


“Factors affecting the disclosure level of local government financial statements: Role of audit opinion”

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FACTORS AFFECTING THE DISCLOSURE LEVEL OF LOCAL GOVERNMENT FINANCIAL STATEMENTS: ROLE OF AUDIT OPINION

Abstract

This study empirically examines the factors that influence the level of disclosure of local government financial statements, with audit opinion as a moderating variable. The ratio of financial independence, capital expenditure, intergovernmental revenue, and legislative size are independent variables in this study. The dependent variable is the degree of disclosure of local government financial statements (LKPD). The population used in this study is the financial statements of local governments in Indonesia that have been audited by BPK RI. The sample on this study consisted of 338 district/city governments on Java Island in 2018–2020 with purposive sampling. The test carried out is Multiple Linear Regression analysis using STATA version 16. Based on the results that have been analyzed, it can be concluded that the ratio of financial independence and intergovernmental revenue has a significant effect on the level of LKPD disclosure. Meanwhile, capital expenditure and legislative size have no significant effect on the level of LKPD disclosure. Audit opinion moderated the ratio of financial independence and legislative size on the level of disclosure of LKPD. Meanwhile, audit opinion does not moderate capital expenditure and intergovernmental revenue on the level of LKPD disclosure. This study provides information on the factors that influence the level of disclosure of LKPD in local governments, both districts/cities. A high level of LKPD disclosure indicates an accountability and transparency carried out by local governments.

Keywords disclosure, capital expenditure, financial independence, intergovernmental revenue, legislative size, regulation

JEL Classification G18, H83, M41, M48

INTRODUCTION

According to UU No. 14 of 2008, the government is required to practice transparency as a means of information sharing as a means of public accountability. Financial reports by local governments are one way of disclosing information to creditors and investors. Law No. 17 of 2003, which relates to state finances, has been improved, since it was thought that Indonesia's government accounting standards did not match those used by other nations. Government Regulation (PP) No. 24 of 2005, which stipulated revisions to Government Accounting Standards (SAP), changed accrual recording from cash recording in the past (PP 71, 2010).

As a substitute for PP No. 24 of 2005, the Indonesian government published PP No. 71 of 2010 in the form of a government regulation governing Government Accounting Standards (Saidin & Aswar, 2018). With the intention of enhancing the caliber and effectiveness of financial reporting for the government sector, the most recent Government Accounting Standards (SAP) were applied in all Indonesian govern-

ment organizations beginning in 2010. For a government organization to comply with the requirements of Government Regulation No. 71 of 2010, disclosure of government financial accounts is an act of openness. According to Government Regulation No. 71 of 2010, there are two types of disclosure: required disclosure and voluntary disclosure (PP 71, 2010).

The North Minahasa district government and the Jember district government both obtained a negative evaluation on their local government financial statements (LKPD) in 2020, according to the Summary of Semester I Examination Results (IHPS I) in 2021 issued by the Supreme Audit Agency (BPK). Due to the district government's inability to reliably provide the evidence, the BPK formed an irrational view. According to Marsella and Aswar (2019), the degree of disclosure of LKPD in Indonesia is just 82.7 percent on the island of Sumatra. In addition, Arifin (2020) discovered that only 61.33 percent of Indonesia's provinces disclosed their LKPD status. Nazaruddin et al. (2019) conducted additional research that discovered that only 47% of LKPD in Indonesia was disclosed. In line with PP No. 71 of 2010, local governments in Indonesia have not fully implemented 100 percent LKPD disclosure, according to prior study that determined the level of LKPD disclosure. Based on a prior study into the variables that may have an impact on the level of disclosure of LKPD, a ratio of financial independence, capital expenditure, intergovernmental revenue, legislative size, and audit opinion has been developed.

1. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The idea behind agency theory is that managers act in ways that serve their own interests rather than that of the capital owners (Probohudono et al., 2021). According to Jensen and Meckling (1976), the relationship between the owner of capital and the agent is based on the mutually agreed-upon contract, where the owner of capital will ask the agent to carry out a number of tasks on behalf of those who own capital and later delegate a number of decision-making powers to the agent (Probohudono et al., 2021).

Aswar et al. (2022) investigated the disclosure of LKPD in Indonesia. In a governance system where the people are the owners of capital, the legislature serves as a supervisor to the elected authorities. Members of the legislature, who operate as the representatives of the people, must directly supervise government employees, while they carry out their duties to ensure that no decisions are made that diverge from the aim of promoting the welfare of the populace. In addition, it is explained that there is an agency contact between the central government as a principal and the local government as an agent (Qoriiba et al., 2021), which integrates agency theory with intergovernmental revenue variables to examine the

degree of LKPD transparency. Signaling theory is to ensure that the community (capital owners) receives a strong signal that the government is being effectively governed by elected people. The information asymmetry between the corporation and the market was initially clarified by signaling theory in order to be evaluated in concrete terms (Connelly et al., 2011).

In their study on LKPD disclosure in Indonesia, Yaya et al. (2021) employed signaling theory as the theory for audit opinion variables. Local governments are informed by signaling theory that the disclosed LKPD complies with SAP. Signaling theory also provides information that is consistent with Chairani et al.'s (2021) ratio of financial independence, which shows that the government must disclose all relevant information in LKPD disclosures to demonstrate the transparency side of managing the local government's finances from the proceeds of taxes and community retributions. In their study on LKPD disclosure, Hadi et al. (2018) used a number of financial performance factors, including a capital expenditure proxy and signaling theory. The government's use of local revenue and expenditure budget resources is explained by signaling theory in capital expenditure. The government is required to give the public a signal as information about the government administration process that is disclosed in the LKPD due to the existence of the regional revenue and spending budget.

Disclosure is the display of pertinent accounting information in the form of financial statements with the goal of allowing users of financial statements with interests, such as investors, regulators, creditors, and other interested parties, to provide feedback on the outcomes of choices. According to the mandate of Law No. 17 of 2003, which specifies that every government agency is required to prepare and disclose finances, Hendriyani and Tahar (2015) defined two forms of disclosures, namely forced disclosures and voluntary disclosures. Balance sheets, reports on changes in excess budget balances, reports on budget realization, reports on changes in equity, cash flow reports, operational reports, and Notes to Financial Statements (CALK) are required to be included in the LKPD by local governments (PP 71, 2010).

Finance independence is a crucial local governance indicator. By controlling income and expenses for the benefit of the community, the local government works to enhance the amount of income in an area (Ridzuan et al., 2014). Financial independence is a sign that the local government can support its own operations, public services, and development, which encourages citizens to abide by the law by paying taxes and other levies that make up a portion of the government's revenue (Oktalina, 2020). The amount of LKPD disclosure is significantly impacted by the financial independence ratio because more financial independence increases a region's capacity to fund the activities, development, and services provided by local governments (Chairani et al., 2021; Hariyani et al., 2022). Local governments must report on regional original income owned to internal and external parties to subsequently have an interest in order to maintain financial independence.

An investment in a valued asset that can be used for government purposes is known as a capital expenditure. The regional government will use capital expenditure funds from the state budget to purchase a fixed asset, also known as an asset, with the goal of enhancing local community services (Amaliah & Haryanto, 2019). Capital expenses are costs that are budgeted specifically for use by the government. Direct expenses of the Indonesian government are divided into three categories: capital spending, goods and services expenditure, and personnel expenditure. Capital

expenditures are utilized to support regional revenue and spending budget policies, which will then be reviewed and authorized directly by legislators in compliance with regional laws (Kuntari et al., 2019). According to Amaliah and Haryanto (2019), capital spending has a favorable impact on LKPD disclosure. The community will receive better services from the local government as long as it has a larger budget available for capital projects.

Intergovernmental revenue is income received by local governments from the central government to fund their own government. The central government mandates that local governments fully control and conduct their own government affairs in exchange for intergovernmental money (Marsella & Aswar, 2019). To address issues that arise in governance, intergovernmental revenue develops into a financial relationship between governments (Kelly, 1999). Intergovernmental revenue is one way regional autonomy is put into practice. The central government grants local governments the authority to administer and control their own affairs in order to allocate cash from local governments in line with the needs of the government. Intergovernmental revenue, which was analyzed by Gusnaini et al. (2020), was found to have a favorable impact on LKPD disclosure. A region will be required to disclose how much funding the federal government contributes to its regional initiatives. The level of LKPD disclosure rises in direct proportion to the amount of intergovernmental income a region receives.

The Regional People's Representative Council (DPRD), a regional legislative body with the responsibility and power to oversee the execution of actions taken by the regional government, is established at the local government level (Gusnaini et al., 2020). Members of the DPRD who serve as the oversight body for regional government operations are seen to be better equipped to comprehend what needs to be stated in the LKPD. In order for the budgeting done by the central government to be in line with the demands of local governments and become a benchmark for enhancing accountability with transparency of information, DPRD members must also fulfill their job as supervisors of local government activities. Legislative size, according to Handayani et al. (2020), had a substantial impact on LKPD disclo-

sure. Members of the legislature act as a check on the government, directing local governments to avoid spending large sums of money without a clear plan to advance the well-being of the neighborhood. Members of the legislature are elected directly by the community, and as a result, the community gives them a mandate to exert control over the regional government in order to achieve the transparency that is its core value.

A professional opinion on an LKPD that the local government has submitted is known as an audit opinion. If the auditor has reviewed the financial statements, particularly the LKPD in compliance with SAP as described in PP number 71 of 2010, the audit opinion will be formed. The amount of LKPD disclosure provided by the local government will improve in direct proportion to the quality of the audit opinion made by the auditor on the LKPD (Akrom & Firmansyah, 2018). The local government's independence, which is gained from local revenue that can fund all of the activities carried out by the local government, is the measure of the local government's financial independence. In order to increase the pressure on local governments to effectively administer government, those who contribute to local taxes should do so. Capital expenditures are costs incurred by local governments to support the region's public services. Capital expenditures give a sign of the community's desires for the provision of public service facilities. The audit views that local governments will eventually declare regarding capital expenditures that have been made to complete public service support facilities are related to the LKPD disclosures made by local governments. Intergovernmental revenue, also referred to as intergovernmental transfer income, is money that local governments get from the federal government to support local needs. The audit opinion may be utilized by the central government as a means of assessing whether or not the transfer income recorded in the LKPD can actually be used to give benefits. Members of the DPRD are charged by the community with leading them in a way that is focused on the well-being of the community so that everything functions as it should. The audit opinion becomes a reflection of the local government and a belief in the caliber of the LKPD held by the local government to be later communicated to legislators serving as representatives of the local community.

In order to design regulations that will improve the quality of the information provided by Indonesian local governments and serve as an example for emerging nations like Indonesia, the goal of this study is to explore the link between local government financial statements disclosure factors.

The research hypotheses were developed using a combination of experimental data and disclosure theory. The agency and signaling theories provide examples of how determining factors affect the disclosure of financial statements. When taken into account collectively, the following hypotheses are offered:

- H_1 : *The ratio of financial independence affects the level of disclosure of LKPD.*
- H_2 : *Capital expenditure affects the level of disclosure of LKPD.*
- H_3 : *Intergovernmental revenue affects the level of disclosure of LKPD.*
- H_4 : *Legislative size affects the level of disclosure of LKPD.*
- H_5 : *Audit opinion moderates the effect of the financial independence ratio on the level of disclosure of LKPD.*
- H_6 : *Audit opinion moderates the effect of capital expenditure on the level of disclosure of LKPD.*
- H_7 : *Audit opinion moderates the influence of intergovernmental revenue on the level of disclosure of LKPD.*
- H_8 : *Audit opinion moderates the effect of legislative size on the level of disclosure of LKPD.*

2. DATA AND METHODOLOGY

Local governments of a district or a city in Indonesia that create LKPDs that have undergone BPK auditing are the subjects of this study. The focus of this study is the LKPD, the Javan island's district or municipal administration for the 2018–2020 period. The research sample includes LKPD, which re-

ports fully beginning with the balance sheet, operational reports, reports on changes in excess budget balances, reports on changes in equity, reports on budget realization, cash flow reports, and CALK. A purposive sampling method is used for sampling.

The research data used in this study, LKPD on the island of Java in 2018–2020, was sourced from the Central BPK's official website, www.e-ppid.bpk.go.id, as well as the local government's official website or the Central Statistics Agency's official website (BPS). Following the collection of the data, all the data used in this study are described in the manner below (see Table 1).

Table 1. Research sample

Description	Total
Local Government Financial Statements (LKPD) that have been audited by BPK located on the island of Java	114
Research period	3
Number of samples being researched	342
Local Government Financial Statements (LKPD) that have been audited in Java are presented incompletely	(2)
Number of samples during the study period before outlier removal	340
Samples affected by outliers	(2)
Number of samples after outlier removal	338

According to PP No. 71 of 2010, the level of disclosure of LKPD in this study uses a scoring system for LKPD that discloses up to 50 items. By examining local revenue, one can determine the financial independence ratio of a local government. Investments made in capital to complete the assets sustaining community services. Local governments get transfers from the federal government known as inter-

governmental revenue to fund their operations. The number of DPRD members, who serve as the legislative body that supervises and regulates local government operations, is referred to as the legislative size. An audit opinion is a professional declaration made by the BPK about the fairness of the work done by the local government. The following is a measuring instrument used in this study (see Table 2).

3. EMPIRICAL RESULTS AND DISCUSSION

A total of 342 samples from data LKPD districts and cities across the island of Java were gathered for this investigation. There are two LKPD samples, though, that just show CALK and don't include assertions of changes in equity or cash flows. The sample used in this study consisted of 340 samples, which were then purged of any information that did not meet the research criteria. Outliers or extreme values do exist in some samples that have been gathered, though. As a result, the researchers eliminated the outlier samples by as much as 2. This study eliminates data by examining the students' residual value from the research model and accounting for the sample value that is greater than 3 (Blatná, 2014). One LKPD for two consecutive years, specifically the LKPD of Jember Regency, made up the outlier sample that was eliminated. 338 samples total were used as the study's final sample data.

A detailed analysis used to describe the data that has been gathered is known as descriptive statistics. Following analysis using STATA version 16, the descriptive statistical data were collected (see Table 3).

Table 2. Measurement of research variables

Variable	Acronym	Measurement	Source
LKPD disclosure level	DISC	$DISC = \frac{\text{Actual Number of Items in LKPD}}{\text{Total applicable items}}$	Marsella and Aswar (2019)
Financial independence ratio	FIR	$FIR = \frac{\text{Total Regional Original Income}}{\text{Total Regional Income}} \cdot 100\%$	Chairani et al. (2021)
Capital expenditure	CE	$CE = \frac{\text{Capital Expenditure}}{\text{Total Regional Expenditure}}$	Qoriiba et al. (2021)
Intergovernmental revenue	IR	$IR = \frac{\text{Government Balancing Fund}}{\text{Total income}} \cdot 100\%$	Gusnaini et al. (2020)
Legislative size	LS	$LS = \text{Number of DPRD Members}$	Aswar et al. (2021)
Audit opinion	AO	$AO = UO = 4; QO = 3; AO = 2; DO = 1$	Yaya et al. (2021)

Table 3. Descriptive statistics

Variable	Obs	Mean	Std. Dev	Min	Max
DISC	338	0,7804734	0,0322419	0,68	0,84
FIR	338	0,2039774	0,1173582	0,0669638	0,7336581
CE	338	0,1840282	0,0563702	0,0613576	0,3967461
IR	338	0,578287	0,106286	0,2283277	0,8429234
LS	338	44,5858	11,50977	7	106
AO	338	3,973373	0,16123	3	4

Table 4. Frequency of LKPD audit opinion

Description	Score	Total LKPD	Percentage
Qualified Opinion (QO)	3	9	2,66%
Unqualified Opinion (UO)	4	329	97,34%
Total		338	100%

Based on Tables 3 and 4, with a sample size of 338 for LKPD both districts and cities in the Java island's 2018–2020 period. According to descriptive statistics, the city of Depok and the Ngawi district in the year 2018–2020 had the lowest score of 0.68, while DKI Jakarta in the same period had the highest score of 0.84, and Grobogan Regency in the period 2019–2020 had the lowest score of 0.68. The financial independence ratio also has mean and standard deviation values of 0.2039774 and 0.1173582, respectively. With a mean of 0.1840282 and a standard deviation of 0.0563702, capital expenditure has a medium value. The average intergovernmental revenue is 0.578287, while the standard deviation is 0.106286. The average legislative size is 44.5858, with a standard deviation of 11.50977. The audit opinion's final statistics include a mean value of 3.973373 and a standard deviation of 0.16123.

Table 5. Partial regression results

Variable	Regression Model		
	Random Effect Model		
	Coefficient	t	Probability
(Constant)	0,7231097	27,78	0,000
FIR	0,327677	2,37	0,018
CE	0,3372135	1,71	0,087
IR	-0,1252749	-2,20	0,028
LS	-0,0004576	-1,74	0,082
AO	0,162501	0,27	0,790
FIR_AO	-0,0776971	-2,26	0,024
CE_AO	-0,0843135	-1,69	0,091
IR_AO	0,0247373	1,56	0,120
LS_AO	0,0002029	5,27	0,000

The partial regression findings for Hypothesis 1 reveal a coefficient of 0.327677, which suggests that the test is affirmative with a T-count of 2.37,

according to the data of Table 5. The probability value of T then appears to be 0.018, and since 0.018 is less than 0.05, it may be deduced that the financial independence ratio significantly affects the amount of LKPD disclosure. *H1* is accepted for the financial independence ratio variable. The degree of disclosure of LKPD is influenced by the percentage of financial independence. The findings of this study are consistent with those of Chairani et al. (2021), which demonstrates that the ratio of financial independence affects the degree of LKPD disclosure in 34 Indonesian provinces. The findings of this study are similarly consistent with those of Akrom and Firmansyah (2018), who found that the degree of LKPD disclosure on the island of Java is positively impacted by the ratio of financial independence.

The results of the partial regression test for capital expenditures under Hypothesis 2 indicate a coefficient value of 0.3372135, indicating that the test is positive with a T-count of 1.71. The probability value of T then comes out to be 0.087, and since 0.087 is more than 0.05, it can be concluded that capital spending has no appreciable impact on the degree of LKPD disclosure. The capital expenditure variable therefore rejects *H2*. The level of LKPD disclosure is unaffected by capital expenditure. The findings of the study on capital expenditure variables disagree with those of Amaliah and Haryanto (2019), who found that capital expenditure increases the amount of LKPD disclosure in Central Java. This analysis supports the findings of Hadi et al. (2018), who likewise found that capital spending has little bearing on the extent of LKPD disclosure across Indonesia. This indicates that the regional government will not be under any pressure to disclose information items in the LKPD because capital expenditures, as an allocation of expenditures made by the regional government for efforts to improve the quality of service in a region, do not become an important or major concern for the principal. Significant local government capital expenditures cannot provide high pressure on local governments to publish LKPD, as seen by the uneven results of capital expenditures on the degree of disclosure.

The findings of testing Hypothesis 3 indicate that the test is negative with a T-count of -2.20 and the coefficient number is -0.1252749 for the partial re-

gression of intergovernmental revenue. The probability value of T then yields a result of 0.028, where $0.028 < 0.05$, suggesting that intergovernmental revenue has a sizable impact. This indicates that $H3$ is accepted. Intergovernmental governance has an impact on how much LKPD is disclosed. The findings of this study on intergovernmental revenue variables are consistent with those of Gusnaini et al. (2020), who found that the amount of LKPD disclosure in East Java is influenced by intergovernmental revenue. Additionally, the analysis is consistent with that of Handayani et al. (2020), who found that intergovernmental revenue influences the degree of LKPD disclosure on the island of Java. Because intergovernmental revenue is a transfer made by the federal government to local governments to pay for their operating expenses, the findings of this study corroborate those of other studies.

The results of Hypothesis 4 show a negative direction with a T -count of -1.74 and a coefficient of -0.0004576 , indicating that the test is negative. The probability value of T then appears to be 0.082 on the test results, and since $0.082 > 0.05$, it may be deduced that the legislative size variable has no appreciable impact on the degree of LKPD disclosure. This indicates that $H4$ is rejected. The degree of LKPD disclosure is unaffected by the size of the legislature. The findings of this study regarding the legislative size variable do not agree with those of Handayani et al. (2020), who found that the legislative size has an impact on the degree of LKPD disclosure in Java. The results of this study, however, are consistent with those of Aswar et al. (2022), who found that the amount of LKPD disclosure in Indonesia is unaffected by the composition of the legislative body. Because there are other principals that also exert pressure on local governments on the island of Java to report high LKPD, this study does not support the findings of the legislative size study or the number of DPRD members that affect the degree of LKPD disclosure. DPRD members do not put enough pressure on local governments to implement high LKPD disclosures because of the variable results of the legislative size on the amount of disclosure.

The fifth hypothesis examines how the audit opinion variable affects how much the LKPD's level of financial independence is disclosed.

Based on the findings, the audit opinion moderated the financial independence ratio (FIR AO), which showed a coefficient of -0.0776971 and a T -count of -2.26 , indicating that the research is in the wrong direction. It is noteworthy as the resulting T probability value is 0.024, where $0.024 < 0.05$. These findings thus suggest that the audit opinion variable can modify the relationship between financial independence and the degree of disclosure of LKPD or that $H5$ is accepted. The ratio of LKPD's financial independence to its level of transparency is moderated by the audit opinion. The study by Akrom and Firmansyah (2018), which asserts that the audit opinion moderates the financial independence ratio to LKPD disclosure on the island of Java, is consistent with the results of the audit opinion moderating the financial independence ratio. Additionally, this study is consistent with studies by Ayuningrum and Ofasari (2022), which found that the audit opinion in South Sumatra moderates the relationship between financial independence and LKPD disclosure. The association between the influence of the financial independence ratio and the level of LKPD disclosure, however, is deteriorating as a result of the unfavorable research findings.

The sixth hypothesis: To determine whether the level of LKPD disclosure was impacted by the audit judgment on capital expenditures. According to the coefficient of -0.0843135 , the findings of moderation point in the direction of being negative, with a T -count of -1.69 . According to the test, the probability value for T is 0.091, which is $0.091 > 0.05$ away from being significant. As a result, the findings indicate that $H6$ is rejected depending on the level of disclosure of LKPD or the audit opinion variable cannot moderate capital expenditure. The level of LKPD disclosure is not moderated by the audit judgment about capital expenditure. According to Wijaya and Solikhin (2021), the audit opinion has no bearing on LKPD disclosure in the province of Jambi. The findings of the audit opinion moderating capital expenditure are consistent with this finding. This research, however, does not support that of Aswar (2019), who found that the degree of LKPD disclosure on Java Island is influenced by the audit opinion. According to the data, the Pangandaran district government

earned an unqualified opinion in 2019 with a capital expenditure value of 0.39675, which is higher than the average value (0.1840282), but the LKPD disclosure value is only 0.74, which is lower than the value (0.7804734). A qualified opinion was also given to the Brebes district administration in 2018, with a capital expenditure value of 0.23105 and an above-average disclosure value of 0.82. These findings demonstrate that the moderating variable of the audit opinion on capital expenditures on the amount of LKPD disclosure produces conflicting effects. It was determined that the audit opinion did not moderate capital spending on the degree of LKPD transparency.

The seventh hypothesis: Moderate intergovernmental revenue on the level of LKPD disclosure is subject to audit opinion testing. The findings of moderation suggest a favorable direction with a T-count of 1.56 based on the coefficient of 0.0247373, which means the results are positive. According to the test, the probability value for T is 0.120, which is $0.120 > 0.05$ away from significance. As a result, the findings indicate that *H7* is rejected depending on the extent of LKPD disclosure and the audit opinion. Intergovernmental revenue on the level of disclosure of LKPD is not moderated by the audit opinion. According to Ayuningrum and Ofasari (2022), audit opinions on LKPD disclosures in South Sumatra moderate intergovernmental revenue. The research findings on audit opinions regulating intergovernmental income do not support this claim. Additionally, this study conflicts with that of Nazaruddin et al. (2019), who found that audit opinion significantly affects LKPD disclosure in 33 Indonesian provinces. The analysis of the data reveals that 116 samples of LKPD, or 34.32 percent, have au-

dit opinion values of 4, with intergovernmental revenue values above the mean value (0.578287) and LKPD disclosure levels below the mean value (0.7804734). The Ciamis district government also has an intergovernmental revenue value of 0.62174 in 2020 with an unqualified opinion and an LKPD disclosure level of only 0.78. Additionally, the Ngawi district government had an intergovernmental revenue value of 0.72268 in 2018 with an unqualified opinion and a disclosure level of only 0.68. This demonstrates audit opinion does not mediate the relationship between intergovernmental revenue and the degree of LKPD disclosure.

The partial regression test results for the eighth hypothesis demonstrate that the audit opinion moderates the influence of legislative size on the degree of LKPD disclosure. The findings of the moderation suggest a positive direction with a T-count of 5.27 based on the coefficient of 0.0002029. According to the test, the probability value for T is 0.000, where $0.000 < 0.05$ is considered significant. Considering these findings, it may be concluded that the audit opinion variable can moderate the legislative size on the level of LKPD disclosure, or that *H8* is accepted. The legislative size on the level of LKPD disclosure is moderated by the audit opinion. The findings of the study on how audit opinions affect legislative size are consistent with those of Setyaningrum (2017), who found that legislative size directly affects BPK audit opinions in Indonesia. This study, however, contradicts that of Elim et al. (2019), who found that the amount of LKPD disclosure in West Nusa Tenggara is unaffected by audit opinion. As a result, it is discovered that an audit opinion enhances the link between legislative size and the degree of LKPD disclosure.

CONCLUSIONS

This study's objective is to empirically investigate the variables that affect LKPD's level of disclosure, with the audit opinion serving as a moderating variable for LKPD situated in Java Island. The findings demonstrated that the level of LKPD disclosure was influenced by the percentage of financial independence. This demonstrates how regions that have a high percentage of regional original income – money that is paid directly to the local government by the community – put pressure on the local government to declare high LKPD as a form of local government responsibility. Therefore, the amount of LKPD disclosure is not significantly impacted by capital expenditure. This demon-

strates that a local government's significant capital spending does not necessarily translate into a high level of attention from the principal and low demand to publish LKPD. Intergovernmental revenue also significantly affects how much LKPD is disclosed. This demonstrates how pressure is put on the disclosure of LKPD, which has a negative link, by intergovernmental revenue, which is a transfer given as operational costs from the federal government to local governments. Therefore, the degree of LKPD transparency is not impacted by the size of a legislative body. This means that even though there are many DPRD members on the island of Java, this does not guarantee that there will be a lot of pressure on the regional government to disclose the LKPD. This is because there are other principals who exert pressure on the regional government, making up for the lack of pressure from the legislative body.

The impact of the financial independence ratio on the amount of disclosure made by LKPD can be moderated by an audit opinion. This demonstrates that local governments with high financial independence ratio values will urge other local governments to reveal high LKPD, resulting in the local government receiving an unqualified opinion. The impact of capital expenditure on the degree of LKPD disclosure cannot then be mitigated by the audit opinion. This demonstrates that the local government's capital expenditures are not a major issue for oversight, so that prevent the unqualified opinion from strengthening the link between LKPD's degree of disclosure and capital expenditures. Additionally, the influence of intergovernmental revenue on the degree of transparency of LKPD cannot be mitigated by an audit opinion. This demonstrates that the amount of intergovernmental revenue distributed by the federal government to local governments has no bearing on the audit opinion that is produced. Lastly, an audit opinion can reduce the impact of legislation size on the degree of LKPD disclosure. This demonstrates the connection between the level of disclosure of LKPD and the DPRD members and the audit opinion. The regional government will be motivated to carry out high disclosure of LKPD by the huge number of DPRD members.

The LKPD presented by the local government has an unclear or illegible image resolution display in the application, and another LKPD lacks financial information such as statements of changes in equity and cash flows in accordance with SAP as required by PP No. 71 of 2010. These issues represent the study's limitations. Regarding recommendations for Java's local governments, it is hoped that they will be able to enhance disclosure in the future in accordance with PP No. 71 of 2010. Additionally, it is anticipated that the central government, one of the main overseers of local governments, will intensify the oversight of or monitoring of local governments. Finally, scholars advise conducting more research using additional variables, particularly those related to financial factors in the form of the size of local governments and local autonomy, as well as non-financial issues like the political climate and the size of the overall government.

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