to determine the choice of a better model between common effect and random effect

H_0 : CEM model is selected (prob > 0.05)

H_1 : REM model is selected (prob < 0.05)

Table 7 Output tabel uji Lagrange Multiplier:

Lagrange Multiplier Tests for Random Effects

Null hypotheses: No effects

Alternative hypotheses: Two-sided (Breusch-Pagan) and one-

sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	1.098286 (0.2946)	0.465116 (0.4952)	1.563403 (0.2112)
Honda	-1.047992 --	-0.681994 --	-1.223285 --
King-Wu	-1.047992 --	-0.681994 --	-1.114620 --
Standardized Honda	-0.076500 --	-0.293225 --	-3.583686 --
Standardized King- Wu	-0.076500 --	-0.293225 --	-3.269787 --
Gourierioux, et al.*	--	--	0.000000 (≥ 0.10)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

Based on the table above, it shows that the Breusch-Pagan (Both) p-value is $0.211 > \alpha = 0.05$, which means that H_0 is accepted, so the common effect model is better used.

Based on the three model tests that have been carried out, the best model to be used in this study is the fixed effect model.

Model Interpretation

Based on the three model tests that have been carried out, the best model to be used in this study is the fixed effect model, so the interpretation of the fixed effect model is as follows:

Table 8 Simultaneous Significance Test

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.761776	Mean dependent var	14.95238
Adjusted R-squared	0.523552	S.D. dependent var	3.866215
S.E. of regression	2.668664	Akaike info criterion	5.106714
Sum squared resid	71.21766	Schwarz criterion	5.653845
Log likelihood	-42.62050	Hannan-Quinn criter.	5.225456
F-statistic	3.197728	Durbin-Watson stat	3.578826
Prob(F-statistic)	0.040324		

Based on the output table of the fixed effect model, the prob value is $0.040 < 0.05$ so it can be concluded that there is a significant effect simultaneously between the Size of the Local Government (TA), the Level of Regional Wealth (PAD), the Addition of Regional Fixed Assets (BM), and Regional Complexity (SKPD) on Audit Findings (TP).

Table 9 Coefficient of determination

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.761776	Mean dependent var	14.95238
Adjusted R-squared	0.523552	S.D. dependent var	3.866215
S.E. of regression	2.668664	Akaike info criterion	5.106714
Sum squared resid	71.21766	Schwarz criterion	5.653845
Log likelihood	-42.62050	Hannan-Quinn criter.	5.225456
F-statistic	3.197728	Durbin-Watson stat	3.578826
Prob(F-statistic)	0.040324		

Based on the output of the common effect model table, the R2 value is 0.762 (76.2%), so it can be concluded that the variable Checking Findings (Tp) Can Be Explained By The Variables Of Daerah Government Size (Ta), Daerah Wealth Level (Pad), Addition Of Daerah Fixed Assets (Bm), and Regional Complexity (SKPD) by 0.762 (76.2%), while the rest is influenced by other variables outside the model.

Table 10 Partial Significance Test

Dependent Variable: TP
 Method: Panel Least Squares
 Date: 09/12/23 Time: 15:22
 Sample: 2020 2022
 Periods included: 3
 Cross-sections included: 7
 Total panel (balanced) observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	51.82811	33.04753	1.568290	0.1479
TA	2.27E-11	9.93E-12	2.282638	0.0456
PAD	-4.77E-11	1.92E-11	-2.481400	0.0325
BM	-4.65E-11	1.62E-11	-2.880769	0.0164
SKPD	0.406601	0.458044	0.887689	0.3956

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.761776	Mean dependent var	14.95238
Adjusted R-squared	0.523552	S.D. dependent var	3.866215
S.E. of regression	2.668664	Akaike info criterion	5.106714

Sum squared resid	71.21766	Schwarz criterion	5.653845
Log likelihood	-42.62050	Hannan-Quinn criter.	5.225456
F-statistic	3.197728	Durbin-Watson stat	3.578826
Prob(F-statistic)	0.040324		

From the test results above, it can be concluded as follows:

1. Testing the influence between Local Government Size (TA) on Audit Findings (TP) obtained a coefficient value of 2.27E-11 with a significance value of 0.046, because the significance value <0.05, there is a significant influence between Local Government Size (TA) on Audit Findings (TP). Given that the regression coefficient is positive, it indicates that the relationship between the two is positive, meaning that assuming other independent variables remain, an increase in Local Government Size (TA) of one unit will affect the increase in Audit Findings (TP) by 2.27E-11 units, and vice versa.
2. Testing the effect between the Level of Regional Wealth (PAD) on Audit Findings (TP) obtained a coefficient value of -4.77E-11 with a significance value of 0.033, because the significance value <0.05, there is a significant influence between the Level of Regional Wealth (PAD) on Audit Findings (TP). Given that the regression coefficient is negative, it indicates that the relationship between the two is negative, meaning that assuming other independent variables remain, an increase in the level of regional wealth (PAD) of one unit will affect the decrease in Audit Findings (TP) by 2.27E-11 units, and vice versa.
3. Testing the effect between the Addition of Regional Fixed Assets (BM) on Audit Findings (TP) obtained a coefficient value of -4.65E-11 with a significance value of 0.016, because the significance value <0.05, there is a significant influence between the Addition of Regional Fixed Assets (BM) on Audit Findings (TP). Given that the regression coefficient is negative indicates that the relationship between the two is negative, meaning that assuming other independent variables are fixed, an increase in the addition of Regional Fixed Assets (BM) of one unit will affect the decrease in Audit Findings (TP) by -4.65E-11 units, and vice versa.
4. Testing the effect between Regional Complexity (SKPD) on Audit Findings (TP) obtained a coefficient value of 0.407 with a significance value of 0.396, because the significance value > 0.05, there is no significant effect between Regional Complexity (SKPD) on Audit Findings (TP). This means that assuming the other independent variables are constant, an increase or decrease in Regional Complexity (SKPD) of one unit will not affect the increase or decrease in Audit Findings (TP).

Hypothesis Testing Results

Based on the results of calculations using the Path Analysis approach, the results of hypothesis testing are obtained as presented below:

Hipotesis 1. Hypothesis 1. Local Government Size (TA) has a significant effect on Audit Findings (TP) is accepted. Testing the effect between Local Government Size (TA) on Audit Findings (TP) obtained a coefficient value of 2.27E-11 with a significance value of 0.046, because the significance value <0.05, there is a significant influence between Local Government Size (TA) on Audit Findings (TP). Given that the regression coefficient is positive, it indicates that the relationship between the two is positive, meaning that assuming other independent variables remain, an increase in Local Government Size (TA) of one unit will affect the increase in Audit Findings (TP) by 2.27E-11 units, and vice versa.

Hipotesis 2. The level of Regional Wealth (PAD) has a significant effect on Audit Findings (TP) is accepted. Testing the effect between the Level of Regional Wealth (PAD) on Audit Findings (TP) obtained a coefficient value of $-4.77E-11$ with a significance value of 0.033, because the significance value <0.05 , there is a significant effect between the Level of Regional Wealth (PAD) on Audit Findings (TP). Given that the regression coefficient is negative, it indicates that the relationship between the two is negative, meaning that assuming other independent variables remain, an increase in the level of regional wealth (PAD) of one unit will affect the decrease in Audit Findings (TP) by $2.27E-11$ units, and vice versa.

Hipotesis 3. The addition of Regional Fixed Assets (BM) has a significant effect on Audit Findings (TP) is accepted. Testing the effect between the addition of Regional Fixed Assets (BM) on Audit Findings (TP) obtained a coefficient value of $-4.65E-11$ with a significance value of 0.016, because the significance value <0.05 , there is a significant effect between the addition of Regional Fixed Assets (BM) on Audit Findings (TP). Given that the regression coefficient is negative indicates that the relationship between the two is negative, meaning that assuming other independent variables are fixed, an increase in the addition of Regional Fixed Assets (BM) of one unit will affect the decrease in Audit Findings (TP) by $-4.65E-11$ units, and vice versa.

Hipotesis 4. Hypothesis 4. Testing the effect between Regional Complexity (SKPD) has no significant effect on Audit Findings (TP) is accepted. Testing the effect between Regional Complexity (SKPD) on Audit Findings (TP) obtained a coefficient value of 0.407 with a significance value of 0.396, because the significance value >0.05 , there is no significant effect between Regional Complexity (SKPD) on Audit Findings (TP). This means that assuming the other independent variables are constant, an increase or decrease in Regional Complexity (SKPD) of one unit will not affect the increase or decrease in Audit Findings (TP).

Hipotesis 5. Local Government Size (TA), Regional Wealth Level (PAD), Regional Fixed Asset Addition (BM), and Regional Complexity (SKPD) simultaneously have a significant effect on Audit Findings (TP) is accepted. Based on the output of the fixed effect model table, the prob value is $0.040 <0.05$ so it can be concluded that there is a simultaneous significant effect between Local Government Size (TA), Regional Wealth Level (PAD), Regional Fixed Asset Additions (BM), and Regional Complexity (SKPD) on Audit Findings (TP).

CONCLUSION

The results of this study show evidence that the number of BPK audit findings is significantly and moderately influenced by 3 of the 4 research variables. These variables include the size of local government proxied by total assets, the level of regional wealth proxied by local revenue, and the addition of fixed assets proxied by capital expenditure. Meanwhile, the variable of local government complexity, which is proxied by the number of Local Government Work Units (SKPD), has no effect on the number of BPK audit findings on Local Government Financial Reports in West Sulawesi Province from 2020 to 2022.

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