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The Effect of Financial Performance on Audit Opinion with Follow-Up on Audit Recommendations as a Moderating Variable (A Study on Local Governments in West Java for the Period 2019–2023)

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Abstract: This study, titled The Effect of Financial Performance on Audit Opinion with Audit Recommendation Follow-Up as a Moderating Variable (A Study on Local Governments in West Java for the 2019–2023 Period), investigates the relationship between regional financial performance and audit outcomes issued by Indonesia's Supreme Audit Board (BPK). This study focuses on the regency and municipal governments in West Java Province as its research objects, covering the period from 2019 to 2023. Financial performance is measured using the fiscal independence ratio, financial efficiency ratio, and revenue effectiveness ratio, while the moderating role of follow-up on audit recommendations (TLRHP) is also examined. Using a quantitative-associative method, the study applies binary logistic regression with Z-Score standardization and interaction terms. The results show that fiscal independence significantly and negatively affects the likelihood of receiving an Unqualified Opinion (WTP), suggesting that greater autonomy without sufficient accountability may increase audit risk. In contrast, financial efficiency, revenue effectiveness, and TLRHP do not show significant effects, nor do they moderate the primary relationships. The overall model demonstrates moderate significance ($p = 0.062$) and a Nagelkerke R^2 of 0.202, indicating the presence of other influential factors. These findings imply that fiscal autonomy must be supported by strong internal controls and accountable governance to ensure favorable audit outcomes.

Keywords: regional fiscal independence, financial efficiency, revenue effectiveness, audit recommendation follow-up, financial performance.

INTRODUCTION

Indonesia's implementation of regional autonomy gives local governments the power to run their own governmental affairs in an effort to enhance regional development and public services. This autonomy is in line with the decentralization principle, which calls for the transfer of certain authority from the national government to local governments for the purposes of economic management, development planning, and financial administration

supervision. (Kartika et al., 2023). In this context, regional financial management becomes a critical aspect encompassing all stages from planning, budgeting, implementation, administration, reporting, accountability, to supervision (Latif, 2019). To achieve sound and transparent financial governance, the government bears significant responsibility as the financial manager (Sinaga & Kustinah, 2025). The execution of regional financial management must adhere to the principles of effectiveness, efficiency, transparency, and accountability as mandated by applicable regulations (Pertiwi et al., 2024). This is intended to guarantee that the Regional Revenue and Expenditure Budget (APBD) contributes significantly to the accomplishment of regional development objectives.

In order to ensure accountability and transparency, the Local Government Financial Report (Laporan Keuangan Pemerintah Daerah, or LKPD) must document the implementation of regional financial management.The Audit Board of Indonesia (Badan Pemeriksa Keuangan, or BPK) and other external oversight organisations utilise this report as an instrument for public accountability and as the basis for evaluating financial performance, as stipulated in Law Number 15 of 2006.The audit opinion reflects the integrity of the information presented in the financial statements. (Putra & Romli, 2022). The audit results are compiled in an Audit Report (Laporan Hasil Pemeriksaan, or LHP), which includes one of the following audit opinions: Unqualified Opinion (Wajar Tanpa Pengecualian, or WTP), Qualified Opinion (Wajar Dengan Pengecualian, or WDP), Adverse Opinion (Tidak Wajar, or TW), and Disclaimer of Opinion (Tidak Memberikan Pendapat, or TMP).

Between fiscal years 2019 and 2023, fewer local governments in West Java Province received Unqualified Opinions (Wajar Tanpa Pengecualian or WTP) on their Local Government Financial Reports (LKPD). While all local governments in the province received WTP opinions in 2019, subsequent years saw several regions receiving Qualified Opinions (Wajar Dengan Pengecualian or WDP). The highest number occurred in 2022, when five local governments received WDP opinions, which then decreased to four in 2023. Examples of regions that received WDP opinions include Indramayu Regency and West Bandung Regency in 2020; Bogor Regency and Bekasi City in 2021; and Bekasi Regency, Pangandaran Regency, Bandung City, and Bekasi City in 2022. According to findings from BPK, the reasons underlying these WDP opinions include suboptimal asset management, overpayments to third parties, and inadequate efforts in local revenue generation.

In 2023, Qualified Opinions (Wajar Dengan Pengecualian or WDP) were once again issued to Bogor Regency, Bekasi City, Bandung City, and Pangandaran Regency. Several underlying issues contributed to these opinions, including state losses due to overpayments, short-term debt problems, and suboptimal management of assets and locally generated revenue (Pendapatan Asli Daerah or PAD).

The relatively high frequency of Qualified Opinions (Wajar Dengan Pengecualian or WDP) in several regions reflects weaknesses in regional financial management practices, which may undermine public trust. In this context, stewardship theory posits that local governments, as stewards of public resources, have a responsibility to act transparently and accountably in the interest of the public as the principal. In addition to reflecting regional financial accountability, the audit opinion provided by the Audit Board of Indonesia (BPK) on the Local Government Financial Report (LKPD) also shows how well local governments are performing their stewardship role.

Regional financial performance is one of the variables thought to affect the caliber of audit opinions. Financial performance serves as a criterion for evaluating a region's capacity to manage its finances optimally in order to maintain the expected level of public services (Putri & Hendaris, 2025). This performance can be assessed through financial reports using various ratios, such as the independence ratio, revenue effectiveness ratio, and financial efficiency ratio (Mahmudi, 2021; Tandirerung & Nurbayani, 2021). The independence ratio measures the

extent to which locally generated revenue (Pendapatan Asli Daerah or PAD) contributes to total regional income. Several studies have found that this ratio has a positive influence on audit opinions (Maharani & Arofah, 2021; Tandirerung & Nurbayani, 2021), although findings by Hamidayanti & Wardani (2019) indicate the opposite.

The revenue effectiveness ratio reflects a region's ability to realize its revenue in accordance with predetermined targets. Several studies, such as those by Syam et al. (2023) dan Wibisono et al. (2024) suggest that this ratio has no significant effect on audit opinions. However, contrasting results were found by Diansari et al. (2022) dan Faizah et al. (2024) who reported a significant influence. Meanwhile, the financial efficiency ratio measures the effectiveness of expenditures relative to regional revenues. Research by Syam et al. (2023) indicates a significant effect on BPK's audit opinion, whereas studies by Hamidayanti & Wardani (2019) dan Wibisono et al. (2024) tidak found no significant relationship.

The inconsistency of previous findings opens up the opportunity to explore other variables that may strengthen the relationship between financial performance and audit opinion. The follow-up on the Audit Board of Indonesia's (BPK) recommendations is one such moderating variable. Following an audit, BPK is required to advise local governments on how to resolve any problems found. It is anticipated that implementing these suggestions will raise the caliber and responsibility of the audited operations. (Setyaningrum et al., 2025).

According to Rahmi & Ariani (2021), follow-up actions taken by local governments reflect their commitment to improving financial management. In West Java Province, the ratio of follow-ups on audit recommendations by district and city governments has fluctuated between 2019 and 2023. A significant decline occurred in 2023, where only 40 percent of audit recommendations were implemented, compared to an average of 74 percent during 2019–2022. The success of these follow-ups can be used to gauge local governments' commitment to improving financial governance over the long term and to reinforce the impact of financial performance on the audit opinion.

Recent research has emphasized the role of follow-up on BPK audit recommendations as a mediating variable that helps explain the inconsistent effects of financial performance on audit opinions. Syam et al. (2023) emonstrated that internal control systems (SPI), regulatory compliance, and efficiency influence audit opinions, with follow-up actions moderating only the first two variables. Studies conducted in 2023 and 2024 have shown that independence and growth ratios have significant effects (Wibisono et al., 2024), effectiveness continues to have a positive impact (Faizah et al., 2024), while the effect of efficiency remains mixed (Kamila et al., 2024; Suhendro, 2024). In North Sumatra, the positive influence of follow-up was confirmed by Kamilah et al. (2024) dan Meza et al. (2023) using ordinal logistic models. Conversely,Rahmi & Ariani (2021) found a negative relationship in Aceh, while Kusmiati & Purwasih, (2024) tidak eported no significant effect, indicating contextual heterogeneity. Amyulianthy et al. (2020) added that proactive responses to audit recommendations enhance auditors' perceptions of local government stewardship. Overall, recent literature confirms that performance ratios serve merely as baseline signals, whereas the consistency and timeliness of follow-up actions on audit recommendations are increasingly critical in securing an unqualified opinion (WTP).

Based on these phenomena and the varying results from previous studies, this research is conducted under the title: "The Effect of Financial Performance on Audit Opinion with Follow-Up on Audit Recommendations as a Moderating Variable (Study on Local Governments in West Java from 2019 to 2023)."

METHODS

Type and Location of the Study

The study uses a quantitative associative methodology to investigate how BPK's audit views are impacted by regional financial performance and audit recommendation follow-up. (Sugiyono, 2017). All variables are measured in numerical units and statistically analyzed to test the formulated hypotheses (Kamilah *et al*., 2024). he research objects consist of 27 local governments in West Java Province comprising 18 regencies and 9 cities using budget data from the 2019 to 2023 fiscal years, obtained from the official website of the Directorate General of Fiscal Balance (https://djpk.kemenkeu.go.id/portal/data/apbd). A census sampling technique was employed, as all entities met two criteria: (1) they received a BPK audit opinion during the observation period, and (2) they had complete regional budget (APBD) data. This resulted in a total of 135 observations (27 local governments × 5 years). This research was conducted from October 2024 to June 2025.

Sources and Data Analysis Techniques

All data used in this study are secondary in nature and were collected through a literature review, including books, journals, and policy documents (Riduwan, 2020) as well as a documentation method that extracted APBD archives and Audit Reports (LHP) from the official portals of DJPK and BPK (Arikunto, 2010; Sugiyono, 2017). Using measures of central tendency, dispersion, and skewness, descriptive statistics were used to summarize the features of the independence, effectiveness, and efficiency ratios, the audit suggestions' follow-up, and the audit views' distribution. (Wahyuni, 2020). Prior to modeling, a multicollinearity test was conducted using Tolerance > 0.01 and Variance Inflation Factor (VIF) < 10 as thresholds to ensure that no high correlation exists among the predictor variables (Basuki & Prawoto, 2022).

Hypothesis Testing

Hypothesis testing was conducted using binary logistic regression, as the dependent variable is classified as either an unqualified opinion (WTP) or a qualified opinion (WDP) (Ghozali, 2018). The model was evaluated through four stages: (1) overall model fit assessed by the reduction in −2 Log Likelihood; (2) the Hosmer–Lemeshow test to determine model adequacy (a p-value ≥ 0.05 indicates a good fit); (3) Nagelkerke R^2 to assess the explanatory power of the independent variables and the contribution of moderating interactions; and (4) a classification matrix to evaluate prediction accuracy. The significance of individual parameters was tested using the Wald test ($\alpha = 5\%$), while the collective influence of all predictors was assessed using the Omnibus Test of Model Coefficients; a p-value < 0.05 indicates that the model is statistically significant. The final model includes the independence ratio, efficiency ratio, effectiveness ratio, follow-up on audit recommendations, and three interaction terms, allowing for a comprehensive evaluation of the factors influencing audit opinion quality in West Java.

RESULTS AND DISCUSSION

The audit opinion variable has an average value of 3.90 with a standard deviation of 0.296, according to the findings of the descriptive statistical analysis. This shows that during the observation period, the Audit Board of Indonesia (BPK) issued an Unqualified Opinion (WTP) to most regencies and cities in West Java Province. The relatively low dispersion of data suggests a high level of uniformity in audit opinions across regions, with most local government entities demonstrating comparable quality in financial reporting, compliance with accounting principles, and budget management. Meanwhile, the regional independence ratio shows an average of 0.4084, indicating a generally moderate level of local fiscal capacity. A consultative fiscal relationship between the central and local governments is depicted in this

picture, with less central government intervention. However, with a standard deviation of 0.3098, a considerable degree of fiscal disparity is evident among regions some are still highly dependent on central transfers, while others have achieved greater fiscal independence.

The financial efficiency ratio has an average value of 0.9958 (or 99.58%) with a relatively high standard deviation of 0.4904. This suggests that although most regions demonstrate efficient use of budget resources, there are significant differences in budget utilization efficiency across districts and cities. While many local governments manage their financial resources efficiently, others are yet to optimize spending effectively. In contrast, the revenue effectiveness ratio demonstrates a strong performance, with an average of 1.0732 (107.32%) and a low standard deviation of 0.1292. This indicates that nearly all regions exceeded their revenue targets as set in the regional budget (APBD), and this achievement is relatively consistent across regions. Finally, the follow-up ratio on audit recommendations shows that, on average, local governments have implemented approximately 67.20% of BPK's audit recommendations. With a standard deviation of 0.2213, there is a noticeable variation in the commitment to follow-up actions, highlighting differences between regions that are responsive to audit recommendations and those with less optimal follow-up performance. These findings provide a preliminary overview of the quality of regional financial governance, serving as a foundational basis for further hypothesis testing and inferential analysis.

Results of Multicollinearity Test

Based on the multicollinearity test results presented in Table 1, it is evident that all independent and moderating variables both before and after data transformation using the Z-Score method do not indicate any signs of multicollinearity. This is shown by the Variance Inflation Factor (VIF) values, all of which are below the threshold of 10, and tolerance values above 0.10. Consequently, it can be said that the regression model is suitable for further investigation because there is no discernible link between the independent variables. The Z-Score transformation was conducted to enhance the validity of the interaction regression model and to standardize the scale across variables, as recommended by Aiken & West (1991). A solid basis for performing moderation regression analysis is provided by the transformation results, which also verify that the independent variables, moderating variables, and interaction terms (products of independent and moderating variables) fall within a statistical range free from multicollinearity symptoms.

Table 1. Results of Multicollinearity Test After Data Transformation

Model		Collinearity Statistics Tolerance	VIF
1	Rasio Kemandirian Daerah_z	0.739	1.354
	Rasio Efisiensi Keuangan_z	0.857	1.167
	Rasio Efektivitas Pendapatan_z	0.798	1.253
	Rasio Tindak Lanjut Hasil Rekomendasi Audit_z	0.839	1.192
	Rasio Kemandirian Daerah_Moderasi_z	0.794	1.260
	Rasio Efisiensi Keuangan_Moderasi_z	0.957	1.045
	Rasio Efektivitas Pendapatan_Moderasi_z	0.950	1.053

(Source: SPSS 29 Output Results)

Results of Binary Logistic Regression Test

Based on the overall model fit results presented in Table 2, the value of –2 Log Likelihood (–2LL) decreased from 85.554 (Block 0) to 72.121 (Block 1) after including the independent variables, moderator variables, and interaction components in the model. This

reduction of 13.433 indicates an improvement in the model's fit to the sample data, thus supporting the acceptance of the null hypothesis that the estimated model is a good fit. This finding provides a strong basis that the addition of predictors enhances the explanatory power of the binary logistic regression model in accounting for variations in audit opinions.

Table 2 Overall Model Fit Test Results

Initial −2 Log Likelihood (block number = 0)	85.554
Final −2 Log Likelihood (block number = 1)	72.121

(Source: SPSS 29 Output Results)

Model adequacy was further confirmed using the Hosmer–Lemeshow test. The χ^2 value of 9.006 with a significance level of 0.342 (> 0.05) indicates no substantial difference between the observed and predicted frequencies, suggesting that the model is a good fit for the empirical data. The Nagelkerke R^2 coefficient of 0.202 implies that approximately 20.2% of the variation in audit opinion can be explained by the combination of fiscal independence, efficiency, revenue effectiveness ratios, and moderation variables; the remaining variation is attributed to external factors outside the model's specification. Practically, the classification matrix (Table 3) recorded an overall prediction accuracy of 90.4%, although data imbalance caused the model to predominantly predict WTP opinions.

Table 3. Classification Matrix Results

Observed	Predicted Y _biner		Percentage Correct
	WDP	WTP	
WDP	0	13	0.0
WTP	0	122	100.0
Overall Percentage			90.4

(Source: SPSS 29 Output Results)

The regression coefficient estimates in Table 4 show that the Regional Financial Independence Ratio (RKD_z) has a negative and significant effect on the probability of obtaining an Unqualified Opinion (WTP), with a coefficient (β) of –1.009 and a p-value of 0.001. The odds ratio (Exp B) of 0.365 indicates that a one standard deviation increase in fiscal independence actually reduces the likelihood of receiving the best audit opinion. This phenomenon suggests that increased locally-generated revenue (PAD) is not always accompanied by improved compliance with accounting standards. Conversely, the Efficiency Ratio (EFISIEN_z) and Revenue Effectiveness Ratio (EFEKTIV_z) also show negative coefficients, but they are not statistically significant (p > 0.05). Therefore, the empirical evidence is insufficient to conclude a direct influence of these two variables on the audit opinion in the context of this study.

Tabel 4. Logistic Regression Analysis Results

Variabel	B	S.E	Wald	Sig.	Exp(B)
RKD_z	-1.009	0.312	10.425	0.001	0.365
EFISIEN_z	-0.473	0.472	1.007	0.316	0.623
EFEKTIV_z	-0.556	0.351	2.514	0.113	0.573
RKD_MOD_z	0.165	0.300	0.302	0.583	1.179
EFISIEN_MOD_z	0.113	0.554	0.042	0.838	1.120
EFEKTIV_MOD_z	0.252	0.325	0.602	0.438	1.287
Constant	2.596	0.40	41.29	<0.00	13.408

(Source: SPSS 29 Output Results)

The interaction variables representing the moderating role of BPK recommendation follow-up exhibit positive coefficients across all combinations; however, their p-values exceed the 0.05 threshold. This implies that, within the West Java sample, the quality of follow-up on audit recommendations has not been statistically proven to significantly strengthen the effects of fiscal independence, efficiency, or revenue effectiveness on audit opinion. Nevertheless, the direction of the positive coefficients (e.g., $\beta = 0.165$ for RKD_MOD_z) suggests a tendency for the probability of obtaining an Unqualified Opinion (WTP) to increase when recommendations are followed up more responsively. Overall, the binary logistic regression model reveals that fiscal independence rather than efficiency or effectiveness emerges as the key determinant of BPK's audit opinion, while the effectiveness of recommendation follow-up requires further strengthening to serve as a lever for enhancing regional financial accountability.

Hypothesis Testing Results

The results of the partial Wald test, as presented in Table 5, show that only the regional fiscal independence ratio (RKD_z) has a significance value below the 5 percent threshold ($p = 0.001 < 0.05$), thereby supporting hypothesis H1. The negative coefficient indicates that an increase in fiscal independence statistically reduces the probability of receiving an Unqualified Opinion (WTP), a finding that confirms the notion that expanding the local revenue base (PAD) does not automatically translate into accounting compliance. Conversely, the financial efficiency ratio (EFISIEN_z) and the revenue effectiveness ratio (EFEKTIV_z) have p-values of 0.316 and 0.113, respectively both exceeding the 0.05 threshold. Therefore, hypotheses H2 and H3, which predicted positive influences of these ratios on the audit opinion, are rejected, indicating that variations in efficiency and revenue effectiveness do not convincingly explain the variance in BPK audit opinions.

Table 5. Wald (t) Test

Variabel	B	S.E	Wald	Sig.	Exp(B)
RKD_z	-1.009	0.312	10.425	0.001	0.365
EFISIEN_z	-0.473	0.472	1.007	0.316	0.623
EFEKTIV_z	-0.556	0.351	2.514	0.113	0.573
RKD_MOD_z	0.165	0.300	0.302	0.583	1.179
EFISIEN_MOD_z	0.113	0.554	0.042	0.838	1.120
EFEKTIV_MOD_z	0.252	0.325	0.602	0.438	1.287
Constant	2.596	0.40	41.29	<0.00	13.408

(Source: SPSS 29 Output Results)

The interaction variables representing the role of the BPK recommendation follow-up ratio in moderating the relationship between independent variables and the audit opinion were also found to be statistically insignificant. The p-values for RKD_MOD_z, EFISIEN_MOD_z, and EFEKTIV_MOD_z were 0.583, 0.838, and 0.438, respectively (> 0.05). These findings imply that, in the context of West Java, the quality of follow-up on audit recommendations does not act as a lever that strengthens or weakens the influence of fiscal independence, efficiency, or effectiveness on the likelihood of obtaining an Unqualified Opinion (WTP). In other words, hypotheses H4, H5, and H6 are rejected, as none of the interaction terms make a statistically meaningful contribution to improving financial reporting quality.

The summary of the partial results suggests that fiscal independence is the primary determinant of BPK's audit opinion, while the other two performance ratios have yet to demonstrate statistical significance. On the moderation side, although the interaction coefficients tend to be positive, empirical evidence does not yet support the assumption that follow-up on audit recommendations serves as a catalyst for accountability. This highlights the need for a deeper evaluation of the mechanisms governing the management of BPK

recommendations, including institutional factors and human resource capacity, which may play a role in maximizing the impact of fiscal performance on audit quality.

Table 6. Omnibus Test of Model Coefficients (f)

Chi-Square	Df	Sig.
13.434	7	0.062
13.434	7	0.062
13.434	7	0.062

(Source: SPSS 29 Output Results)

Simultaneously, Table 6 (Omnibus Test of Model Coefficients) shows a chi-square value of 13.434 with a significance level of 0.062. While this result is not statistically significant at the 95 percent confidence level, it is still acceptable at the 10 percent significance level. This indicates that the combination of fiscal independence, efficiency, revenue effectiveness ratios, and the three interaction terms collectively exert a moderate influence on the audit opinion. Although the model's strength is not sufficient under the conservative 5 percent threshold, these findings suggest the need for model refinement for instance, by incorporating institutional or contextual variables to allow for more comprehensive policy interpretations related to improving the quality of local government financial reporting.

Discussion

The Influence of Regional Independence Ratio on Audit Opinion

The results of the Wald test show a probability value of $0.001 < 0.05$ with a regression coefficient of –1.009, indicating that the hypothesis stating that the regional fiscal independence ratio negatively affects audit opinions can be supported. This finding suggests that an increase in fiscal independence actually decreases the likelihood of obtaining an unqualified opinion (WTP). The average independence ratio of 40.84 percent places most regencies/municipalities in West Java under a consultative fiscal relationship pattern, where central government intervention is still needed, although it has decreased.

The ability of the local government to fund its operations independently with locally generated revenue (PAD) and without significantly depending on transfers and loans from the federal or provincial government is conceptually reflected in the regional fiscal independence ratio. However, a high independence ratio does not necessarily indicate accountable financial management. Greater fiscal independence may lead to more discretion for local governments in managing finances, potentially without strict central oversight.

This negative relationship implies that fiscal autonomy is not always accompanied by adequate internal oversight; the more control a region has over its own revenue, the higher the risk of mismanagement if strong governance is lacking. In contrast, regions that rely more on central government transfers tend to be subject to tighter oversight mechanisms, leading to financial reports that are more likely to be deemed fairly presented. These results are consistent with the findings of Erryana & Setyawan (2016), Mudhofar (2016), and Wibisono *et al*. (2024), but contradict those of Hamidayanti & Wardani (2019) and Kamila *et al*. (2024).

The Influence of Regional Financial Efficiency Ratio on Audit Opinion

The coefficient of the efficiency ratio ($p = 0.316 > 0.05$) indicates that the hypothesis stating that the regional financial efficiency ratio positively affects audit opinions is rejected. This means that variations in efficiency levels reflected in the ratio of actual expenditures to revenues do not significantly influence the probability of receiving an unqualified opinion (WTP).

The efficiency ratio reflects a local government's ability to optimally utilize financial resources by comparing actual expenditures to the revenues generated and predetermined for

the period. Although stewardship theory views efficiency as a measure of accountability in managing public funds, in practice, spending efficiency is not automatically reflected in the assessment of the fairness of financial statements. The financial efficiency ratio has not been a significant factor in the audit opinions that the Audit Board of Indonesia (BPK) has issued, according to the statistical tests that were carried out.

This may be due to the fact that other aspects such as regulatory compliance, proper documentation of transactions, and adherence to Government Accounting Standards (SAP) carry more weight in the audit process. Therefore, a region that is efficient in budgeting may still receive an audit opinion below WTP if its internal control systems are weak. This finding aligns with the studies of Faizah *et al*. (2024) and Hamidayanti & Wardani (2019), but contradicts the results of Syam *et al*. (2023) and Tandirerung & Nurbayani (2021).

The Influence of Regional Revenue Effectiveness Ratio on Audit Opinion

The significance value from the statistical test (p = 0.113) indicates that the hypothesis stating that the regional revenue effectiveness ratio positively affects audit opinions is rejected. There is no significant influence between the revenue effectiveness ratio and the audit opinion.

The revenue effectiveness ratio is used to measure a local government's ability to realize its targeted locally generated revenue (PAD). The closer the value is to or exceeds 100%, the more effective the government is considered in achieving its objectives. According to stewardship theory, success in achieving revenue targets reflects the government's responsibility in managing public resources, emphasizing that public officials act in the interest of the broader community. Therefore, revenue effectiveness is often assumed to align with high-quality financial reporting, which is expected to positively influence the audit opinion issued by BPK.

Auditors typically place more emphasis on the fairness of financial recording, adherence to Government Accounting Standards (SAP), and the sufficiency of supporting documentation than on the attainment of revenue targets, even though the average revenue effectiveness surpasses 100%, indicating successful PAD realisation. Moreover, revenue effectiveness does not always reflect the overall quality of financial governance. PAD targets may be achieved simply because they were set low, or the achievements may be administrative in nature, lacking substantive financial management quality. Thus, success in generating PAD does not guarantee an unqualified opinion (WTP) if accounting processes and internal controls are not optimal. This reinforces the notion that revenue effectiveness is not always a comprehensive indicator of financial governance. These findings are consistent with the studies of Syam *et al*. (2023) dan Wibisono *et al*. (2024), but contradicts Suhendro (2024) and Tandirerung & Nurbayani (2021).

Moderating Effect of Audit Recommendation Follow-Up on the Relationship Between Independence and Audit Opinion

The association between the regional fiscal independence ratio and audit opinion may be strengthened or weakened by the moderating variable known as the follow-up of audit recommendations (TLRHP). Accountable financial management can nevertheless result from a local government's strong commitment to implementing the Audit Board of Indonesia's (BPK) audit findings, even if it lacks fiscal independence. This is due to the fact that the government fixes the flaws brought about by fiscal limitations, possibly preserving or even strengthening its audit opinion in years that follow.

A significant value of 0.583 > 0.05 is obtained from the interaction between the regional fiscal independence ratio and the follow-up of BPK recommendations (TLRHP), suggesting that TLRHP does not mitigate the impact of fiscal independence on audit opinion. In other words, although local governments may be committed to addressing audit findings, this

commitment is not sufficient to strengthen the negative relationship between fiscal independence and the likelihood of obtaining an unqualified opinion (WTP). A possible explanation is that the quality of follow-up actions remains suboptimal, or that auditors place greater emphasis on aspects such as financial reporting and internal control systems. Therefore, post-audit improvements need to be supported by enhancements in accounting systems in order to significantly impact audit outcomes

Moderating Effect of Audit Recommendation Follow-Up on the Relationship Between Efficiency and Audit Opinion

It is thought that financial efficiency has an impact on the calibre of local governments' financial accounts, which in turn influences audit evaluations. High efficiency, however, does not always translate into a positive audit judgement because other important considerations include accountability, adequate internal controls, and compliance with regulations.

According to stewardship theory, the government, acting as a steward, is expected not only to ensure financial efficiency but also to demonstrate a commitment to improvement and responsibility in managing public funds. One concrete example of a responsibility in this context is the follow-up of audit recommendations (TLRHP). Theoretically, TLRHP should strengthen the relationship between efficiency and audit opinion, as it reflects the local government's seriousness in addressing the weaknesses identified during the audit process.

However, the significance value of $0.838 > 0.05$ for the interaction between efficiency and TLRHP indicates that the follow-up of recommendations does not moderate the relationship between financial efficiency and audit opinion. Ideally, a prompt response to audit findings would reduce recurring errors and improve auditors' perceptions. This result suggests that in West Java (2019–2023), the implementation of TLRHP has not addressed the root causes of inefficiency such as budget planning, documentation, and expenditure compliance so it has not translated into improved audit outcomes. Similar findings were reported by Syam *et al.*. (2023).

Moderating Effect of Audit Recommendation Follow-Up on the Relationship Between Revenue Effectiveness and Audit Opinion

Theoretically, the revenue effectiveness ratio is expected to have a positive relationship with audit opinion, as it reflects the alignment between budget planning and execution. However, BPK's audit opinion does not rely solely on the achievement of budget realization; it also considers aspects such as accountability, regulatory compliance, and the effectiveness of internal controls. One concrete example of the obligation in this context is the follow-up of audit recommendations (TLRHP).

However, the interaction between revenue effectiveness and TLRHP is also not significant ($p = 0.438$), leading to the rejection of the moderation hypothesis. This means that the successful realization of locally generated revenue (PAD), even when accompanied by follow-up actions on audit findings, is not sufficient to increase the likelihood of receiving an unqualified opinion (WTP). One possible reason is that TLRHP has not been fully directed toward addressing revenue-related issues that are relevant from the auditor's perspective, or that revenue effectiveness itself does not adequately reflect the quality of internal control systems.

This condition highlights the need for additional variables such as a governance index or the quality of the internal control system (SPI) to provide a more comprehensive explanation of the relationship between revenue effectiveness and audit opinion

Simultaneous Influence of Financial Performance on Audit Opinion

To ascertain the combined impact of independent variables and interaction (moderating) variables on the dependent variable, specifically the audit opinion, simultaneous testing in binary logistic regression is carried out. The regional fiscal independence ratio, financial efficiency ratio, revenue effectiveness ratio, and each variable's relationship to the follow-up of audit recommendations (TLRHP) are all investigated concurrently in this study.

The Omnibus Test of Model Coefficients yields a p-value of 0.062, which is not significant at the 5 percent level but meets the 10 percent threshold. This indicates that, collectively, the independence, efficiency, and effectiveness ratios, along with their interactions with TLRHP, have a moderate influence on the audit opinion. The model remains relevant as an initial framework but does not fully explain the variation in BPK audit opinions. Factors such as data class imbalance, the complexity of interactions, and the possible absence of institutional variables may account for the model's reduced significance.

Therefore, future research is advised to incorporate institutional variables, the quality of internal control systems (SPI), or regulatory compliance indicators to better capture the determinants of audit opinions with greater accuracy.

CONCLUSION

According to the study's findings, the BPK audit opinion is significantly impacted negatively by the regional independence ratio. In other words, the higher a region's fiscal independence, the lower its likelihood of receiving an unqualified opinion (WTP) if not accompanied by accountable financial management. Conversely, the financial efficiency ratio and the regional revenue effectiveness ratio do not show a significant influence on audit opinion. This suggests that BPK's audit assessment, which focuses more on the fairness of financial statement presentation and regulatory compliance, does not prioritize effective budget use or the accomplishment of PAD targets. In addition, the moderating variable of follow-up on audit recommendations (TLRHP) was not statistically proven to strengthen the relationship between regional financial performance and audit opinion. Nevertheless, the logistic regression model used in this study has a moderate overall effect on audit opinion, with significance at the 10% tolerance level. This suggests that the analyzed variables remain relevant, although not yet strong enough to fully explain the determinants of local government audit opinions in West Java Province during the 2019–2023 fiscal years.

Based on these findings, it is recommended that local governments enhance the quality of financial management particularly effectiveness and efficiency by strengthening accountability sy.stems and internal controls to support the achievement of better audit opinions. Furthermore, increasing commitment to timely follow-up on BPK audit findings should be prioritized as a form of responsibility and public transparency. For future researchers, this study can be further developed by expanding the scope to a national level or extending the observation period. Additional independent or moderating variables, such as the degree of regulatory compliance, internal control systems, and the caliber of financial management human resources, are also recommended. A qualitative approach may also serve as a valuable methodological alternative to gain deeper insights into the factors influencing audit opinions.

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