

**ANALYSIS OF LOCAL GOVERNMENT FINANCIAL
STATEMENTS (LKPD) IN ORDER TO IMPROVE THE QUALITY
OF GOVERNANCE AND THE ACHIEVEMENT OF
DEVELOPMENT OUTCOMES IN SOUTH SULAWESI**

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Abstract

The performance of regional government administration is a form of illustration of work performance that can be achieved during a certain period. The performance of regional administrations that receive WTP Opinion (Unqualified Opinion) should be better than those that are Non WTP. This study aims to compare the performance of regional government administration in South Sulawesi that received WTP and Non WTP opinions for the 2015-2021 period. The performance of governance between local governments that obtain WTP and Non WTP opinions by using the Economic Growth Rate Product, the Human Development Index (IPM) and the Regional Revenue and Expenditure Budget (APBD). The research implication for local governments is hoped that they can improve the performance of their regional governments, especially in the financial sector by increasing the detection of local revenue sources and being able to manage them properly.

Keywords: *Audit Opinion, Financial Statement, Performance of Regional Government Administration, Regional Government*

1. INTRODUCTION

According to Law Number 23 of 2014 concerning Regional Government, Regional Government is the implementation of government affairs by regional governments and regional people's representative councils according to the principle of autonomy and co-administration with the principle of broadest autonomy within the system and principles of the Unitary State of the Republic of Indonesia as referred to in the 1945 Constitution of the Republic of Indonesia. In the context of implementing government affairs, the regional government manages regional finances through the Regional Revenue and Expenditure Budget (APBD) for the welfare of the people.

Local Government Financial Statements (LKPD) is a form of regional government accountability in terms of financial management (Evicahyani & Setiawina, 2016). The LKPD aims to present relevant and timely information so that it can be used as a basis for accountability, for evaluating government performance, and as a decision-making tool. LKPD is audited by the Supreme Audit Agency (BPK), financial statements need to be audited in advance and must be accompanied by disclosures because financial statements are a form of accountability mechanism and as a basis for decision making for parties with an interest in the results (Verawaty, 2017).

Audit opinion is a form of the results of BPK's examination of LKPD (Naopal et al., 2017). The BPK audit opinion consists of opinions; (1) Unqualified Opinion (hereinafter referred to as WTP) (2) Qualified Opinion (hereinafter referred to as WDP) (3) Adversed Opinion (hereinafter referred to as WD) (4) Disclaimer of Opinion (hereinafter referred to as TMP). WTP opinion is the best opinion from BPK which indicates that the financial statements are free from material errors or mistakes, which are based on audit evidence collected According to Law Number 15 of 2004 concerning Examination of State Financial Management and Responsibility, opinion audit is a professional statement as a conclusion of the examiner regarding the level of fairness of the information presented in the financial statements based on; (1) Compliance with government accounting standards, (2) Adequacy of disclosure, (3) Compliance with laws and regulations and (4) Effectiveness of the Internal Control System (SPI).

The performance of regional government administration is a form of illustration of the results or work achievements that have been achieved by regional governments in a certain period (Verawaty et al., 2021). The WTP opinion is the highest opinion which describes the financial statements as having the best quality, this shows that the local government with a WTP opinion has good financial performance (Kurnia & Arza, 2019). The good financial performance of the local government should be in line with the performance of governance.

Comparison of the performance of local government administration which received WTP and Non WTP opinions is an interesting thing to study. By comparing the performance of the regional administration of the two regional government groups, the public can find out how the regional government is carrying out the duties and authorities that have been delegated to it to take care of all the interests of their respective regions, in order to improve the welfare of the community. If to see the quality of local government financial statements, we can use LKPD which has been audited by the BPK, then to see the performance of local government administration, thus we can see development output-outcomes in South Sulawesi which are reflected in macroeconomic indicators in South Sulawesi.

Based on the background above, this study aims to find out the harmony between LKPD opinions and output-outcome achievements so that development bottlenecks in the regions can be identified. The benefits of this research are expected to provide information as evaluation material and recommendations (policy notes) for improving local government financial governance.

2. LITERATURE REVIEW

In a previous study conducted by Verawaty et al. (2020) concerning the Comparative Analysis of Regional Government Performance throughout Southern Sumatra based on the opinion of the Supreme Audit Agency, the performance of regional government administration was better in terms of achieving welfare indicators in local governments that received unqualified opinions.

Previous research conducted by Desita (2015) on regional financial capacity in the implementation of regional autonomy in Pekanbaru shows that the ratio of regional financial independence is in an instructive pattern, meaning that the role of the central government still dominates in financing the implementation of government activities in regional development.

The APBD structure and APBD expenditure allocation in various regions are considered to be ineffective. This is shown, among other things, by the increasing allocation of personnel expenditures, on the other hand the portion of capital expenditures for regional development has declined. The increase in the portion of personnel spending in the APBD is closely related to the addition and appointment of new regional Civil Servants (PNS) every year, which in many cases are not in accordance with their competence and needs (Firdausi Mustoffa, 2015). In addition, capital expenditures are also used for the construction of official houses, procurement of official cars, and other inappropriate expenditures. Supposedly, capital expenditure is used for infrastructure development, such as roads and bridges, which actually needs to be increased (Karlinda et al., 2015).

3. RESEARCH METHODS

Writing this study using explorative methods and literature analysis or literature study as a data collection technique. Literature study is a research methodology by studying journals, books, articles, theses, as well as references and audit results of local government financial statements in South Sulawesi.

The BPK RI's opinion on Local Government Financial Statements (LKPD) reflects regional financial management, one of which is the quality of regional spending so that development outputs can be achieved which in turn can improve people's welfare.



Figure 1. Framework of Thinking

4. RESULTS AND DISCUSSION

4.1. Development of LKPD Opinion

Every regional government, be it at the provincial, regency and city levels, has an obligation to submit their regional financial accountability reports periodically. This financial accountability report has been prepared in accordance with applicable regulations for assessment and the result of this assessment is BPK's opinion on the financial statements. The province of South Sulawesi with the existing regencies/cities has also prepared government financial statements and has been given an opinion by BPK RI. The following is opinion data in the South Sulawesi region:

Table 1. List of BPK opinions in South Sulawesi

NO	Local Government	2015	2016	2017	2018	2019	2020	2021
1	South Sulawesi Province	WTP	WTP	WTP	WTP	WTP	WDP	WTP
2	Bantaeng Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
3	Barru Regency	TW	WTP	WTP	WTP	WTP	WTP	WTP
4	Bone Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
5	Bulukumba Regency	WTP	WTP	WTP	WTP	WTP	WDP	WTP
6	Enrekang Regency	TMP	WDP	WDP	WTP	WTP	WTP	WTP
7	Gowa Regency	WTP	WTP	WTP	WTP	WTP	WDP	WTP
8	Jeneponto Regency	WDP	TMP	WDP	WDP	WDP	WDP	WDP
9	Selayar Regency Island	WDP	WTP	WTP	WTP	WTP	WTP	WTP
10	Luwu Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
11	East Luwu Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
12	North Luwu Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
13	Maros Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
14	Pangkajene Regency and Islands	WTP	WTP	WTP	WTP	WTP	WTP	WTP
15	Pinrang Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
16	Sidenreng Rappang Regency	WDP	WTP	WTP	WTP	WTP	WTP	WTP
17	Sinjai Regency	WDP	WTP	WTP	WTP	WTP	WTP	WTP
18	Soppeng Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
19	Takalar Regency	WDP	WDP	WDP	WDP	WDP	WDP	WTP
20	Tana Toraja Regency	TW	WDP	WDP	WDP	WDP	WDP	WDP
21	North Toraja Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
22	Wajo Regency	WTP	WTP	WTP	WTP	WTP	WTP	WTP
23	Makassar City	WTP	WTP	WTP	WTP	WTP	WDP	WTP
24	Palopo City	WTP	WTP	WTP	WTP	WTP	WTP	WTP
25	Parepare City	WTP	WTP	WTP	WDP	WTP	WTP	WTP

Source: <https://sites.google.com/view/makkita-djpb-sulsel-papk>

From the table above, we can see that in 2021, out of 25 district and city governments in South Sulawesi, there will be 2 (two) local governments that will receive a WDP (fair with exception) opinion from BPK RI. The regencies are Jeneponto Regency and Tana Toraja Regency. It should be noted that from 2015 to 2021 the Jeneponto district always received the WDP opinion, even in 2016 it received the TMP opinion. Meanwhile, Tana Toraja Regency from 2016 to 2021 received a WDP opinion, and in 2015 received a TW opinion.

In the Jeneponto Regency Government, the BPK found internal control weaknesses and non-compliance with laws and regulations in the audit of the Jeneponto Regency Government Financial Statement for 2021. The main findings of the audit are as follows:

- Budgeting errors in 4 (four)m OPD amounting to Rp61.296.508,00;
- Lack of volume for 17 (seventeen) work packages in 4 (four) OPD amounting to Rp621.972.334,98;
- Lack of cash in the financial management of the expenditure treasurer of the DPRD Secretariat of Rp1.429.448.700,00;
- The balance of cash at the BOS Treasurer is not believed to be reasonable.

In the Tana Toraja Regency Government, the BPK found internal control weaknesses and non-compliance with laws and regulations in the audit of the 2021 Tana

Toraja Regency Government Financial Statetement. The main findings of the audit are as follows:

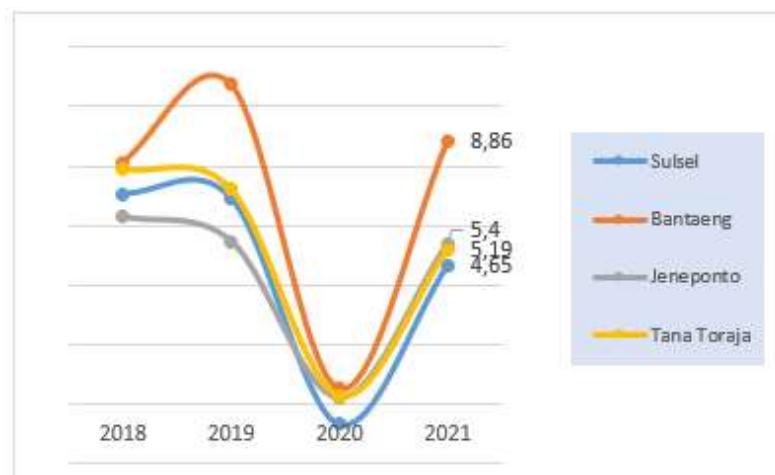
- a. The preparation of the Tana Toraja Regency Regional Government Financial Statetement has not been supported by an adequate application;
- b. The financial statetements are not in accordance with the regional regulations on the regional budget and the realization of regional expenditure exceeds the budget amounting to Rp129.894.196.075,57;
- c. Assessment, administration, and security of fixed assets have not been orderly.

From the discussion above it can be seen that Jeneponto Regency and Tana Toraja Regency have received WDP opinions over the past few years so that it can be said that the performance of the two regional administrations is not optimal. Therefore, it is interesting to compare these three regions to find out the harmony between BPK's opinion on LKPD on the achievement of development outputs.

4.2. Macroeconomic Strategic Indicators

Achievement of welfare, public services, and regional competitiveness are development benchmarks. The success of these goals is reflected in the macroeconomic strategic indicators.

- a. Economic Growth Rate



Source: Central Bureau of Statistics for South Sulawesi Province (processed)

Figure 2. Comparison of the 2018-2021 Economic Growth Rate (Percent)

The rate of economic growth for Jeneponto and Tana Toraja districts over the past four years has been below that of Bantaeng district but is still higher when compared to the economic growth of South Sulawesi province. During the peak of the Covid-19 pandemic in 2020, Jeneponto Regency was only able to grow 0,16% but it was still higher when compared to the regions above it.

In 2021 all regions in South Sulawesi have managed to rise and grow. Bantaeng Regency has grown quite impressive at 8,86%, this indicates that economic activity in the area has recovered so that it is expected to be able to improve the welfare of the people in the area.

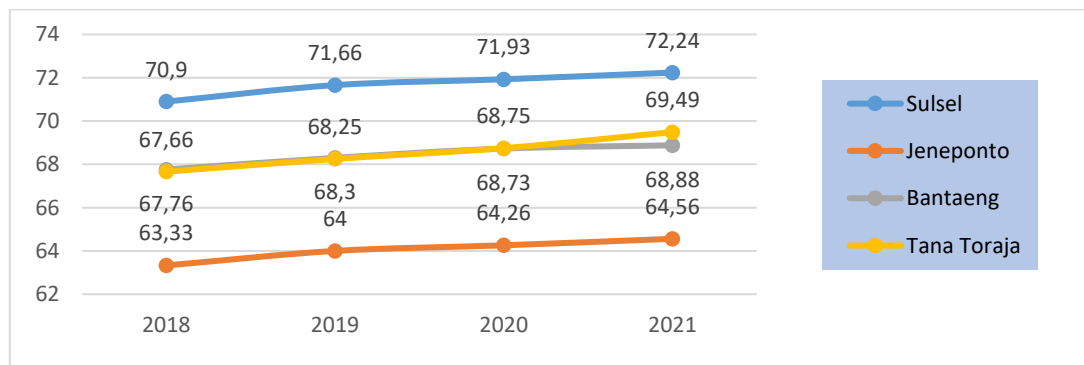
Table 2. GRDP Distribution of Jeneponto Regency Based on Current Prices by Expenditure (Percent)

Expenditure Type	2021	2020	2019	2018	2017	2016	2015
1. Household consumption expenditure	64.83	66.04	65.71	64.41	63.9	63.44	64.12
2. Non Profit Institutions Serving Households (LNPRIT) consumption expenditure	2.42	2.49	2.52	1.95	1.86	1.86	1.86
3. Government Consumption Expenditures	11.92	12.48	12.98	11.93	11.52	11.81	12.01
4. Formation of Gross Domestic Fixed Capital	37.26	38.45	39.18	37.13	35.18	31.86	31.71
5. Inventory Changes	-	-	-	0.19	0.35	1.39	1.72
6. Net Exports of Goods and Services	-	-	-	-15.6	-12.8	-10.35	-11.41
Gross Regional Domestic Product	100	100	100	100	100	100	100

Source: [https:// www.jenepontokab.bps.go.id](https://www.jenepontokab.bps.go.id)

b. Human Development Index (HDI)

The Human Development Index (HDI) is a comparative measure of life expectancy, literacy, education and standard of living. HDI explains how residents can access development outcomes in obtaining income, health, education, and so on.



Source: [https:// www.jenepontokab.bps.go.id](https://www.jenepontokab.bps.go.id)

Figure 3. 2018-2021 HDI Comparison Chart (Percent)

In the past four years, the HDI figures for Jeneponto Regency and Tana Toraja Regency have been below Bantaeng Regency and the area above it. The HDI figure for Jeneponto Regency over the past four years has only slightly increased to 64,56 in 2021.

Table 3. District Human Development Index of Jeneponto Regency

HDI Category	2020	2019	2018	2017	2016	2015
Human Development Index (IPM)	64.26	64	63.33	62.67	61.81	61.61
Life Expectancy (UHH)	66.39	66.24	65.89	65.65	65.57	65.49
Old School Expectations (HLS)	11.98	11.97	11.95	11.93	11.77	11.7
Average Length of School (RLS)	6.59	6.48	6.21	5.98	5.65	5.64

Source: <https://www.jenepontokab.bps.go.id>

4.3. Development of the Jeneponto Regional Budget

a. Regional Income



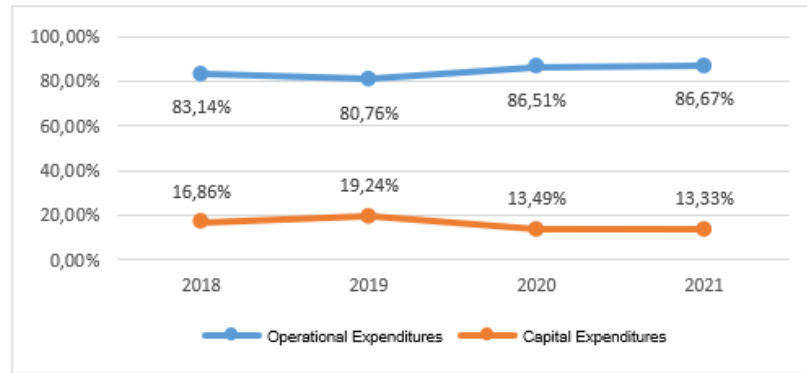
Source: portaldataadjpk

Figure 4. Regional Revenue Realization 2018-2021 (percent)

In 2021 the realization of Jeneponto Regency's revenue of Rp1,22 trillion has increased by Rp10,89 billion or 0,90% from 2018. From the calculation of the regional financial independence ratio over the past four years it is in the instructive area, meaning that the role of the central government still dominates in financing the implementation of government activities for regional development.

The local government is not optimizing the potential of the region so that the realization of its PAD is still below the set target, even in 2021 it only reaches 68,38%.

c. Regional Expenditures



Source: portaldataadipk

Figure 5. Regional Expenditures Structure 2018-2021 (percent)

In terms of spending, in 2021 the realization was Rp1,21 trillion or reaching 93.99 percent of the ceiling of Rp1,29 trillion. Nominally, the realization of regional spending decreased by Rp.51,08 billion compared to 2018.

The portion of the capital expenditure allocation continues to decline from 16,86% in 2018 to 13,33% in 2021. If we look at the achievements of the realization of capital expenditure, in 2021 the realization amounted to Rp156,26 billion or 90,75% of the ceiling allocated. The increase in the capital expenditure allocation will trigger positive growth in the welfare of the community which is a priority for implementation in the following year.

5. CONCLUSION

From the discussion above, it can be concluded that the performance of regional government administration that received WTP Opinion was better than Non WTP. This can be seen in the macro-strategic achievements in Tana Toraja Regency and Jeneponto Regency which received WDP opinion in the last seven years.

The ratio of regional fiscal independence in Jenoponto Regency for the last four years has been in the instructive area, meaning that the role of the central government still dominates development financing in the area then from the expenditure side, operating expenditure still dominates when compared to capital expenditure which can have a positive impact on welfare. Less than optimal APBD management is a bottle-neck for achieving output-outcomes in Jeneponto Regency

From the discussion and conclusions above, the following recommendations can be given:

- 1) Increasing regional income by extensification and intensification of Regional Original Income (PAD) so that dependence on transfer funds from the central government can be reduced;
- 2) Improving the quality of regional expenditures by benchmarking the Budget Implementation Indicators (IKPA) which have been applied to the implementation of the APBN in institutional ministries so that there is no overspending (spending that exceeds misspending (spending that does not meet needs), underspending (spending that is not implemented) and fraud spending (spending that violates legal provisions);
- 3) The spending process cannot be separated from the budget planning process. The budget preparation mechanism is very influential on the quality of spending. The

performance based budgeting system must be implemented in the regions by taking into account the portion of spending that is more productive;

- 4) The South Sulawesi Regional Office of the Directorate General of Treasury can play an active role in overseeing the implementation of recommendations from the Indonesian Audit Board of the Republic of Indonesia on Audit Reports.

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