

DETERMINANTS OF THE QUALITY OF FINANCIAL REPORTS OF REGENCY/CITY GOVERNMENTS OF NORTH SUMATERA PROVINCE BASED ON THE BPK AUDIT OPINION

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ABSTRACT

This study aims to analyse the influence of local government size, local government expenditure, the administrative age of the local government, and population size on the quality of financial reports of regency/city governments in North Sumatra Province, as proxied by the audit opinion of the Audit Board of the Republic of Indonesia (BPK). This study employs a quantitative approach with an associative research design. The study population consists of 33 regency/city governments in North Sumatra Province over the 2019–2024 periods. A census sampling method was used, resulting in 198 observations. Secondary data were analyzed using panel data logistic regression. The results indicate that local government size has a positive but insignificant effect on financial report quality. Local government expenditure has a negative and significant effect. The administrative age of the local government has a negative but insignificant effect. Meanwhile, population size has a positive and significant effect. Simultaneous testing using the Likelihood Ratio Test yielded, indicating that all independent variables collectively have a significant effect on financial report quality. These findings demonstrate that local government characteristics, specifically expenditure and population size, play a role in determining the quality of financial reports. The study's results are expected to serve as a consideration for local governments in enhancing accountability, transparency, and the quality of local financial management in order to maintain and improve their BPK audit opinions.

Keywords: Financial report quality, BPK audit opinion, local government size, local government expenditure, administrative age of local government, population size

1. Background

The quality of local government financial reports is a key indicator in achieving accountability and transparency in public financial management. High-quality financial reports present information that is relevant, reliable, comparable, and understandable, thereby serving as a basis for decision-making by the government, oversight bodies, and the public. In the context of regional autonomy, financial reports represent the local government's accountability for the implementation of the Regional Budget (APBD). According to Mardiasmo (2018), high-quality public sector financial reports must present information honestly, relevantly, and reliably, enabling their use as a foundation for economic, social, and political decision-making. Furthermore, Halim and Kusufi (2016) stated that the quality of local government financial reports is determined not only by compliance with Government Accounting Standards (SAP) but is also influenced by the effectiveness of internal control systems, human resource competence, and the local government's commitment to applying principles of public accountability.

Normatively, the quality of local government financial reports is regulated by Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP). Under this regulation, high-quality financial reports must possess the characteristics of relevance, reliability, comparability, and understand ability. In practice, the quality of local government financial reports is often proxy by the audit opinion issued by the Audit Board of the Republic of Indonesia (BPK). An audit opinion is a professional statement by the auditor regarding the fair presentation of financial reports, based on their conformity with Government Accounting Standards, the adequacy of disclosures, compliance with laws and regulations, and the effectiveness of internal control systems. Consequently, the BPK audit opinion serves as an indicator reflecting the quality of local government financial reports.

North Sumatra Province comprises 33 regency/city governments with diverse characteristics. During the 2019–2024 period, the quality of local government financial reports in North Sumatra Province showed positive progress, evidenced by an increase in the number of local governments obtaining an Unqualified Opinion (WTP). Nevertheless, there are still some local governments that received a "Qualified Opinion" (WDP). This situation indicates that the quality of local government financial reports is not yet uniform, necessitating an examination of the factors influencing it.

Table 1 Summary of BPK Audit Opinions for Regencies/Cities in North Sumatra Province, 2019–2024

Year	Number of WTP	Number of WDP	Total
2019	20	13	33
2020	23	10	33
2021	25	8	33
2022	27	6	33
2023	27	6	33
2024	27	6	33

Based on the summary table of BPK (Audit Board of the Republic of Indonesia) audit opinions for regencies and cities in North Sumatra Province from 2019 to 2024, the number of local governments receiving an Unqualified Opinion (WTP) increased from 20 in 2019 to 25 in 2023, remaining relatively stable through 2024. Conversely, the number of regions receiving a Qualified Opinion (WDP) declined from 13 in 2019 to 6 during the 2022–2024 period. Although there has been a general improvement in financial reporting quality, the continued presence of regions receiving WDP opinions indicates that the quality of financial management is not yet uniform; thus, it is compelling to further investigate the factors influencing these BPK audit outcomes.

Local government characteristics are considered a factor influencing the quality of local government financial reports. In this study, these characteristics are proxied by local government size, regional expenditure, the administrative age of the local government, and population size. According to Mahmudi (2019), regional expenditure reflects the intensity of local government activity in implementing development programs and public services; consequently, higher expenditure levels lead to greater demands for accountability and transparency in financial management. Halim (2014) also notes that the higher the regional expenditure, the greater the complexity of financial management and reporting faced by the local government.

Meanwhile, Rozak (2019) explains that local governments with large populations generally engage in more complex governmental activities, thereby requiring superior financial management systems to produce high-quality financial reports. Previous research findings regarding the impact of local government characteristics on financial report quality remain inconsistent. A study by Meza et al. (2023) indicates that local government size has a positive and significant effect on BPK audit opinions. In contrast, Rosadi and Okfitasari (2019), Sasmita (2021), and Harryansyah Putra et al. (2026) found that local government size does not significantly affect BPK

audit opinions. Regarding the population size variable, Naopal, Rahayu, and Yudowati (2017) state that population size has a positive and significant effect on the level of local government financial statement disclosure. However, Sasmita (2021) obtained different results, finding that population size does not significantly affect the quality of local government financial statements. These differing findings indicate the existence of a research gap, thereby necessitating further research that employs different research subjects, observation periods, and analysis methods.

Addressing this research gap, this study examines 33 regency and city governments in North Sumatra Province over the 2019–2024 period using panel data logistic regression analysis. Unlike some previous studies, this research employs BPK audit opinions as a proxy for the quality of local government financial reports and tests the influence of local government size, local government expenditure, administrative age, and population size—both individually and simultaneously. Consequently, this study aims to provide empirical evidence regarding the determinants of financial report quality for regency and city governments in North Sumatra Province. Based on this background, the objective of the study is to analyze the impact of local government size, local government expenditure, administrative age, and population size on the quality of financial reports of regency and city governments in North Sumatra Province, as measured by BPK audit opinions.

2. Research Methodology

This study employs a quantitative approach with an associative research design. Associative research aims to determine the relationships and influences between independent variables and a dependent variable. The independent variables in this study consist of local government size, regional expenditure, the administrative age of the local government, and population size; the dependent variable is the quality of financial reports of regency/city governments in North Sumatra Province, proxy by the audit opinions of the Audit Board of the Republic of Indonesia (BPK).

The population for this study comprises all 33 regency/city governments in North Sumatra Province. A census sampling technique (saturated sampling) was used, meaning the entire population served as the research sample. The study covers the period from 2019 to 2024, resulting in 198 observations (33 regency/city government × 6 years).

This study utilizes secondary data obtained from various sources. BPK audit opinion data were derived from the Audit Result Reports (LHP) and the

Semester Audit Result Summaries (IHPS) of the Audit Board of the Republic of Indonesia. Data on total assets and regional expenditure were obtained from the Local Government Financial Reports (LKPD) of each regency/city government, while population data were sourced from Statistics Indonesia (BPS) publications. Data regarding the administrative age of local governments were determined based on the laws establishing each respective local government.

Data analysis was conducted using EViews 13 software. The analysis began with descriptive statistics to provide an overview of the research data characteristics. Subsequently, a multicollinearity test was performed to determine the presence of high correlations among the independent variables. Hypothesis testing was conducted using Binary Logistic Regression, as the dependent variable is proxy by a dummy variable. Model fit was analyzed using the Likelihood Ratio (LR) Test, while the influence of each independent variable on the dependent variable was tested using the Wald Test. Finally, the model's explanatory power regarding the dependent variable was analyzed using McFadden R-Squared. The panel data regression model used in this study is formulated as follows: $Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \epsilon$

Where:

- Y_{it} = Quality of regency/city government financial reports for region i in year t.
- A = Constant.
- β_1 = Regression coefficient for the Local Government Size variable.
- β_2 = Regression coefficient for the Regional Expenditure variable.
- β_3 = Regression coefficient for the Local Government Administrative Age variable.
- β_4 = Regression coefficient for the Population Size variable.
- X_{1it} = Local Government Size for regency/city government i in year t.
- X_{2it} = Regional Expenditure for regency/city government i in year t.
- X_{3it} = Local Government Administrative Age for regency/city government i in year t.
- X_{4it} = Population Size for regency/city government i in year t.
- ϵ = Error term representing the influence of variables outside the research model

The research model above is a panel data regression model that combines cross-sectional and time-series data. The cross-sectional data consists of 33

regency/city governments in North Sumatra Province, while the time-series data covers an observation period of six years, specifically 2019–2024. Consequently, the total number of observations used in this study is 198 (33 regency/city government's × 6 years).

In this study, the dependent variable (Y) is the quality of local government financial reports, proxied by the audit opinion issued by the Audit Board of the Republic of Indonesia (BPK). This variable is measured using a dummy variable: local governments receiving an Unqualified Opinion (WTP) are coded as 1, while those receiving a non-WTP opinion (Qualified, Adverse, or Disclaimer of Opinion) are coded as 0.

The independent variables consist of Local Government Size (X1), proxied by the natural logarithm (Ln) of total assets; Regional Expenditure (X2), proxied by the Ln of total realized regional expenditure; Local Government Administrative Age (X3), measured by the difference between the study year and the year the region was established; and Population Size (X4), proxied by the Ln of the total population. Model testing was conducted using panel data logistic regression (Binary Logistic Regression) with the aid of EViews 13 software to analyze the influence of the independent variables on the quality of financial reports of regency/city governments in North Sumatra Province.

Table 2 Operational Definition of Variables

Variable	Operasional	Indicator	Measurement	Scale
Kualitas Laporan Keuangan (Y)	Tingkat kualitas laporan keuangan pemerintah kabupaten/kota yang diproksikan menggunakan opini audit Badan Pemeriksa Keuangan (BPK).	Opini Audit BPK	Dummy: WTP = 1, Non-WTP (WDP, TW, TMP) = 0	Nominal
Ukuran Pemerintah Daerah (X1)	Besarnya sumber daya ekonomi yang dimiliki pemerintah daerah dalam menjalankan aktivitas pemerintahan.	Total Aset	Ln Total Aset	Rasio

Belanja Daerah (X ₂)	Seluruh pengeluaran pemerintah daerah yang digunakan untuk membiayai penyelenggaraan pemerintahan dalam satu tahun anggaran.	Total Realisasi Belanja Daerah	Ln Total Realisasi Belanja Daerah	Rasio
Umur Administratif Pemerintah Daerah (X ₃)	Lamanya suatu pemerintah daerah menjalankan pemerintahan sejak dibentuk berdasarkan peraturan perundang-undangan.	Tahun Pembentukan Daerah	Tahun Penelitian – Tahun Pembentukan Daerah	Rasio
Jumlah Penduduk (X ₄)	Banyaknya penduduk yang berdomisili pada masing-masing pemerintah kabupaten/kota di Provinsi Sumatera Utara.	Jumlah Penduduk	Ln Jumlah Penduduk	Rasio

4. Results and Discussion

North Sumatra is a province on the island of Sumatra, with Medan serving as its capital. Administratively, it comprises 25 regencies and 8 cities. Geographically, the region encompasses the mainland of Sumatra, Nias Island, the Batu Islands, and a number of smaller islands. This regional diversity results in varying economic characteristics and development needs across the different areas. Descriptive statistical analysis is used to provide an overview of the research data characteristics, including the minimum and maximum values, the mean, and the standard deviation for each research variable. The results of the data processing using EViews are presented below.

Table 3. Descriptive Analysis of Research Variables

	<i>n</i>	Mean	Maximum	Minimum	SD
Opini_BPK	198	0,74	1	0	0,44
<i>Ln_Aset</i>	198	7,74	10,52	6,91	0,63
<i>Ln_Belanja</i>	198	7,05	8,75	3,89	0,55
Umur Administratif	198	44,44	78,00	11,00	27,33
<i>Ln_Jmlh_Populasi</i>	198	12,65	14,73	10,80	0,83

Based on the descriptive statistics, all research variables exhibited varying values across the respective regency and city governments throughout the study period. The variables for local government size, local government expenditure, and population size were subjected to a natural logarithm (Ln) transformation to reduce disparities in data scale and achieve a better distribution for the estimation process. Meanwhile, the administrative age variable was measured based on the duration of the region's existence since its establishment. The descriptive statistics provide an overview of the minimum, maximum, mean, and standard deviation values for each research variable prior to the regression analysis.

Logistic regression analysis (Binary Logit) was employed because the dependent variable in this study is dichotomous and qualitative (binary dummy data coded 0 and 1), specifically, the BPK audit opinion. The fairness of the presentation of Local Government Financial Statements (LKPD) was assessed based on the BPK audit opinion using a dummy variable, with a value of 1 assigned to an Unqualified Opinion (WTP) and a value of 0 assigned to non-WTP opinions, which include Qualified (WDP), Adverse (TW), and Disclaimer of Opinion (TMP). Parameter estimation was performed using the Maximum Likelihood (ML) method with Huber-White standard error corrections to address the issue of heteroskedasticity in the panel data (Ghozali, 2024). The results of the logistic regression analysis are presented in the following table.

Table 4. Logistic Regression Results

Dependent Variable: OPINI_BPK Method: ML - Binary Logit (Newton-Raphson / Marquardt steps) Date: 06/25/26 Time: 10:50 Sample: 2019 2024 Included observations: 198 Convergence achieved after 4 iterations Coefficient covariance computed using the Huber-White method				
Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-1.881401	3.210182	-0.586073	0.5578
LN_ASET	0.446762	0.551756	0.809709	0.4181
LN_BELANJA	-1.778552	0.697489	-2.549936	0.0108
UMUR_ADMINISTRATIF	-0.007279	0.006693	-1.087551	0.2768
LN_JMLH_POPULASI	0.980974	0.375273	2.614027	0.0089
McFadden R-squared	0.042238	Mean dependent var	0.742424	
S.D. dependent var	0.438408	S.E. of regression	0.432122	
Akaike info criterion	1.143322	Sum squared resid	36.03870	
Schwarz criterion	1.226359	Log likelihood	-108.1889	
Hannan-Quinn criter.	1.176933	Deviance	216.3778	
Restr. deviance	225.9203	Restr. log likelihood	-112.9602	
LR statistic	9.542530	Avg. log likelihood	-0.546409	
Prob(LR statistic)	0.048881			
Obs with Dep=0	51	Total obs	198	
Obs with Dep=1	147			

The results of the panel data logistic regression estimation indicate that the direction of the influence of each independent variable on financial report quality varies. The variables for local government size and population size exhibit positive regression coefficients, whereas the variables for local government expenditure and administrative age exhibit negative regression coefficients. Furthermore, the significance of each variable was analyzed using the Wald Test, while the joint influence of the variables was analyzed using the Likelihood Ratio Test. A classification matrix is used to assess the predictive accuracy of a developed logistic regression model by comparing the model's predicted values with actual observed values (Ghozali, 2024).

The evaluation is based on two approaches: the Success Cutoff approach (using a probability threshold of 0.50) and the Expected Value approach. The results of the classification matrix analysis are presented in the following table. The results of simultaneous testing using the Likelihood Ratio Test indicate that the LR Statistic probability value is lower than the 5% (0.05) significance level. Consequently, the hypothesis stating that local government size, local government expenditure, administrative age of the local government, and population size simultaneously influence the quality of regency/city government financial reports in North Sumatra Province is accepted. These results demonstrate that the four independent variables

collectively explain the variation in financial report quality, as proxied by the BPK audit opinion.

Table 5 Matriks Klasifikasi

Expectation-Prediction Evaluation for Binary Specification Equation: EQ_LOGIT Date: 06/25/26 Time: 11:47 Success cutoff: C = 0.5						
	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
% Correct	3.92	100.00	75.25	0.00	100.00	74.24
% Incorrect	96.08	0.00	24.75	100.00	0.00	25.76
Percent Gain**	3.92	NA	3.92			
	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
% Correct	29.34	75.48	63.60	25.76	74.24	61.75
% Incorrect	70.66	24.52	36.40	74.24	25.76	38.25
Percent Gain**	4.82	4.82	4.82			
*Change in "% Correct" from default (constant probability) specification						
**Percent of incorrect (default) prediction corrected by equation						

Goodness-of-fit testing in logistic regression aims to determine whether the estimated model adequately fits the observed data. A good model is one that effectively captures the relationship between the independent and dependent variables and yields predictions that closely approximate actual conditions. According to Ghazali (2024), logistic regression models can be evaluated using several indicators, including the Hosmer-Lemeshow test (to assess model fit against observed data), McFadden R-Squared (to measure the improvement in model fit compared to a model without predictors), and the Likelihood Ratio (LR) test (to examine the overall significance of the model). Therefore, this study evaluates the model using the Hosmer-Lemeshow test, McFadden R-Squared, and the Likelihood Ratio test. In addition to McFadden's R-squared, the goodness of fit of a logistic regression model can also be evaluated using the Hosmer-Lemeshow test. This test assesses the agreement between the values predicted by the model and the observed values. A logistic regression model is considered to have a good fit if there is no significant difference between the

observed data and the model's predicted data. The test results are presented in the following table.

Table 6 Hosmer-Lemeshow Goodness-of-Fit Test Results

Goodness-of-Fit Evaluation for Binary Specification			
Andrews and Hosmer-Lemeshow Tests			
Equation: EQ_LOGIT			
Date: 06/25/26 Time: 11:33			
Grouping based upon predicted risk (randomize ties)			
H-L Statistic	5.1281	Prob. Chi-Sq(8)	0.7438
Andrews Statistic	6.6909	Prob. Chi-Sq(10)	0.7543

Based on the test results presented in the table above, the Hosmer-Lemeshow statistic was found to be 5.128, with a Chi-square probability value of 0.743; this probability value exceeds the 5% significance level ($0.7438 > 0.05$). Thus, it can be concluded that there is no significant difference between the values predicted by the model and the values observed in the research data.

The coefficient of determination for the logistic regression model is measured using the McFadden R-squared value. This measure is used to assess the model's ability to explain the variation in the probability of the dependent variable occurring based on the independent variables included in the model (Ghozali, 2024). The test results are presented in the following table.

Table 7. Coefficient of Determination Results (McFadden R-squared)

Dependent Variable: OPINI_BPK			
Method: ML - Binary Logit (Newton-Raphson / Marquardt steps)			
Date: 06/25/26 Time: 10:50			
Sample: 2019 2024			
Included observations: 198			
Convergence achieved after 4 iterations			
Coefficient covariance computed using the Huber-White method			
McFadden R-squared	0.042238	Mean dependent var	0.742424
S.D. dependent var	0.438408	S.E. of regression	0.432122
Akaike info criterion	1.143322	Sum squared resid	36.03870
Schwarz criterion	1.226359	Log likelihood	-108.1889
Hannan-Quinn criter.	1.176933	Deviance	216.3778
Restr. deviance	225.9203	Restr. log likelihood	-112.9602
LR statistic	9.542530	Avg. log likelihood	-0.546409
Prob(LR statistic)	0.048881		
Obs with Dep=0	51	Total obs	198
Obs with Dep=1	147		

Based on the estimation results presented in the table above, a McFadden R-squared value of 0.042 was obtained. This value indicates that the variables of Local Government Size, Local Government Expenditure, Administrative Age, and Population Size collectively explain 4.2% of the variation in the probability of a local government receiving an Unqualified Opinion (WTP) from the Audit Board (BPK), while the remaining 95.8% is attributable to other factors not examined in this study.

Partial testing in logistic regression is conducted using the Wald Test, represented by the z-statistic value in the EVIEWS output. This test aims to evaluate whether each independent variable individually exerts a significant influence on the dependent variable (Ghozali, 2024).

The decision-making criterion is based on the probability value (Prob.); if the Prob. value is less than 0.05, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted, indicating that the independent variable has a significant influence on the dependent variable. Conversely, if the Prob. value is greater than or equal to 0.05, H_0 is accepted and H_a is rejected, indicating that the independent variable does not have a significant influence on the dependent variable.

Table 8 Partial Hypothesis Testing Results (Wald Test)

Dependent Variable: OPINI_BPK Method: ML - Binary Logit (Newton-Raphson / Marquardt steps) Date: 06/25/26 Time: 10:50 Sample: 2019 2024 Included observations: 198 Convergence achieved after 4 iterations Coefficient covariance computed using the Huber-White method				
Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-1.881401	3.210182	-0.586073	0.5578
LN_ASET	0.446762	0.551756	0.809709	0.4181
LN_BELANJA	-1.778552	0.697489	-2.549936	0.0108
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LN_JMLH_POPULASI	0.980974	0.375273	2.614027	0.0089

Sumber: Hasil olah data dengan Eviews 13.0

Based on the results of partial testing using the Wald Test, the following results were obtained.

1. Local government size (X₁) has a probability value of 0.4181, which is greater than the significance level of 0.05. These results indicate that local government size has a positive but insignificant effect on the quality of regency/city government financial reports in North Sumatra Province.
2. Regional expenditure (X₂) has a probability value of 0.0108—lower than the significance level of 0.05—with a regression coefficient of -1.778. These results indicate that regional expenditure has a negative and significant effect on the quality of financial reports of regency/city governments in North Sumatra Province.
3. Local government administrative age (X₃) has a probability value of 0.2768, which is greater than the significance level of 0.05. This result indicates that local government administrative age has a negative but insignificant effect on the quality of financial reports.
4. Population size (X₄) has a probability value of 0.0089, which is less than the significance level of 0.05, with a regression coefficient of 0.980. This result indicates that population size has a positive and significant effect on the quality of financial reports of regency/city governments in North Sumatra Province.

The Likelihood Ratio (LR) test aims to determine whether all independent variables included in the model collectively (simultaneously)

exert a significant influence on the dependent variable. In logistic regression, the LR test serves a function analogous to that of the F-test in classical linear regression (Ghozali, 2024). The testing criterion involves comparing the probability value of the LR statistic against a significance level of 5% (0.05). The test results are summarized in the following table.

Table 9 Simultaneous Hypothesis Testing Results (Likelihood Ratio Test)

Dependent Variable: OPINI_BPK Method: ML - Binary Logit (Newton-Raphson / Marquardt steps) Date: 06/25/26 Time: 10:50 Sample: 2019 2024 Included observations: 198 Convergence achieved after 4 iterations Coefficient covariance computed using the Huber-White method			
McFadden R-squared	0.042238	Mean dependent var	0.742424
S.D. dependent var	0.438408	S.E. of regression	0.432122
Akaike info criterion	1.143322	Sum squared resid	36.03870
Schwarz criterion	1.226359	Log likelihood	-108.1889
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Restr. deviance	225.9203	Restr. log likelihood	-112.9602
LR statistic	9.542530	Avg. log likelihood	-0.546409
Prob(LR statistic)	0.048881		
Obs with Dep=0	51	Total obs	198
Obs with Dep=1	147		

Sumber: Hasil olah data dengan Eviews 13.0

Based on the table above, the LR statistic value is 9.542, with a Prob(LR Statistic) of 0.048 (which is less than the significance level of 0.05); therefore, the decision regarding the simultaneous hypothesis test is to reject H_0 and accept H_a . Thus, it can be concluded that the variables of Local Government Size, Regional Expenditure, Administrative Age, and Population Size simultaneously have a significant influence on the probability of the BPK audit opinion received by regency/city governments in North Sumatra Province.

5. Conclusion and Recommendation

Based on the research findings, the quality of financial reports for regency/city governments in North Sumatra Province during the 2019–2024 period is generally good; this is indicated by an average BPK (Audit Board) opinion score of 0.74, with 74.24% of the 198 observations receiving an Unqualified Opinion (WTP). The cities of Binjai and Gunung Sitoli consistently received WTP opinions throughout the study period, whereas Medan City (in 2019) and Tanjung Balai City (from 2019 to 2022) received non-WTP opinions.

This demonstrates a disparity in audit opinion achievements among the regency/city governments.

Local government size and administrative age do not significantly affect financial report quality, with probability values of 0.4181 and 0.2768, respectively. This implies that neither the magnitude of total assets nor the length of time a region has existed determines the achievement of a better BPK opinion. Medan City recorded the highest natural log (ln) of assets in 2023 (10.52), while Asahan Regency recorded the lowest in 2021 (6.91). Meanwhile, the regencies of Asahan, Deli Serdang, Karo, and Langkat had the longest administrative age in 2024 (78 years), whereas Gunung Sitoli City and the regencies of South Labuhanbatu and North Labuhanbatu had the shortest age in 2019 (11 years).

Regional expenditure has a significant negative effect on financial report quality (probability: 0.0108), while population size has a significant positive effect (probability: 0.0089). This indicates that an increase in regional expenditure tends to lower the probability of obtaining a favorable BPK opinion if not balanced by adequate management and oversight. Medan City recorded the highest natural log (ln) of expenditure in 2023 (8.75), while Pematang Siantar City recorded the lowest in 2022 (3.89). Conversely, a larger population tends to increase the probability of obtaining a better audit opinion; Medan City recorded the highest natural log of population (14.73) in 2022, while Sibolga City recorded the lowest (10.80) in 2019.

Simultaneously, local government size, local government expenditure, administrative age, and population size significantly influence the quality of financial reports, as indicated by a Likelihood Ratio Test value of 0.048881 ($p < 0.05$). Thus, these four variables collectively affect the probability of regency/city governments in North Sumatra Province obtaining specific BPK audit opinions, although, on an individual basis, only local government expenditure and population size were proven to have a significant effect.

Based on the research findings, regency and city governments in North Sumatra Province are advised to continuously improve the quality of regional financial management and reporting—particularly regarding regional expenditure management—to ensure greater effectiveness, efficiency, transparency, and accountability. Local governments also need to strengthen internal control systems and enhance the competence of financial management personnel to support the production of high-quality financial reports and secure favorable audit opinions from the Audit Board of the Republic of Indonesia (BPK). Future researchers are encouraged to

incorporate additional variables that may influence financial report quality and to expand the research period and scope to yield more comprehensive results.

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