

## THE IMPACT OF THE CHARACTERISTICS OF LOCAL GOVERNMENTS AND THE RESULTS OF BPK AUDITS ON THE PERFORMANCE OF GOVERNANCE IN PAPUA AND WEST PAPUA



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### Abstract

This research aims to empirically test the effect of the characteristics of local government, namely regional size, regional wealth, fiscal dependence, and regional spending, as well as the results of BPK audits including audit findings and audit opinions on the performance of local government administration in Papua and West Papua provinces. This research used data from 40 eligible regencies/cities in those provinces out of 42. According to the results of the findings, each indicator measuring local government characteristics was measured through the ratio of fixed assets to total assets, the ratio of locally generated revenue (PAD) to total regional income, the ratio of balancing funds to total regional income, in addition to capital expenditure-to-total regional expenditure ratio, significantly affected the performance of local government administration, as did audit results from the BPK; which in this case are assessed through the ratio of BPK findings against the total regional expenditures, as well as audit opinions on a four-point scale. Regional wealth, fiscal dependence, and audit opinions all have a positive and significant impact on local government performance. In contrast, regional size and regional expenditure, which were expected to exert a positive impact, have a negative but statistically non-significant effect. Audit findings also show a negative impact, but this relationship is statistically insignificant. This study contributes to the understanding of the financial and audit-related variables affecting governance performance in the context of Papua and West Papua.

**Keywords:** Local Government Characteristics, BPK Audit Results, Governance Performance

## INTRODUCTION

The goal of regional autonomy and fiscal decentralization is good governance in the form of accountability, transparency, public participation, efficiency, effectiveness, and enforcement of legal means. The delegation of extensive autonomy and decentralization granted to local governments creates a space for financial management reform, as evidenced by local governments being encouraged to be creative and innovative in developing local potential to improve financial and non-financial performance (Mustikarini & Fitriarsi, 2012).

Performance of local government or local governance refers to the outcomes or the results of the activities of governance that are measured over each fiscal year. The main purpose of non-financial performance, which is to enhance people's well-being, is driven through ongoing assessment of performance. Many researches have been conducted to investigate the determinants of local government financial performance and governance performance. Noviyanti & Kiswanto (2016) for instance observed the influence of local government characteristics and BPK audit results on the financial performance of district and city governments in Indonesia. Cousin Kusumawardani (2012) also examines regional characteristics (size, prosperity, legislative size, and leverage) influence on Local Government Financial Performance.

Mangkunegara (2015) conducted a study to analyze the impact of financial characteristics (total assets and capital expenditures) and BPK audit findings on community welfare in North Sumatra Province. Risma, Prayitno, & Alamsyah (2015) also analyzed the effect of local government characteristics (regional size, regional wealth level, dependence on the central government, capital expenditure, and leverage), and the effect of audit results on local government performance.

This study develops previous research by consisting of independent variables used by Mustikarini & Fitriarsi (2012), namely local government characteristics (regional size, level of wealth, fiscal dependence, and regional expenditure) BPK audit findings, and the addition of audit opinion variables. Moreover, despite Mustikarini & Fitriarsi (2012) covering all districts/cities in Indonesia with data originating from 2007, this study covers only districts/cities in Papua and West Papua Provinces, with data from 2017.

## REVIEW OF LITERATURE

Local government administration has been studied extensively in terms of performance related to financial management, governance quality and audit results. Regional dimensions and external monitoring mechanisms are among the determinants that have been studied that exhibit an impact on local government performance.

The features of local governments like size, wealth, fiscal dependence, and expenditure significantly shape governance efficiency. The existing literature shows that the size of local government measured by total asset or population depends on its capacity to manage resource (Kusumawardani, et al., 2012). According to Noviyanti and Kiswanto (2016), regional wealth, indicated by the locally generated revenue (PAD), shows the financial independence and the ability to invest in development. Fiscal dependency generally refers to the ratio of total central government transfers, both from the central and regional to the province, which can influence decision-making and cost-effectiveness (Mangkunegara, 2015). Moreover, regional expenditures, especially capital expenditures, reflect public service investment and infrastructure development (Risma, Prayitno, & Alamsyah, 2015).

Audit findings and opinions, generally issued by the Supreme Audit Agency (BPK), are important accountability tools that measure financial reporting integrity and compliance with governance standards. Financial irregularities, inefficiencies, and mismanagement led to audit findings that can adversely affect government performance (Mustikarini & Fitriasari, 2012). Audit opinions, on the other hand, go beyond a number from one to five and give an overall judgment on the reliability of financial reporting, where unqualified is the best opinion, even if it is not comparable to a 5-star system. Thus, a good audit opinion is associated with good governance practices and better financial performance (Kusumawardani, 2012).

There have been several empirical studies regarding the association between attributes of local governments and audit results with governance performance. (2016) Noviyanti & Kiswanto examined the effect of government size, regional wealth and fiscal dependence on financial performance in districts and cities in Indonesia. One of them was Mangkunegara (2015), where the author examined the effect of financial characteristics and

the results of BPK audits on the welfare of the community in North Sumatra. Risma, Prayitno, & Alamsyah (2015) also performed a study on the influence of government characteristics and audit findings on local governance effectiveness. These conduits are the most basic studies in analyzing the determinants of the performance of local governments in Papua and West Papua.

The local government performance literature has been dominated by national studies, albeit emphasizing regional and external audit features. Previous studies have been conducted in this regard; however, the present study was to show these other factors in particular studies in Papua and West Papua Provinces.

## RESEARCH METHOD

This research is conducted in all the districts and cities in Papua and West Papua Province, with a total of 42 local governments. Papua Province itself consists of 29 regencies and cities, while West Papua Province consists of 13 regencies and cities. These provinces were chosen due to unique regional characteristics and their respective governance challenges, particularly regarding financial management and the evaluation of performance.

This study's population is made up of all local governments belonging to the Provinces of Papua and West Papua. Purposive sampling is used, based on the availability of complete financial and performance data and those relevant to the research. This study focused on local governments that have publicly available annual reports, such as the 2017 Regional Government Performance Evaluation Report (EKPPD), the 2017 Balance Sheet and Budget Realization Report (LRA), and the 2017 Government Audit Board Reports The (BPK-RI) conducted audits of the 2017 Local Government Financial Statements (LKPD). Purposive sampling, in terms, utilizes data that is thought logically fit and to be a validator for the study.

This study was based on secondary data from official sources. The Balance Sheet shows total assets and fixed assets, whereas the LRA provides information on total realized budget revenue, locally generated revenue (PAD), intergovernmental fiscal transfers, total regional expenditures, and capital expenditures. Moreover, the 2017 LKPD audit findings and audit opinions were also derived from the first and second semester audit reports of

BPK-RI for the year of 2018. The performance scores of EKPPD are obtained from the website at Ministry of Home Affairs. This guarantees credible and systematically documented financial and performance information for the study.

This study comperized two primary methods of data collection, including documentary study and literature review. This data is secondary, drawn from official government reports and financial statements, thus, the credibility and validity assure data. The principal references comprise the Regional Government Performance Evaluation Report (EKPPD), Local Government Financial Statements (LKPD), the Audit Board of the Republic of Indonesia (BPK-RI) audit reports, and the Budget Realization Reports (LRA), offering thorough financial and performance appraisals of local governments (BPK-RI, 2018; Ministry of Home Affairs, 2018). The literature review is the next step to provide a solid theoretical base by studying previous findings in related areas (regional financial management and governance) from official documents, books, and peer-reviewed academic journals. Historical past locals through the years have paid consideration by documentary proof by way of prior research to research the efficiency of native governments within the context of developing nations (Putra & Harahap, 2020; Santoso et al., 2021). Combining both approaches helps ensure reliability and validity, and aids a detailed understanding of issues affecting regional government performance. This study also embraces both approaches in order to assure data reliability and validity so as to enable in-depth analysis of regional government performance influencing factors.

Based on the theoretical approach, this study refers to the operational definition and measurement of variables related to the evaluation of regional government performance and its influencing factors with quantitative indicators. The dependent variable in this research is regional government performance, which is measured using the EKPPD performance score\* from the 2017-2018 Local Government Implementation Report (LPPD), which classifies performance scores between a range of 0-4, from low to very high (Ministry of Home Affairs, 2018). The independent variables are a set of financial and governance-related factors. X1 = Local Government Size, the ratio of fixed assets to total assets, represents the local government resource capacity (Mahmudi, 2020). Regional Wealth Level (X2) refers to the ratio between locally generated revenue (PAD) and total regional revenue, which is a

measure of financial independence (Santoso et al. 2021). The Fiscal Dependency Level (X3) ratio between balance funds and total regional revenue shows the dependency on the regional government from central government transfers (Putra & Harahap, 2020). Regional Expenditure (X4) is measured by the capital spending ratio to total regional expenditure, which indicates the priority of investment (BPK-RI, 2019). Audit Findings (X5): this ratio is calculated as a ratio between total audit findings (monetary value) and total regional expenditures which address findings of financial irregularities (Ministry of Finance, 2020). Finally, Audit Opinion (X6) is coded using a scoring system that indicates Disclaimer (1), Adverse Opinion (2), Qualified Opinion (3), and Unqualified Opinion (4), following the quality of financial report classifications according to the BPK-RI (BPK-RI, 2021). We aggregate these variables into inter-correlated thematic blocks as they form a relevant set of a wider spectrum of financial and good governance determinants of regional government performance.

$$EKPPDi = \beta_0 + \beta_1 ASETi + \beta_2 PADi + \beta_3 DPi + \beta_4 BMi + \beta_5 TEMUANI + \beta_6 OPINi + \varepsilon$$

## RESULTS AND DISCUSSION

This study tries to analyze the influence of local government characteristics in the form of local government size (X1), the level of regional wealth (X2), the level of fiscal dependence (balancing funds) (X3), and local expenditure (X4) as well as BPK audit results in the form of the number of audit findings (X5), and audit opinion (X6) on the performance of district/city local government administration in Papua and West Papua Provinces (EKPPD - Y).

There are 29 local governments in Papua Province and 13 local governments in West Papua Province. Of the 42 local governments, 2 local governments did not obtain performance evaluation results based on the Decree of the Minister of Home Affairs Number 118-8840 of 2018 concerning EKPPD 2018 on LPPD 2017, namely South Manokwari Regency and Arfak Mountains Regency. Because the latest Decree of the Minister of Home Affairs related to EKPPD is only EKPPD 2018 against LPPD 2017, the audited financial statements data are also taken from the LRA and Balance Sheet as of December 31<sup>st</sup>, 2017,

and BPK Audit Results on LKPD 2017 published in 2018. Thus, the sample data that is suitable for processing is 40. The description of the research data is described in the following table:

The data from this study are processed based on the measurement indicators of local government size variables (X1) using the ratio of fixed assets to total assets, the level of regional wealth (X2) using the ratio of PAD to total regional income, the level of fiscal dependence (balancing funds) (X3) using the ratio of balancing funds to total regional income, and regional expenditure (X4) using the ratio of capital expenditure to total regional expenditure, and audit findings (X5) using the ratio of the number of BPK findings to total regional expenditure. Furthermore, BPK audit opinion (X6) uses a scale of 4, and EKPPD (Y) uses a rating score set by the Ministry of Home Affairs.

Before testing the research hypothesis, it is necessary to describe the research results based on descriptive statistics used to provide an overview of the distribution of sample data on the research variables. Descriptive statistical measurements used include mean, standard deviation, maximum value, and minimum value. The results of descriptive statistical analysis are shown in the following table:

**Table 1**  
**Descriptive Analysis of Research Variables**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Regional Size (X1)	40	55,2163	95,5239	86,188769	9,2531373
Regional Wealth (X2)	40	,2043	19,4998	3,632667	4,4196509
Fiscal Dependency (X3)	40	53,4073	80,4747	70,274817	6,7902571
Regional Expenditure (X4)	40	4,4280	39,2297	22,109600	7,0530289
Audit Findings (X5)	40	,0068	118,6316	7,392810	19,9831853
Audit Opinion (X6)	40	1,0000	4,0000	2,925000	1,2065526
EKPPD (Y)	40	1,2966	2,9601	2,220938	,4594793
Valid N (listwise)	40				

Source; Author 2023

Based on the descriptive statistical table data, it can be explained that the Regional Size Variable has a minimum value of 55.2163, a maximum value of 95.5239, an average value of 86.188769, and a standard deviation of 9.2531373. The minimum value of regional size is Tolikara Regency with a ratio of fixed assets to total assets as of December 31<sup>st</sup>, 2017,

of 55.22% and the maximum is Sorong City with a ratio of fixed assets to total assets as of December 31<sup>st</sup>, 2017, of 95.52%. Based on the data in table 3, the ratio of fixed assets to total assets of 40 district/city governments in Papua and West Papua Provinces is greater than 90.00% as many as 16 regions, above 80.00% - 90.00% as many as 17 regions, above 70.00% - 80.00% as many as 3 regions, above 60.00% - 70.00% as many as 3 regions, and below 60.00% as many as 1 region.

The Regional Wealth Level variable has a minimum value of 0.2043, a maximum value of 19.4998, an average value of 3.632667, and a standard deviation of 4.4196509. The minimum level of regional wealth is Maybrat Regency with a ratio of PAD to regional income in 2017 of 0.20% and the maximum is Mimika Regency with a ratio of PAD to regional income of 19.50%. Based on the data in Table 3, the ratio of PAD to regional income for 40 district/city governments in Papua and West Papua Provinces is greater than 10.00% in as many as 3 regions, above 5.00% - 10.00% in as many as 6 regions, and below 5.00% as many as 31 regions.

The Fiscal Dependency Level variable has a minimum value of 53.4073, a maximum value of 80.4747, an average value of 70.274817, and a standard deviation value of 6.7902571. The minimum level of fiscal dependence is Sorong Regency with a ratio of balance funds to regional income in 2017 of 53.41% and the maximum is Nabire Regency with a ratio of balance funds to regional income of 80.47%. Based on the data in Table 3, the ratio of equalization funds to regional income for 40 district/city governments in Papua and West Papua Provinces is greater than 80.00% in as many as 2 regions, above 70.00% - 80.00% in as many as 19 regions, above 60.00% - 70.00% as many as 15 regions and below 60.00% as many as 4 regions.

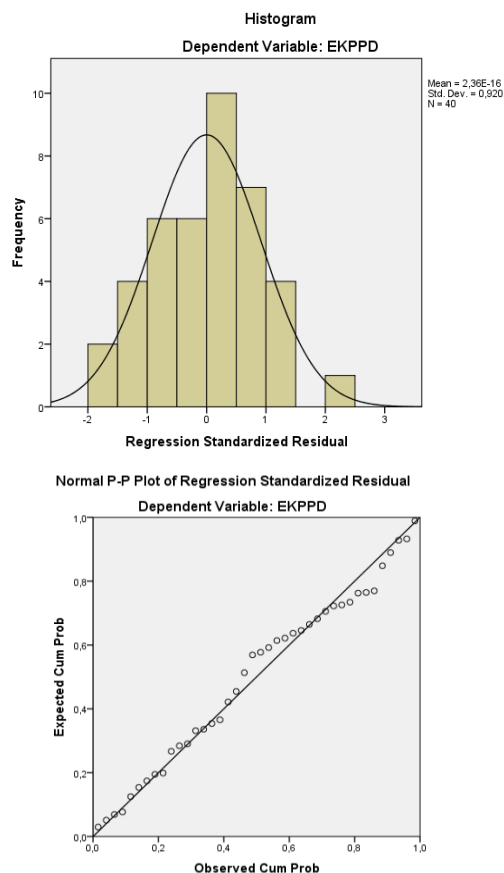
The Regional Expenditure variable has a minimum value of 4.4280, a maximum value of 39.2297, an average value of 22.109600, and a standard deviation value of 7.0530289. The minimum value of regional expenditure is Biak Numfor Regency with a ratio of capital expenditure to regional expenditure in 2017 of 4.43% and the maximum is Teluk Bintuni Regency with a ratio of capital expenditure to regional expenditure of 39.23%. Based on the data in Table 3, the ratio of capital expenditure to regional expenditure for 40 district/city governments in Papua and West Papua Provinces is greater than 30.00% in as

many as 4 regions, above 20.00% - 30.00% in as many as 25 regions, above 10.00% - 20.00% as many as 10 regions and below 10.00% as many as 1 region.

The BPK Audit Finding variable has a minimum value of 0.0068, a maximum value of 118.6316, an average value of 7.392810, and a standard deviation value of 19.9831853. The minimum value of BPK Audit Findings on LKPD of Regency / City Governments in Papua and West Papua Provinces in 2017 is Merauke Regency with a ratio of BPK audit findings to regional expenditure of 0.01% and the maximum is Tolikara Regency with a ratio of BPK audit findings to regional expenditure of 118.63%. Based on the data in Table 3, the ratio of BPK audit findings to local expenditure for 40 district/city governments in Papua and West Papua Provinces is greater than 50.00% as many as 1 region, above 40.00% - 50.00% as many as 1 region, above 20.00% - 30.00% as many as 2 regions, above 10.00% - 20.00% as many as 4 regions, above 1.00% - 10.00% as many as 8 regions and below 1.00% as many as 24 regions.

The Audit Opinion variable has a minimum value of 1, a maximum value of 4, an average value of 2.925000, and a standard deviation value of 1.2065526. BPK Audit Opinion on LKPD of Regency / City Governments in Papua and West Papua Provinces in 2017 based on the data in Table 3, BPK audit opinion on 40 LKPD of district/city governments in Papua and West Papua Provinces in 2017, namely TMP (No Opinion) opinion or worth 1 as many as 10 regions, TW (Unreasonable) Opinion as many as 0, WDP (Reasonable with Exceptions) Opinion as many as 13 regions, and WTP (Unqualified) Opinion as many as 17 regions.

The Dependent variable which shows the local government performance score has a minimum value of 1.2966, a maximum value of 2.9601, an average value of 2.220938, and a standard deviation of 0.4594793. The minimum value of EKPPD in 2017 is Yahukimo Regency with a score of 1.2966 and the maximum is Jayapura City with a score of 2.9601. Based on the data in Table 3, the EKPPD score of 40 district/city governments in Papua and West Papua Provinces is above 1.00 - 2.00 in as many as 14 regions, above 2.00 - 3.00 in as many as 26 regions, and above 3.00 as many as 0 regions.



**Figure 1**  
**Normal Probability Plot**

These two figures show that the distribution of the observed data is almost normal. In many studies, it is difficult to get data that is one hundred percent (100%) normally distributed and only close to normal, so it can be said that the assumption of normality in this study is not violated. Furthermore, to test data that is normally distributed, a normality test tool is used, namely one sample Kolmogorov-Smirnov

**Table 2**  
**One-Sample Kolmogorov-Smirnov Test**

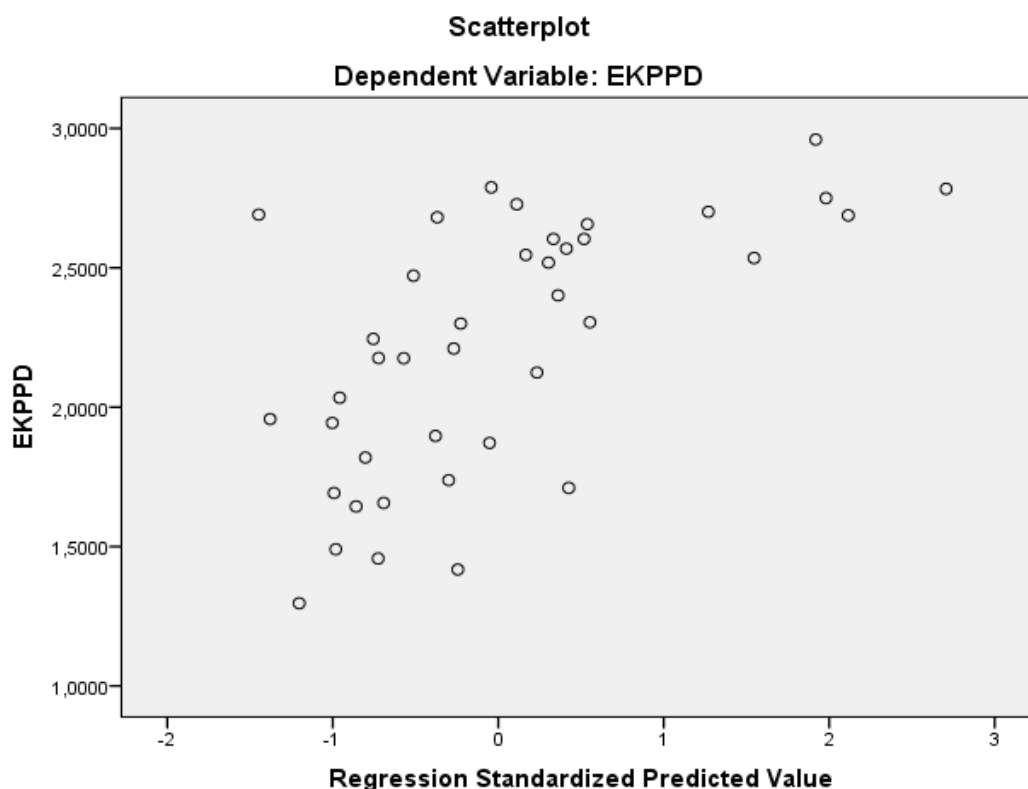
		Unstandardized Residual
N		40
Normal Parameters <sup>a,b</sup>	Mean	,0000
	Std. Deviation	,3568
Most Extreme Differences	Absolute	,0997
	Positive	,0863
	Negative	-,0997
Kolmogorov-Smirnov Z		,6307

Asymp. Sig. (2-tailed)

,8212

The Kolmogorov Smirnov test results show that this research data is normally distributed because it is known that the probability value or Asymp.Sig. (2-tailed) of 0.8212 is greater than the sig value of 0.05 ( $0.8212 > 0.05$ ).

This assumption test is intended to determine whether the disturbance variables (disturbance errors) have a constant variance. It has been revealed that this assumption can be tested in many ways, but in this study, the heteroscedasticity test was tested by diagnosing the residual plot diagram. The results of the statistical analysis show that the points spread above and below the number 0 on the Y axis, so it can be said that the assumption of heteroscedasticity is not violated.



**Figure 2**  
**Variable Dependent; EKPPD**

To check whether multicollinearity occurs or not, it can be seen from the variance inflation factor (VIF) value. The method of testing the degree of multicollinearity is used to compare the tolerance value and variance inflation factor (VIF for short) in multiple

regression analysis. The tolerance value is obtained from  $1 - R_i^2$ , while the VIF value is obtained from  $1 \div (R_i^2)$ . A commonly used cut-off value to indicate that the assumption of multicollinearity is not violated is if the Tolerance value is more than 0.1 and the VIF value is less than 10.

**Table 3**  
**Tolerance Value, and VIF Value**

Independent Variable		Tolerance	VIF
Regional Size	X <sub>1</sub>	,5455	1,8333
Regional Wealth	X <sub>2</sub>	,8513	1,1747
Fiscal Dependency	X <sub>3</sub>	,6139	1,6290
Regional Expenditure	X <sub>4</sub>	,7910	1,2642
BPK Findings	X <sub>5</sub>	,4270	2,3419
BPK Opinion	X <sub>6</sub>	,5130	1,9494

Source: Author 2023

The test results on the tolerance value and VIF show that the largest tolerance value is achieved by the X<sub>2</sub> variable of 0.8513 with the smallest VIF value of 1.1747. The VIF value obtained is not greater than 10 while the tolerance number is close to 1, so the data distribution of the research variables does not deviate from the multicollinearity assumption.

**Table 4**  
**Multiple Regression Analysis**

Research Variables		Multiple Regression Analysis			
		Coef.	SE	T <sub>count</sub>	Sig. (p)
		Regress (B)			
Constants		0,0924	1,3748	0,0672	0,9468
Regional Size	X <sub>1</sub>	-0,0024	0,0091	-0,2614	0,7954
Regional Wealth	X <sub>2</sub>	0,0436	0,0152	2,8650	0,0072
Fiscal Dependency	X <sub>3</sub>	0,0243	0,0117	2,0848	0,0449
Regional Expenditure	X <sub>4</sub>	-0,0041	0,0099	-0,4133	0,6821
BPK Findings	X <sub>5</sub>	0,0042	0,0048	0,8840	0,3831
BPK Opinion	X <sub>6</sub>	0,1791	0,0719	2,4918	0,0179
F ratio				3,6222	0,0072

Multiple R	0,6301
R Square	0,3971
Adj. R Square	0,2875

Description: F table ( $\alpha = 0,05$ ; df k-1 & n-1) or (0,05;6;39) = 2,6070

T table ( $\alpha = 0,05$ ; df n-1; two-tail test or (0,05;39) = 2,0227

The results of the regression analysis show that the multiple regression coefficient (multiple R) obtained is 0.6301 or 63.01% and the F ratio is 3.6222 at  $\alpha < 0.05$ , indicating that the variables of regional size (X1), regional wealth (X2), fiscal dependence (X3), regional expenditure (X4), BPK audit findings (X5), and BPK audit opinion (X6) have a significant and strong enough effect on the performance of district/city local government administration in Papua and West Papua Provinces (Y).

Furthermore, the coefficient of determination (R<sup>2</sup>) obtained is 0.3971 or 39.71%, indicating the level of accuracy (goodness of fit) of the regression line formed from the observed data of 39.71% or the dependent variable (Y.); The performance of district/city government administration in Papua and West Papua Provinces) is explained by the independent variables of regional size (X1), regional wealth (X2), fiscal dependence (X3), regional spending (X4), BPK audit findings (X5), and BPK audit opinion (X6) by 39.71% while not explained by 60.29% or 1 - 39.71%. Adjustment of the coefficient of determination (adjusted R Square) obtained is 0.2875 or 28.75%, indicating that the effect of independent variables on the dependent variable that has not been included in the research model after being adjusted is 71.25%.

This equation illustrates that the constant value ( $\beta_0$ ) of 0.0924 indicates that if the regression coefficient of regional size ( $\beta_1X_1$ ), regional wealth ( $\beta_2X_2$ ), fiscal dependence ( $\beta_3X_3$ ), regional spending ( $\beta_4X_4$ ), BPK audit findings ( $\beta_5X_5$ ), and BPK audit opinion ( $\beta_6X_6$ ) is 0, the performance of local government administration (Y) is 0, 0924. Furthermore, any change in the value of the regression coefficient ( $\beta_iX_i$ ) by 1 unit while the other X variables are constant, the maximum change in Y (local government performance) will change by the value of the regression coefficient ( $\beta_iX_i$ ).

Based on the results of this multiple regression analysis, the level of significance obtained to test the acceptance or rejection of the research hypothesis is determined by:

The Simultaneous Significance Test (F Test) is calculated by comparing the Fcount value with the Ftable value at the confidence level  $\alpha = 0.05$  and degrees of freedom (df) = (k-1); and (n - 1) or df = 6; and 39. If the Ftable value (df = 6; 39) at  $\alpha = 0.05 = 2.6070$  is greater than the counter, then the conclusion is that the research results support  $H_0$  and do not support  $H_a$ , or if the Ftable value is smaller than Fcount then the research results do not support  $H_0$  and support  $H_a$ .

The results of the Simultaneous Significance Test (F Test) or Fcount of 3.6222 > Ftable of 2.6070 with a probability value of 0.0072, then it is proved that simultaneously there is an effect of regional size (X1), regional wealth (X2), fiscal dependence (X3), regional spending (X4), BPK audit findings (X5), and BPK audit opinion (X6) significantly on the performance of district/city local government administration in Papua and West Papua Provinces (Y).

The Partial Significance Test (t-test) is calculated by comparing the tcount value with the ttable value at the confidence level  $\alpha = 0.05$  and degrees of freedom (df) = (k-1); and (n - 1) or df = 6; and 39. If the ttable value (dfn-1 = 39) at  $\alpha = 0.05 = 2.02269$  is greater than the tcount, then the conclusion is that the research results support  $H_0$  and do not support  $H_a$ , or if the ttable value is smaller than the tcount, the research results do not support  $H_0$  and support  $H_a$ . Comparing the probability value (p) with the degree of confidence ( $\alpha$ ) = 0.05 where if the p value >  $\alpha$  (0.05) then the research results support  $H_0$  and do not support  $H_a$ , or if the p-value <  $\alpha$  (0.05) then the research results do not support  $H_0$  and support  $H_a$ .

- a. The first research hypothesis assumed that the size of the region (X1), has a positive and significant effect on the performance of district/city governance in Papua and West Papua Provinces. The results of statistical analysis show that the value of tcount = -0.2614 < ttable 2.02269 and the probability value or significance = 0.7954 >  $\alpha = 0.05$ , meaning that the size of the region has a negative and insignificant effect on the performance of district/city governance in Papua and West Papua Provinces. Thus the first hypothesis is rejected.
- b. The second research hypothesis suspects that regional wealth (X2) has a positive and significant effect on the performance of district/city governance in Papua and West Papua Provinces. The results of statistical analysis show that the value of tcount = 2.8650 > ttable

- 2.02269 and the probability value or significance =  $0.0072 < \alpha = 0.05$ , meaning that regional wealth has a positive and significant effect on the performance of district/city governance in Papua and West Papua Provinces. Thus, the second hypothesis is accepted.
- c. The third research hypothesis assumed that fiscal dependence (X3) has a positive and significant effect on the performance of district/city governments in Papua and West Papua Provinces. The results of statistical analysis show that the value of  $t_{count} = 2.0848 > t_{table} 2.02269$  and the probability value or significance =  $0.0449 < \alpha = 0.05$ , meaning that fiscal dependence has a positive and significant effect on the performance of district/city governance in Papua and West Papua Provinces. Thus, the third hypothesis is accepted.
- d. The fourth research hypothesis assumed that regional expenditure (X4), has a positive and significant effect on the performance of district/city governance in Papua and West Papua Provinces. The results of statistical analysis show that the value of  $t_{count} = -0.4133 < t_{table} 2.02269$  and the probability value or significance =  $0.6821 > \alpha = 0.05$ , meaning that local expenditure has a negative and insignificant effect on the performance of district/city governance in Papua and West Papua Provinces. Thus, the fourth hypothesis is rejected.
- e. The fifth research hypothesis suspects that BPK audit findings (X5) have a negative and significant effect on the performance of district/city governments in Papua and West Papua provinces. The results of statistical analysis show that the value of  $t_{count} = 0.8840 < t_{table} 2.02269$  and the probability value or significance =  $0.3831 > \alpha = 0.05$ , meaning that BPK audit findings have a positive and insignificant effect on the performance of district/city local governance in Papua and West Papua Provinces. Thus, the fifth is rejected.
- f. The sixth research hypothesis assumed that BPK audit opinion (X6), has a positive and significant effect on the performance of district/city governance in Papua and West Papua Provinces. The results of statistical analysis show that the value of  $t_{count} = 2.4918 > t_{table} 2.02269$  and the probability value or significance =  $0.0179 < \alpha = 0.05$ , meaning that BPK audit opinion has a positive and significant effect on the performance of district/city local governance in Papua and West Papua Provinces. Thus, the sixth hypothesis is accepted.

## Discussion

The results of testing the research hypothesis based on multiple regression analysis show that the size of local government (X1) as measured using the ratio of fixed assets to total assets based on the results of multiple regression analysis has a regression coefficient = -0.0024 and a significance value = 0.7954 shows a negative and insignificant effect on the performance of local government administration. The results of this test indicate that the size of the region in the form of fixed assets does not affect improving the performance of local government administration. That means an increase in the size of the region in the form of fixed assets is not able to encourage an increase in the performance of district/city local government administration in Papua and West Papua Provinces. This study is not in line with the results of research by Mustikarini and Fitriasaki (2012) which states that the larger the size of the region marked by the amount of assets of the Regional Government, the higher the performance of the Regional Government is expected. Kusumawardhani (2012); Andani, Sarwani, & Respati (2019) show that regional size as measured by the proxy of total assets has a positive effect on the performance of local government administration. In essence, the size of the local government in the form of large fixed assets will make it easier for local governments to provide services to the community (Renas & Muid, 2014). This study shows that the ownership of fixed assets owned by district/city governments in Papua and West Papua Provinces has not been able to provide great benefits to improve governance in service to the community.

The level of regional wealth (X2) as measured using the ratio of PAD to total regional income based on the results of multiple regression analysis has a regression coefficient = 0.0436 and a significance value = 0.0072, which shows a positive and significant effect on the performance of local government administration. The results of this test indicate that the greater the regional wealth in the form of PAD, the higher the performance of local government administration. That means the role of PAD in improving the performance of local government administration has functioned properly. The results of this study are in line with the research of Mustikarini and Fitriasaki (2012), Sudarsana, Susila, & Rahardjo (2013), Harumiati and Payamta (2014), and Sedyaningsih & Zaky (2015) showing that the level of

regional wealth as measured by the PAD proxy has a positive effect on the performance of local government.

The level of fiscal dependence (X3) as measured by using the ratio of balancing funds to total local revenue based on the results of multiple regression analysis has a regression coefficient = 0.0243 and a significance value = 0.0449 showing a positive and significant effect on the performance of local government administration. These results indicate that the greater the balancing funds, the higher the performance of local government administration. This study shows that district/city governments in Papua and West Papua provinces still have a high dependence on the central government to support the implementation of local government.

Regional expenditure (X4) as measured using the ratio of capital expenditure to total regional expenditure based on the results of multiple regression analysis has a regression coefficient = -0.0041 and a significance value = 0.6821 showing a negative and insignificant effect on the performance of local government administration. This result shows that the higher the capital expenditure, the lower the performance of local government administration. Changes in the direction of the influence of this variable may not have an impact on improving services to the community because the construction of roads, bridges, and networks mostly connects isolated areas in several districts in Papua and West Papua Provinces. This research is in line with the results of research conducted by Risma, Prayitno, & Alamsyah (2015); and Susilawati, (2016) that capital expenditure has a negative and insignificant effect on the performance of local government administration. Research by Mustikarini and Fitriasari (2012) and Harumiati and Payamta (2014) shows that capital expenditure has a negative and significant effect on the performance of local government administration.

Audit findings (X5) using the ratio of the number of BPK findings to total regional expenditure based on the results of multiple regression analysis has a regression coefficient = 0.0042 and a significance value = 0.3831 showing a positive and insignificant effect on the performance of local government administration. This research is in line with research conducted by Risma, Prayitno & Alamsyah (2015) which found that BPK audit findings have a positive but insignificant effect. These results show that it is different from the research of

Mustikarini and Fitriasaki (2012) and Susilawati (2016) who found that the greater the BPK audit findings, the smaller the performance of local government administration. BPK audit findings have not played an active role in making local government officials aware of the performance of governance and still focus on budget absorption rather than the outputs and outcomes of the realization of local expenditure. This research is not in line with the results of

BPK audit opinion (X6) based on the results of multiple regression analysis has a regression coefficient = 0.1791 and a significance value = 0.0179 showing a positive and significant effect on the performance of local government administration. These results indicate that the role of audit opinion in encouraging government administrators to work effectively and efficiently to improve the performance of local government administration has functioned properly. This research is in line with the research of Andani, Sarwani, & Respati (2019) that BPK audit opinion has a positive and significant effect on the performance of local government administration.

## CONCLUSION

Local government characteristics and BPK audit findings are in the same direction to determine the performance of regional government. Their results show that through their information index, regional wealth level, fiscal dependency, and audit opinion have a significant positive effect respectively, indicating that these factors positively correlate with governmental performance. On the other hand, government size and regional expenditures have a negative effect but the coefficient is not statistically significant, and audit findings influence negatively on performance but the coefficient is also not statistically significant.

The regression results for government size, regional expenditures, and audit results do not align with the theory-deduced expectations, suggesting they should be refined in future research. This could be achieved through the use of other variables in the study either as independent or dependent where HDI can be used as a dependent variable contributing to the study. Additionally, the findings would be even stronger if samples from regions with different fiscal capacities (high, medium, and low) were also considered for comparative analyses. Future research needs to advance the field of improving local government

effectiveness and efficiency, taking into account Indonesia's heterogeneous regional characteristics regarding natural resources and cultural background.

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