Analysis of the Influence of Abnormal Accrual, Internal Control System, and Audit Findings on the Quality of Government Financial Reports (Study on District/City Governments in Indonesia)

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Abstract. This study aims to exmine the influence of abnormal accrual, internal control system, and audit findings on the quality of financial reports of district/city goverments in Indonesia. The sampel that used in this study was local goverments in Indonesia at the district/city level in 2020-2022, with the sampel amounted to 1,518 sampels. The sampel selection is using purposive sampling technique and proceed using multinomial logistic regression analysis. The result of this study indicate that abnormal accrual do not affect the quality of local government financial reports. Then internal control system has a positive effect on the quality of local government financial reports. And audit finding has a negative effect on the quality of local government financial reports.

Keywords : Abnormal Accrual, Internal Control System, Audit Finding, Quality of Government Financial Reports.

1. INTRODUCTION

Local Government Financial Statements (LKPD) are essential instruments for presenting relevant, reliable, and trustworthy information regarding the financial position and transactions conducted by reporting entities over a specific period (Setiawan & Gayatri, 2017). High-quality LKPD reflects good management of regional finances and assets, relevance, and compliance with applicable regulations. The quality of LKPD can be measured using various methods, one of which is the audit opinion from the Audit Board of the Republic of Indonesia (BPK). Previous studies, such as those by Firmansyah et al. (2022) and Jati (2019), used BPK audit opinions as proxies to measure the quality of LKPD. In Indonesia, BPK audit opinions on LKPD have shown annual improvement, indicating an increase in the quality of local government financial reports. However, despite this improvement, the quality of LKPD still needs enhancement.

There were some factors that can influence the quality of government financial reports include changes in accounting policies, abnormal accruals, the maturity of internal control systems, and the number of audit findings by BPK. The implementation of accrual-based accounting, regulated by PP No. 71 of 2010 and Ministry of Home Affairs Regulation No. 64 of 2013, aims to enhance transparency and accountability in government financial reporting. However, the implementation of accrual-based accounting standards also gives rise to new policies and authorities, such as abnormal accrual authority. Abnormal accruals in local

government financial reporting can be influenced by opportunistic management factors, which tend to "disguise" non-compliance with accounting policies with the aim of influencing stakeholder perceptions and for reasons of efficiency (Pilcher, 2011), as a result of information asymmetry between local governments and LKPD users. The use of abnormal accruals, which can be utilized to manipulate financial reports, can reduce LKPD quality. High abnormal accruals indicate creative or aggressive accounting practices that affect the reliability of financial reports (Pilcher, 2011; Bisogno & Donatella, 2021).

Furthermore, another factor that can influence the quality of government financial reports is the government's internal control system or commonly referred to as SPIP. SPIP is a process to achieve guaranteed organizational goals, reliability of financial reporting, security of state assets, and compliance with regulations (Heinrich & Probohudono, 2023). PP No. 60 of 2008 concerning the Internal Control System states that SPI can be interpreted as an integrated and inherent process throughout the activities of all parties in the entity so that sufficient confidence is generated in the organization's goals. The government's internal control system (SPIP) plays a crucial role in ensuring the reliability of financial reports. Several studies, such as those conducted by Suhardjo (2019) and by Darwin (2021), have proven that there is an influence of SPIP on the quality of local government financial reports. However, in contrast to the above research, the study by Muda et al. (2018) states that there is no influence of SPI on the quality of LKPD.

Apart from abnormal accrual and internal control systems, the quality of LKPD can also be influenced by the number of audit findings, which are the results of BPK's examination of regional government financial reports. These findings indicate that there are indications of irregularities in the reporting and management of government finances. The number of audit findings from the BPK audit of district/city LKPD in Indonesia has increased every year. In 2020, the number of audit findings was 6,251 cases, which increased by 11.8%, or 770 cases, by 2022. This indicates that irregularities in the management of government financial reports are also increasing annually. This will certainly affect the quality of financial reports from local governments. The more audit findings, the lower the quality of local government financial reports (Tiurmaida et al., 2021). This opinion is in line with research conducted by Furqan et al. (2020), Johnson et al. (2012), and Pamungkas et al. (2019).

Based on these phenomena and the continuing differences of opinion regarding the influence of SPI and audit findings on the quality of LKPD. As well as research on the influence

of abnormal accruals on the quality of LKPD which is still relatively limited, especially in the context of government in Indonesia and differing opinions. This research aims to analyze the influence of abnormal accruals, SPIP, and audit findings on the quality of LKPD in Indonesian local governments.

2. LITERATURE REVIEW

Agency Theory

The concept of agency theory describes a relationship or contract between the principal and the agent, where the principal employs the agent to perform tasks for the benefit of the principal, including delegating decision-making authority from the principal to the agent (Rohman, 2016). This theory illustrates the relationship between management as the agent and the owner of the company as the principal, where the owner delegates all authority related to the management of the company to the management.

In the public sector, agency theory describes the relationship between local governments as agents and the central government as the owner/principal. Both the central government as the principal and the local government as the agent assume that the agent has considerations related to its interests in maximizing revenue and distributing the use of costs so that the profit that benefits both the agent and the principal is achieved. Agency theory views that local governments, as agents for the people (principal), will act with full awareness of their own interests and considers that local governments cannot be trusted to act in the best interests of the people.

Abnormal Accrual

Abnormal accrual is one of the components, along with non-discretionary accrual, used to calculate the total accrual in an agency (Gamayuni et al., 2021). Abnormal accrual arises from management's discretionary practices in managing accounting figures, such as delaying debt payments or accelerating revenue receipts (Ramadana et al., 2023). Based on research by Pilcher (2011), abnormal accrual in the public sector has the following objectives such as reducing surpluses, increasing surpluses, changing spending information, and making funds for spending available for use in other spending. From its purpose, it can be seen that abnormal accrual in the public sector is used to change the information in local government financial reports with the aim of fulfilling the personal interests of the local government. Abnormal

accrual is an effective method for reducing budget reporting and government expenditure. This approach is difficult to detect and is used to manipulate accounting policies related to accrual.

Government Internal Control System

Internal Control System (SPI) in government, or commonly known as SPIP, is an integral process in actions and activities carried out continuously by management and all employees to provide adequate assurance on the achievement of organizational goals (PP No. 60 of 2008). In order to achieve effective, efficient, transparent, and accountable state financial management, ministers/heads of institutions, governors, and regents/mayors are required to carry out internal control over the implementation of government activities. Based on PP No. 60 of 2008 concerning the Government Internal Control System, it is stated that SPIP consists of 5 elements namely, control environment, risk assessment, control activities, information and communication, monitoring and internal control. The implementation of SPIP has several benefits, including:

• Improve the performance of government agencies.

• Improve the quality of financial reports.

• Strengthen the security of state assets.

• Improve compliance with laws and regulations.

• Improve public trust in the government.

In its implementation, SPIP is carried out comprehensively both in the central government environment and in the regional government environment. Where each agency leader is responsible for the implementation of SPIP and BPK is responsible for carrying out coaching and supervision of the implementation of SPIP.

Audit Findings

Audit findings are the results or conclusions obtained by auditors after examining and evaluating financial reports, internal control systems, and compliance with applicable regulations and policies within an organization. In the Indonesian government, audit findings are the results of examinations by an external auditor, namely the BPK, related to the condition of financial management, the internal control structure, and local governments' compliance with regulations on regional financial management and reporting (Furqan et al., 2020). Audit findings identify problems within the government related to violations and non-compliance with regulations and legislation in financial reports (Setyaningrum, 2017; Tiurmaida et al., 2021). These findings are contained in the LHP and serve as early indicators of fraud related

to compliance and regulatory issues in the government's financial reporting (BPK Regulation No. 1 of 2017). Disclosure of audit findings is conducted with several objectives: increasing accountability and transparency in state financial management, preventing deviations and misuse of state finances, and enhancing the efficiency and effectiveness of state financial management.

Quality of Government Financial Reports

Financial reports are prepared to present a comprehensive picture of an entity's financial aspects, including assets, liabilities, equity, income, expenses, and cash flow. PP No. 71 of 2010 concerning Government Accounting Standards states that quality financial reports should be understandable, relevant, reliable, and comparable. The quality of local government financial reports is determined by the extent to which the reports meet established criteria or expectations (Haryati, 2016). Measuring the quality of these financial reports can help local governments correct past discrepancies and predict future financial conditions.

There are several ways to measure the quality of government financial reports, one of which is by using the audit opinion on the LKPD issued by the BPK, as demonstrated by research conducted by Firmansyah et al. (2022) and Jati (2019). BPK audit opinion is a statement or opinion of BPK as the auditor on the conclusion of the audit results related to the level of fairness of the information provided (BPK, 2018). This audit opinion can be used as a proxy to measure the quality of financial reports because the audit opinion is the result of an audit report, namely a statement of opinion regarding the level of fairness of the financial reports presented (Maharani & Arofah, 2021). Based on UU No. 15 of 2004 concerning the Audit of State Financial Management and Accountability, the BPK issues four types of opinions: unqualified opinion (WTP), qualified opinion (WDP), disclaimer of opinion, and adverse opinion.

Hypothesis Development

The effect of Abnormal Accrual on the Quality of Government Financial Reports

The existence of abnormal accruals in a local government financial report can certainly affect the presentation of accounts, especially accrual accounts in a local government financial report. As the name implies, abnormal accrual describes an abnormal condition in the government's accrual accounts which then affects the profit (in this case SILPA/SIKPA) of the local government. Several studies have proven that the existence of abnormal accrual has an impact on the components of local government financial reports such as local government

financial performance and SILPA/SIKPA (Ramadana et al., 2023; Octariyani et al., 2022: Rohanna, 2021; Gamayuni, 2022). This indicates that the presence of abnormal accrual practices can distort the information in government financial reports, making the data presented irrelevant and unreliable. This opinion is supported by research conducted by Tariverdi et al. (2019), which indicates that earnings management, measured by accrual value (including abnormal accrual), negatively affects audit opinions. Additionally, research by Juniarti et al. (2022) also finds a negative relationship between earnings management, as measured by abnormal accrual, and audit opinions.

H1: Abnormal accrual has negative effect on government quality of financial report.

The effect of SPI on the Quality of Government Financial Reports

The Internal Control System (SPI) in government is a process designed to ensure the achievement of organizational goals, the reliability of financial reporting, the security of state assets, and compliance with regulations (Heinrich & Probohudono, 2023). Effective SPI helps ensure that the financial data presented in the LKPD is accurate and reliable. Additionally, internal control prevents errors and fraud that could undermine the reliability of financial reports. This implies that the better the SPI implemented within the government, the higher the reliability of its financial reports. Such reliability is a crucial criterion for assessing the quality of the LKPD, meaning that enhancing SPI directly contributes to improving the quality of the LKPD. Several previous studies such as research by Suhardjo (2019) and Darwin (2021) have proven that SPI has a positive influence on the quality of LKPD. Where the better the Internal Control System (SPI) in the local government, the better the quality of the financial reports of the local government.

H2: SPI has positive effect on government quality of financial report.

The effect of Audit Findings on the Quality of Government Financial Reports

Audit findings in the government are one form of BPK's audit results, assessing the condition of financial management, the internal control structure, and local governments' compliance with regulations on financial management and reporting (Furqan et al., 2020). Setyaningrum (2017) and Tiurmaida et al. (2021) stated that audit findings identify problems related to violations and non-compliance with regulations and legislation in financial reports. Based on this logic, the more audit findings there are in an agency's financial report, the more problems exist related to violations or non-compliance with the agency's regulations. The presence of audit findings that describe issues related to violations and non-compliance with

regulations or standards will certainly affect the opinion issued by the BPK as a result of the audit. This opinion aligns with research conducted by Tiurmaida et al. (2021), which also stated that audit findings negatively impact the quality of LKPD. The more audit findings there are, the lower the quality of the LKPD; conversely, the fewer the audit findings, the higher the quality of the LKPD. In addition, research conducted by Furqan et al. (2020), Johnson et al. (2012), and Pamungkas et al. (2019) also stated that audit findings negatively impact the quality of LKPD.

H3: Audit findings has negative effect on quality of financial report.
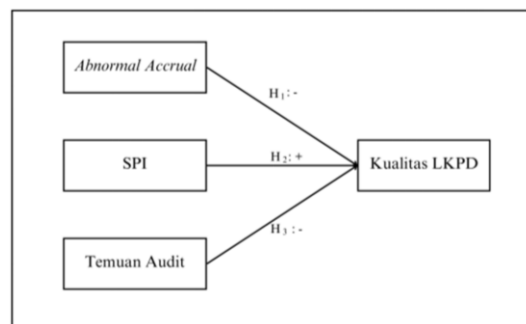
Research Framework

Figure 1. Research Framework

3. METHODS

This research is a quantitative study with a research population consisting of all local governments at the district and city level in Indonesia, totaling 514 local governments. The sampling technique used in this study is purposive sampling, based on the following criteria:

- The government is a local government at the district/city level in Indonesia.
- The government provides research data (LKPD) consecutively for the years 2020-2022

Based on these criteria, the research sample consisted of 506 local governments for the period 2020-2022, with a total of 1,518 samples. The data used is secondary data obtained from government financial reports, IHPS from the BPK RI, and the maturity level of regional government SPI from the BPK RI.

The abnormal accrual variable is calculated using the modified Jones formula, based on research by Cohen et al. (2019) and Pellicer et al. (2016), with several stage. First, before determining the amount of abnormal accrual in the government's financial report, it is necessary to first calculate the total accrual value and the non-discretionary accrual value. The formula used to calculate total accrual is as follows:

$$\text{ACCRjt} = -\text{DYjt} + \text{COFOjt} = \text{COFOjt} - \text{DYjt}$$

Description:

ACCRjt   = Total accruals in local government j, in year t

DYjt   = Surplus/Deficit in local government j in year t.

COFOjt   = Net cash flow from operating activities of local government j in year t.

The next step is to calculate the expected accrual or non-discretionary accrual using the modified Jones formula as described by Dechow et al. (1995), as follows:

$$\text{ACCRjt/TA j t-1} = \alpha\,(1/\text{TA j t-1}) + \beta\,(\text{delta REVjt/TA j t-1} - \text{delta ARjt/TA j t-1}) + \gamma\,(\text{PPEjt/TA j t-1}) + \varepsilon\,j,t$$

Description:

ARjt   = change in receivables at local government j in year t

ACCRjt   = Total accruals at local government j, in year t

REVjt   = change in revenue at local government j in year t.

PPEjt   = gross value of tangible fixed assets at local government j in year t

TAjt-1   = Total assets at local government j in year t-1

α, β, γ = regression coefficients

$\varepsilon\,j,t$ = unspecified random factors

After obtaining the total accrual and expected accrual values, calculate the abnormal accrual value using the following formula:

$$\text{ABNACCRjt} = \text{TACCRjt} - \text{EXPACCRjt} \;[1]$$

Description:

ABNACCRjt = Abnormal accrual in local government j, in year t

TACCRjt   = Total Accrual in local government j, in year t

EXPACCRjt = Expected Accruals or non-discretionary accruals in local government j, in year t

In this study, the SPI variable measured by the SPI maturity level by the BPK is in accordance with the research by Ageng and Usman (2023). The maturity levels of SPI are assigned values as follows: optimum a value of 5, measurable and managed a value of 4, defined a value of 3, developing a value of 2, pioneer is given a value of 1, and. local governments with no SPI maturity are given a score of 0. The audit findings variable in this study was measured based on the number of audit findings in the IHPS by the BPK, following

the research references from Furqan et al. (2020), Johnson et al. (2012), and Salsabila & Wahyudi (2022). The quality of financial reports in this study is measured by the following criteria: 1) Unqualified opinion (WTP) is assigned a value of 4, 2) Qualified opinion (WDP) is assigned a value of 3, 3) Adverse opinion is assigned a value of 2, and 4) Disclaimer opinion is assigned a value of 1. Furthermore, hypothesis testing in this study uses multinomial logistic regression analysis because the dependent variable has more than two categories.

4. RESULTS

Descriptive Statistic

Table 1. Descriptive Statistic

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Abnormal Accrual	1518	-,00003	,54064	,0360851	,04203709
SPI	1518	,00	3,00	2,51	,638
Audit Findings	1518	3,00	34,00	12,8347	4,80026
Quality of LKPD	1518	1,00	4,00	3,8893	,37857
Valid N (listwise)	1518				

Source: Output SPSS 27 (2024)

The abnormal accrual variable (X1) has a lowest value of 0.00003 and a highest value of 0.54064, with a mean of 0.0360851 and a standard deviation of 0.4203709. The internal control system variable, or SPI (X2), has a lowest value of 0 and a highest value of 3, with a mean of 2.51 and a standard deviation of 0.638. The audit findings variable (X3) has a lowest value of 3 findings and a highest value of 34, with a mean of 12.8347 and a standard deviation of 4.80026. Finally, the quality of LKPD (Y) has a lowest value of 1, a highest value of 4, a mean of 3.8893, and a standard deviation of 0.37857.

Multicollinearity Test

Table 2. Multicollinearity Test

Model	Collinearity Statistics		Conclusion
	Tolerance	VIF	
Abnormal Accrual	.999	1.001	There is no multicollinearity
SPI	.999	1.001	There is no multicollinearity
Audit Findings	.999	1.001	There is no multicollinearity

Source: Output SPSS 27 (2024)

The data above shows that all variables in this study have a tolerance value greater than 0.1 and a VIF value below 10, indicating that there is no multicollinearity among the research variables.

Multinomial Logistic Regression Analysis

Simultaneous Test

Table 3. Simultaneous Test

Model Fitting Information				
	Model Fitting Criteria	Likelihood Ratio Tests		
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	1069,861			
Final	918,096	151,766	9	,000

Source: Output SPSS 27 (2024)

Based on the simultaneous test in Table 3 above, it can be seen that the value decreased from 1069.861 (intercept only) to 918.096 (final) with a sig. 0.000 < 0.05. This indicates that the independent research variables are able to provide better accuracy in predicting the dependent variable.

Goodnes of Fit test

Table 4. Goodnes of Fit Test

Goodness-of-Fit			
	Chi-Square	df	Sig.
Pearson	3916,371	4542	1,000
Deviance	918,096	4542	1,000

Source: Output SPSS 27 (2024)

From the table above, it can be seen that the significant value of the regression model is 1.00 > 0.05. This indicates that the model is FIT, meaning the multinomial logistic regression model is consistent with the research observation data."

Coefficient of Determination

Table 5. Coefficient of Determination

Pseudo R-Square	
Cox and Snell	,095
Nagelkerke	**,188**
McFadden	,142

Source: Output SPSS 27 (2024)

In this study, the coefficient of determination test used the largest model, namely the Nagelkerke model, which indicates that the independent variables can explain 18.8% of the variance in the dependent variable, while the remaining 81.2% is influenced by other factors outside the scope of this study.

Likelihood Ratio Tests

Table 6. Likelihood Ratio Tests

Likelihood Ratio Tests				
	Model Fitting Criteria	Likelihood Ratio Tests		
Effect	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	931,592	13,496	3	,004
Abnormal accrual	919,553	1,457	3	,692
SPI	1035,779	117,684	3	,000
Audit Findings	946,345	28,249	3	,000

Source: Output SPSS 27 (2024)

The results of this test indicate that the abnormal accrual variable has a sig. $0.692 > 0.05$, indicating that there is no influence of the abnormal accrual variable on the quality of local government financial reports. Furthermore, the SPI variable has a sig. $0.00 < 0.05$, indicating that there is an influence of SPI on the quality of local government financial reports. Lastly, the audit findings variable has a sig. $0.00 < 0.05$, indicating that there is an influence of audit findings on the quality of local government financial reports.

Parameter Estimates

Table 7. Parameter Estimates

Parameter Estimates									
								95% Confidence Interval for Exp(B)	
Kualitas LKPD[a]		B	Std. Error	Wald	df	Sig.	Exp (B)	Lower Bound	Upper Bound
Disclaimer	Intercept	-3,264	1,426	5,243	1	,022			
	Abnormal Accrual	-7,896	12,908	,374	1	,541	,000	3,834E-15	3615794 4,323
	SPI	-2,228	,447	24,790	1	,000	,108	,045	,259
	Audit Findings	,197	,067	8,729	1	,003	1,218	1,069	1,388
Adverse	Intercept	-4,181	1,551	7,270	1	,007			
	Abnormal Accrual	2,000	8,559	,055	1	,815	7,386	3,826E-7	1425890 95,286
	SPI	-1,856	,484	14,682	1	,000	,156	,061	,404
	Audit Findings	,185	,069	7,210	1	,007	1,203	1,051	1,376
WDP	Intercept	-,402	,409	,969	1	,325			
	Abnormal Accrual	-2,704	2,874	,885	1	,347	,067	,000	18,718
	SPI	-1,253	,136	85,259	1	,000	,286	,219	,373
	Audit Findings	,074	,019	15,550	1	,000	1,077	1,038	1,118
a. The reference category is: WTP.									

Source: Output SPSS 27 (2024)

From the results of the estimation parameter test above, it was found that the influential variables were SPI and audit findings, with a P value < 0.05. Therefore, the following logit equation was obtained:

$$\text{Ln}\left(\frac{\text{P(Disclaimer)}}{\text{P(WTP)}}\right) = -3{,}264 + -2{,}228x_2 + 0{,}97x_3$$

Logit 1 is related to the probability of a disclaimer opinion compared to a WTP opinion and has a constant value of -3.264, which is negative, indicate that if there is no significant increase in the SPI variable and audit findings, the probability of the local government receiving a disclaimer opinion is higher than receiving a WTP opinion The regression coefficient value of the SPI variable is -2.228, indicating that an increase in the SPI variable decreases the probability of the local government receiving a disclaimer opinion compared to a WTP opinion. Furthermore, the audit findings variable coefficient value is 0.197, indicating that the higher the audit findings variable value, the greater the probability of receiving a disclaimer opinion compared to a WTP opinion.

$$\text{Ln}\left(\frac{\text{p(Tidak Wajar)}}{\text{p(WTP)}}\right) = -4{,}181 + -1{,}856x_2 + 0{,}185x_3$$

Logit 2 describes the equation related to the probability of receiving an adverse opinion compared to a WTP opinion. The constant value is -4.181, indicates that if there is no significant increase in the independent variables, the probability of receiving an adverse opinion is higher compared to a WTP opinion. The coefficient of the SPI variable is -1.856, which means that an increase in the SPI variable decreases the probability of receiving an adverse opinion compared to a WTP opinion. Furthermore, the audit findings variable coefficient is 0.185, indicating that for every increase in the audit findings variable, the probability of receiving an adverse opinion increases compared to a WTP opinion.

$$\text{Ln}\left(\frac{\text{P(WDP)}}{\text{P(WTP)}}\right) = -0{,}402 + -1{,}253x_2 + 0{,}074x_3$$

Logit 3 explains the equation related to the probability of receiving a WDP opinion compared to a WTP opinion. In this equation, a constant value of -0.402 is obtained, indicating that if there is no increase in the independent variables, the probability of receiving a WDP opinion is greater compared to a WTP opinion. "The coefficient value of the SPI variable is -1.253, indicating that for every increase in the SPI variable, the probability of receiving a WDP opinion decreases compared to a WTP opinion. Furthermore, the coefficient of the audit

findings variable is 0.074, indicating that if there is an increase in the value of the audit findings variable, the probability of receiving a WDP opinion increases compared to a WTP opinion.

5. DISCUSSION

The effect of Abnormal Accrual on the Quality of Government Financial Reports

From the test results in this study, it can be concluded that abnormal accruals do not affect the quality of government financial reports, indicating that the first hypothesis is rejected. This can be seen from the results of the likelihood ratio test, which show a significant value of the abnormal accrual variable is $0.692 > 0.05$, indicates that this variable is not significant. This shows that the higher or lower the abnormal accrual value in a regional government does not affect the quality of government financial reports.

The results of this study contrast with the findings of Juniarti et al. (2022) and Tariverdi et al. (2019), who observed that earnings management using abnormal accrual proxies negatively affects audit opinions. In contrast, this study's results align with Lubis and Cheisviyanny (2023), which found that earnings management measured by abnormal accruals do not effet audit opinions. This conclusion is further supported by Bartov et al. (2000), who also found that abnormal accruals do not impact audit qualifications when using audit opinions as a proxy. This indicates that, despite the presence of abnormal accruals in the financial statements, they do not influence the perception or assessment of the audit opinion or the overall quality of the financial statements.

The effect of SPI on the Quality of Government Financial Reports

The results of this study reveal a positive influence between the SPI value and the quality of LKPD, thus supporting hypothesis 2. This is demonstrated by the SIG value of the SPI variable in the likelihood ratio test, which is $0.000 < 0.05$, and the parameter estimation showing that an increase in SPI is associated with a higher probability of receiving a WTP opinion and a lower probability of receiving other types of opinions. This indicates that a higher SPI value correlates with improved quality of LKPD. This finding aligns with previous research by Suhardjo (2019) and Darwin (2021) which also found that SPI positively affects LKPD quality. This is because effective SPI implementation in a local government leads to the production of LKPD that is more reliable, efficient, and free from fraud, thereby enhancing the overall quality of the financial reports

The effect of Audit Findings on the Quality of Government Financial Reports

the results of this study show that the audit findings variable negatively affects the quality of LKPD so that hypothesis 3 is supported. This can be seen based on the results of the likelihood ratio test which shows a sig. value of 0.00 <0.05 along with the results of the parameter estimation test which shows that an increase in audit findings will reduce the probability of receiving a WTP opinion and increase the probability of an opinion other than WTP. This shows that the more audit findings there are in the local government, the lower the quality of the local government's financial reports. This decision supports the results of previous studies by Furqan et al. (2020), Johnson et al. (2012), Pamungkas et al. (2019) which stated that audit findings have a negative impact on the quality of LKPD.

6. CONCLUSION

The following conclusions can be drawn based on the results of this study:

- The abnormal accrual variable (X1) does not have a significant influence on the quality of the LKPD, so the higher or lower the abnormal accrual value in a local government, the less it will affect the quality of the LKPD of that local government.
- The SPI variable (X2) has a positive effect on the quality of LKPD, meaning that a higher SPI value is associated with better quality of LKPD, Conversely, a lower SPI value is associated with poorer quality of a local government's LKPD.
- The audit findings variable (X3) has a negative effect on the quality of the LKPD. Specifically, the more audit findings there are in a local government, the worse the quality of its LKPD, and the fewer audit findings are associated with better quality of the LKPD.
- The independent variables of this study were simultaneously only able to significantly influence the dependent variable by 18.8%, while the remaining 81.2% is influenced by factors outside the scope of this study.

LIMITATION

There is still limited research on the influence of abnormal accrual on the quality of local government financial reports, which impacts the results of this study. Also, the independent

variables in this study account for only 18.8% of the variation in the dependent variable, namely the quality of local government financial reports.

SUGGESTION

Based on the research results, it was found that there are still 81.2% of other factors that can affect the quality of local government financial reports that were not examined in this study. The suggestion for further research is to add other variables that can affect the quality of LKPD.

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