

The Effect Of Audit Opinions And Capital Expenditure On The Performance Of The Central Java Provincial Government In 2022- 2024

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Abstract

Local government performance is a key indicator in evaluating the effectiveness of public administration and the achievement of sustainable development goals. Previous studies examining the relationship between audit opinions and government performance have produced inconsistent and often insignificant findings, whereas capital expenditure is widely regarded as a potential driver of performance that still requires further empirical investigation, particularly at the provincial level during the post-pandemic recovery period. In this research, a quantitative methodology was used, with secondary data derived from Local Government Financial Reports and records of capital expenditure realization. The analysis procedure consisted of classical assumption tests—such as tests for normality and autocorrelation—alongside t-tests to examine the influence of independent variables on the dependent variable. The study's results indicate that audit opinions do not significantly impact local government performance, while capital expenditure has a significant impact.

Keywords: Audit Opinion, Capital Expenditure, Local Government Performance, Central Java Province, Public Accountability

INTRODUCTION

Local government performance plays a strategic role in illustrating the success of governance that upholds the principles of transparency, efficiency, and community welfare. In line with the implementation of fiscal decentralization, local governments are also required to have adequate capabilities in managing regional finances so that development programs can be implemented effectively and produce tangible benefits for the community. Therefore, measuring local government performance is an important instrument for assessing the relationship between financial management and the achievement of development goals. Good performance is reflected in improved quality of public services and success in meeting sustainable development targets. The quality of this management can be assessed through evaluation mechanisms, one of which is the audit opinion issued by the Supreme Audit Agency, which is often seen as an instrument to encourage improved local government performance through the strengthening of the principles of accountability and transparency. However, various studies show that audit opinions do not consistently affect local government performance, given that assessments are more oriented towards administrative compliance than the achievement of development results in the form of outputs and outcomes.

Apart from audit opinions, capital expenditure is one of the variables that has the potential to influence local government performance. Effective capital expenditure management is expected to improve the quality of public services, encourage regional economic growth, and have a direct impact on local government performance. Previous studies have stated that capital expenditure has a significant effect on local government performance (Ramadana & Bahgia, 2023). However, differences in regional characteristics and the time frame of the study can cause

variations in results. This research gap indicates the need for further study with a focus on specific regions, particularly Central Java Province.

The theoretical basis of this study refers to Agency Theory, which explains the contractual relationship between stakeholders (principals) and mandated parties (agents) in resource management and decision-making. In the context of regional government (Wardoyo et al., 2022), the community and the Regional Representative Council (DPRD) act as principals, while the regional government functions as an agent responsible for regional financial management and development implementation. The local government's dominance of information related to the budget has the potential to cause information asymmetry and inefficient management practices. Therefore, oversight mechanisms through BPK audits and local government performance evaluations are important instruments for reducing agency conflicts and strengthening public accountability. Audit opinions and capital expenditure are positioned as control tools in agency relationships, where audit opinions indicate the quality of local government accountability, while capital expenditure reflects the government's seriousness in improving public services and promoting sustainable development (Modal et al., 2024).

Public Accountability Theory explains that the government has a responsibility to account for the management of public resources to the community in a transparent and accountable manner (Mardiasmo, 2018). The concept of accountability does not only emphasize compliance with formal provisions, but also the achievement of development outcomes and benefits for the community. In this context, audit opinions serve as important indicators of local government financial accountability. A good audit opinion reflects the quality and reliability of financial reports, thereby strengthening public trust. In addition, effective capital expenditure management is expected to improve the quality of infrastructure and public services, which ultimately contributes to improved local government performance.

This study is supported by Agency Theory, which describes the relationship between principals and agents, whereby principals delegate the management of resources to agents. In local government (Wardoyo et al., 2022), the community and the Regional Representative Council (DPRD) act as principals, while the local government acts as an agent responsible for financial management and development implementation. The information gap possessed by local governments has the potential to give rise to agency conflicts, thus requiring oversight mechanisms to ensure accountability. Audits by the Supreme Audit Agency (BPK) and performance measurements of local governments serve as control tools in these agency relationships. Audit opinions reflect the quality of financial accountability, while capital expenditure reflects the government's commitment to improving public services and sustainable development.

Local government performance assessments conducted by the Ministry of Home Affairs serve as a benchmark for evaluating the success of governmental functions, particularly in financial management, public service delivery, and development goal achievement. Performance measurement encompasses various indicators, including the effectiveness of budget utilization, efficiency of expenditures, quality of public services, and progress in regional development. In the post-pandemic context, strong local government performance is increasingly vital, as governments are required to facilitate economic recovery, promote community welfare, and uphold sustainable development.

The Audit Opinion study reviewed by (Lumban, 2025) states that auditors' professional statements on the fairness of local government financial report presentation are based on

government accounting standards. In this study, audit opinions are viewed as indicators of the quality of management and accountability of Local Government Performance. Theoretically, a better audit opinion is expected to reflect accountable and transparent financial management, thereby improving local government performance. However, previous studies have shown mixed results, so the relationship between audit opinions and government performance still requires further testing, especially at the provincial level.

Capital expenditure is defined as government spending aimed at obtaining or increasing fixed assets with long-term utility, such as infrastructure, public facilities, and service infrastructure. This type of expenditure is essential in supporting regional economic development and enhancing the standard of public service provision. services for development (Yudiastuti et al., 2025) . From the perspective of stewardship theory and public accountability, effectively managed capital expenditure can improve local government performance because it produces outputs and outcomes that are directly felt by the community. However, the amount of capital expenditure allocation does not always guarantee improved performance if it is not followed by proper planning and sound management practices. Therefore, the impact of capital expenditure on local government performance needs to be analyzed empirically, especially during the post-pandemic recovery period.

Based on Agency Theory, audit opinions and capital expenditure serve as control mechanisms to ensure that local governments carry out their mandates in an accountable manner. Audit opinions represent the quality of local financial accountability, while capital expenditure reflects the government's commitment to improving public welfare. Simultaneously, both variables are expected to contribute to improving local government performance. However, differences in findings in previous studies indicate the need for further empirical testing, particularly in provincial governments covering the 2022–2024 period in Central Java Province.

RESEARCH METHODS

This research employs a quantitative approach using a causal associative method, which aims to examine the relationships and effects between independent variables and a dependent variable. The quantitative approach is chosen because the study utilizes numerical data that are statistically analyzed to test the formulated hypotheses. The causal associative method is applied to assess the influence of audit opinions and capital expenditure on local government performance in Central Java Province for the period 2022–2024. The research was conducted on the Central Java Provincial Government using secondary data sourced from official reports from local governments and financial audit institutions. The research period was chosen based on the consideration that 2022–2024 is a period of recovery after the COVID-19 pandemic, thus providing a relevant context for assessing regional performance and financial management.

In this research, a quantitative approach is adopted with a causal associative method to explore the relationship and influence between independent variables and a dependent variable. The use of a quantitative approach is justified by the reliance on numerical data that are subjected to statistical analysis for hypothesis testing. This method is specifically employed to analyze the effect of audit opinions and capital expenditure on the performance of local governments in Central Java Province from 2022 to 2024.

The independent variables examined in this study are audit opinions and capital expenditure. An audit opinion represents a professional judgment issued by the Audit Board regarding the fairness of local government financial statements. This variable is measured using an ordinal scale, where an Unqualified Opinion is assigned a score of 4, a Qualified Opinion a score of 3, an Adverse Opinion a score of 2, and a Disclaimer of Opinion a score of 1. Capital expenditure refers to local government spending allocated for the acquisition of fixed assets and other assets that provide economic benefits for more than one accounting period, measured by the realized value of capital expenditure in rupiah.

The dependent variable in this study is local government performance, which is measured through financial performance indicators or performance evaluation scores as stated in government agency performance reports.

Data for this study were collected through document analysis, including the examination of financial statements, audit reports, and local government performance reports. In addition, a literature review was conducted to strengthen the theoretical foundation by examining scientific journals, textbooks, and relevant prior research. The study employed multiple linear regression analysis using SPSS software. Initially, classical assumptions were tested, including normality, autocorrelation, multicollinearity, and heteroscedasticity. Subsequently, multiple linear regression was applied to analyze the influence of independent variables on the dependent variable. Partial effects were evaluated with the t-test, simultaneous effects with the F-test, and the explanatory power of the independent variables was assessed using the coefficient of determination (R^2). The resulting regression model was developed based on the theoretical framework of the research.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

This study hypothesizes that audit opinions have no significant effect on the performance of the Central Java Provincial Government, while capital expenditure positively influences government performance. In addition, the combined effect of audit opinions and capital expenditure is expected to impact local government performance. On the basis of these assumptions, the first hypothesis proposed in this research is:

H₁: Audit opinions affect Audit opinions, issued by the Supreme Audit Agency, are considered to affect the performance of the Central Java Provincial Government. They serve as an official assessment of the correctness and reliability of the region's financial statements. (BPK) reflect the fairness of financial statement presentation and the local government's compliance with government accounting standards and applicable laws and regulations. A better audit opinion, such as Unqualified Opinion (WTP), indicates that regional financial management is carried out in an accountable and transparent manner. This condition is expected to encourage an increase in local government performance, both in terms of budget management effectiveness and public trust in government performance. Therefore, the better the audit opinion obtained, the more likely local government performance will improve. The second hypothesis proposed is as follows:

- H₂ : This study formulates a hypothesis stating that capital expenditure influences the performance of the Central Java Provincial Government. Capital expenditure represents a key component of the regional budget allocated for the acquisition of fixed assets and the development of infrastructure that generate long-term benefits. Well-planned and appropriately targeted capital spending is expected to enhance the quality of public services, stimulate economic growth, and contribute to the attainment of regional development objectives. Accordingly, increases in capital expenditure are anticipated to positively affect local government performance, particularly with respect to efficiency, effectiveness, and development outcomes experienced by the community. Based on this rationale, the third hypothesis is proposed as follows:
- H₃: This hypothesis states that audit opinions and capital expenditure together influence the performance of the regional government of Central Java Province. Audit opinions reflect the quality of governance and The degree of responsibility and transparency in overseeing regional financial resources, while capital expenditure illustrates the commitment of the regional government to implementing development and improving public services. The synergy between good financial governance and effective capital expenditure management is believed to be able to encourage improvements in local government performance. Through accountable financial management and the efficient and productive use of capital expenditure (), local governments are expected to achieve more optimal overall performance.

RESULTS AND DISCUSSION

This research reports the outcomes of descriptive statistical tests, classical assumption evaluations, and hypothesis testing. Descriptive analysis was conducted to obtain the minimum, maximum, mean, and standard deviation of the variables under study. The findings of this analysis are presented in Table 1.

Table 1 Descriptive statistical test results

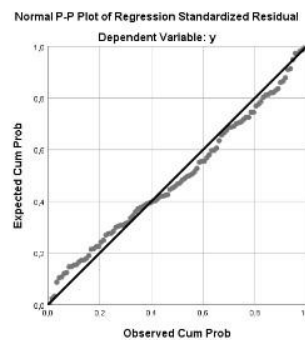
Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
x1	105	1.00	2.00	1.0095	.09759
x2	105	4.32	6.34	5.5775	.41647
y	105	-3.08	-.51	-1.6755	.32364
Valid N (listwise)	105				

As shown in Table 1, the audit opinion variable (X1) has scores between 1 and 2, with an average value of 1.009 and a standard deviation of 0.097, implying minimal variation around the mean. Capital expenditure (X2) spans from 4.32 to 6.34, averaging 5.577 with a standard deviation of 0.416, which indicates moderate dispersion in the data. The government performance variable (Y) ranges from -3.08 to -0.51 , with a mean of -1.675 and a standard deviation of 0.323, reflecting variability in financial performance relative to the mean.

Next, a classical assumption test was conducted, consisting of the following classical assumptions:

Normality Test

The normality test was conducted using the p-plot test and the Kolmogorov-Smirnov test.



The results of the P–P Plot normality test conducted in SPSS show that the data points are distributed near the diagonal line, indicating that the data are normally distributed. distributed (). To ensure that this study passes the normality test, the Kolmogorov-Smirnov test was conducted for greater accuracy.

Table 2 Kolmogorov-Smirnov test results

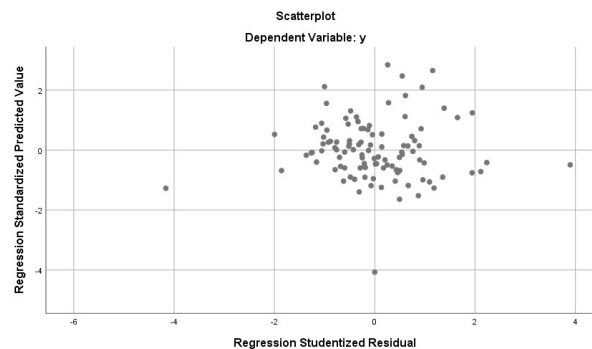
		Unstandardi zed Residual
N		105
Normal Parameters ^{a,b}	Mean	,0000000
	Standard Deviation	.31036743
Most Extreme Differences	Absolute	.068
	Positive	.057
	Negative	-,068
Test Statistic		.068
Asymp. Sig. (2-tailed)		0.200 ^{c,d}

The results of the normality test conducted through the P–P Plot in SPSS show that the data points cluster closely around the diagonal line, suggesting a normal distribution pattern. This finding is reinforced by the significance value, which exceeds the 0.05 criterion ($0.200 > 0.05$), indicating that the assumption of normality is satisfied.

Autocorrelation Test

This test is performed by looking at the Durbin-Watson value. In this study, the Durbin-Watson value is 1.340. The Durbin-Watson value in this study is greater than -2 and less than 2. This means that there is no autocorrelation in the regression model.

Heteroscedasticity Test Table 3 Heteroscedasticity Test Results



The normality test using the P-P Plot in SPSS shows that the data points closely follow the diagonal line, indicating that the data are normally distributed.

Multicollinearity Test Table 4 Multicollinearity Test Results

Tolerance	VIF
.982	1.018
.982	1.018

Based on the table above, the multicollinearity test results show that all independent variables have a VIF value smaller than 10 and a tolerance value greater than 0.10, so it can be concluded that the model is free from multicollinearity.

Multiple Linear Regression Test

This regression test aims to determine how independent variables affect dependent variables based on the results of a simple linear regression analysis using computer software (SPSS), as shown in the following table.

Table 5 Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.042	.558		-.076	.940
	x1	-.493	.318	-.149	-1.552	.124
	x2	-.204	.074	-.262	-2.735	.007

a. Dependent Variable: y

Table 4 presents the results of the multiple linear regression analysis, which reveal that the model's constant (α) is -0.042 . The regression coefficients (β) are -0.493 for the first independent variable (X_1) and -0.204 for the second independent variable (X_2). Using these coefficients, the functional relationship between the independent variables and the dependent variable can be expressed as follows:

$$Y = -0.042 - 0.493(X_1) - 0.204(X_2)$$

The above equation can be explained as follows: The constant value (α) is -0.042 . This means that if the financial performance variable is considered constant (valued at 0), then the government performance value is -0.042 .

The regression coefficient value for the Audit Opinion variable (X_1) is -0.493 . This indicates a negative relationship with government performance. Every 1% increase in Audit Opinion will decrease government performance by -0.042 .

The regression coefficient value for the Capital Expenditure variable (X_2) is -0.204 . This indicates a negative relationship with government performance. Every 1% increase in Capital Expenditure will decrease government performance by -0.204 .

Partial test (t) Table 6 Partial test results (t)

Variable	Significance	Calculated t	Description	Hypothesis
X1	0.124	-1.552	Not significant	Rejected H1
X2	0.007	-2.735	Significant	Accepted H2

Based on the calculation results in Table 4.4, the table number is determined by $t\text{-table} = t(n-k)$ or $(105-2) = t(0.05;103)$, resulting in a value of 1.65978. Thus, the influence of the variables can be determined as follows.

The Audit Opinion variable on Government Performance obtained a t-value of 1.552, which means that $t\text{-value} < t\text{-table}$ ($1.552 < 1.65978$) with a significance value of $0.124 > 0.05$, so it can be said that H_1 is rejected. This means that Audit Opinion has no effect on Local Government Performance.

The results for the Capital Expenditure variable on Government Performance show a t-value of 2.735, which exceeds the critical t-value from the table ($2.735 > 1.65978$), with a significance level of 0.007, which is below 0.05. Therefore, H_2 is accepted, indicating that Capital Expenditure has a significant effect on Local Government Performance.

Simultaneous Test (F) Table 7 Simultaneous Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.875	2	.438	4.457	.014 ^b
	Residual	10,018	102	.098		
	Total	10,894	104			
a. Dependent Variable: y						
b. Predictors: (Constant), x2, x1						

Referring to the results shown in the table, the significance value of 0.014 is below the threshold of 0.05. Accordingly, it can be concluded that audit opinions and capital expenditure simultaneously influence the performance of the Central Java Provincial Government.

Determination Coefficient Test R Table 8 Results of the Coefficient of Determination R

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.283 ^a	.080	.062	,31340	1,340
a. Predictors: (Constant), x2, x1					
b. Dependent Variable: y					

Referring to the results presented in the table, the R^2 value of 0.080 shows that Audit Opinion and Capital Expenditure collectively explain 80% of the variation in local government performance, while the remaining 20% is attributed to other variables outside the scope of this research.

Discussion

Discussion The Effect of Audit Opinion on the Performance of the Central Java Provincial Government

Based on the t-test results, the audit opinion variable shows a significance value of 0.124 (> 0.05), indicating that X1 does not significantly affect Y. The negative t-statistic further confirms the absence of a direct relationship between audit opinions and government performance. Therefore, H1 is rejected, meaning that audit opinions do not have an effect on government performance

The findings of this study align with earlier research demonstrating that audit opinions have a positive yet insignificant relationship with local government financial performance. This explains why audit opinions have not been able to significantly affect performance outcomes. Audit opinions issued by the Audit Board are based on examinations of financial statements that emphasize compliance and fairness of presentation, rather than an assessment of financial performance or development results..

The Effect of Capital Expenditure on the Performance of the Central Java Provincial Government

The partial test results show that capital expenditure has a significance value of 0.007 (< 0.05), which indicates that capital expenditure has an effect on local government performance. A positive t-value indicates that the relationship between capital expenditure and local government performance is unidirectional. Thus, the second hypothesis (H_2) is accepted. Capital expenditure is a strategic element in local government spending that serves to support long-term development through the provision of public assets and infrastructure. Optimizing capital expenditure not only improves the quality of public services but also promotes regional economic growth and community welfare. The knock-on effect of capital expenditure is a multiplier effect, such as increased employment opportunities and community income, which ultimately strengthens the overall performance of local government.

According to agency theory, local governments are required, as agents, to act in the interests of the community by delivering quality public services. Effective and sizable capital expenditure allocations serve as an indication of the government's efforts to meet these expectations, as capital expenditure significantly contributes to improved government performance the interests of the community and optimize regional financial management (Suandani et al., 2021).

This study reinforces the conclusions drawn by Simamora and Budiwitjaksono (2022), which indicate that capital expenditure positively influences local government financial performance. Within the framework of agency theory, enhanced transparency and control over capital spending are crucial mechanisms for minimizing information asymmetry, ensuring that budget allocations are managed efficiently and aligned with intended objectives.

CONCLUSION

Based on the empirical analysis conducted for the 2022–2024 period, this study finds that audit opinions do not exert a significant influence on the performance of the Central Java Provincial Government. The t-test results reveal that the significance level of the audit opinion variable exceeds 0.05, thereby rejecting the first hypothesis (H_1). This finding indicates that audit opinions mainly assess the level of compliance and fairness in financial reporting, rather than directly capturing development performance. On the other hand, capital expenditure shows a significant positive effect on government performance, as effective capital investment plays a crucial role in improving public services and fostering regional development.

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