

Factors Affecting the Probability of Local Government Financial Statement to Get Unqualified Opinion

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Abstract

Policy of regional autonomy in Indonesia had an impact on the financial accountability of local governance that led to the issuance of the financial statements of local governments. Based on Law 15 of 2004 the Supreme Audit Agency of BPK is the only which authorized to carry out financial audit of the financial statements of local governments and provide an audit opinion. Unqualified opinion is the best opinion given by BPK on the financial statements of local governments that complied with the Government Accounting Standards and free from materiality misstatement. This study is aimed to determine factors that affect the probability for local government financial statements to obtain unqualified opinion. Quantitative methods of probit logistic regression is used in this study. It can be seen that the amount of assets, grant expenditures, audit recommendations, and the completion of the audit recommendations followed-up have significant impact on the probability of local government financial statements to obtain unqualified opinion.

Keywords: audit of the financial statements of local governments, unqualified opinion, audit recommendations, completion of the audit recommendations followed-up, probit logistic regression.

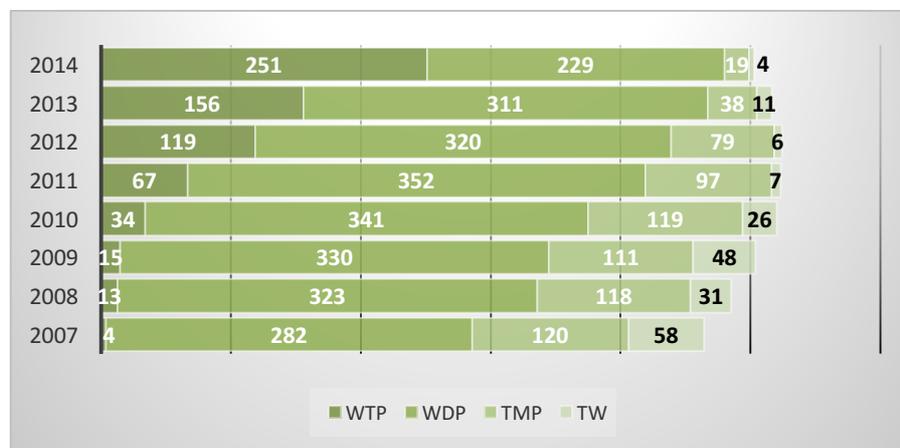
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Introduction

In regional autonomy era, the good financial management is crucial in the context of accountability of public officials to the local stakeholders. Local government financial statements (LKPD), published annually by the government is one of that formal accountability of the local government. Such obligations as mandated in Article 56 paragraph (3) of the Constitution - Law (UU) 1 of 2004 on State Treasury, which reads "*LKPD is submitted by governors /regents/mayors to the Indonesia Supreme Audit Board (BPK) no later than 3 (three) months after the fiscal year ends*". While Article 17 paragraph (2) of Law 15 of 2004 on the Audit of Management and Accountability of the State Finance, said "*the audit report of LKPD have to submitted by the BPK to the Regional Representatives Council (DPRD) no later than 2 (two) months after receiving LKPD from the local government*". From this provision it is clear that local government must complete its LKPD and submitted to the BPK for audit no later than March 31 next fiscal year. Furthermore, the BPK must conduct audit and provide an opinion on the LKPD no later than May 31 next fiscal year.

BPK has carried out the audit of LKPD for the fiscal year 2014, published in the First Semester Audit Results Summary (IHPS I) of BPK. There is a significant development of the audit this year compared with the previous year in increasing the number of local governments that receive unqualified opinion (WTP). In 2007 only four local governments obtained WTP or 0.86% of the total of 464 entities. However, within seven years in 2014 there were 251 local governments that received WTP or 49.90% of the total of 503 entities. The following charts is the financial opinion development of the regional government entities from 2007 through 2014:



Charts 1: The development of local government audit opinion

Sources : IHPS BPK

WTP: Unqualified Opinion; WDP: Qualified Opinion; TMP: Disclaimer Opinion; and TW: Adverse Opinion

Many factors affect to obtain the WTP opinion for financial statements. These factors are to be considerate by the auditor of BPK, such as lack of confidence auditors on accounts in the local government's financial statements. Data obtained from IHPS I 2015 showed that the cause was not given WTP opinion due to accounts exclusion especially on asset and expenditure. The following table shows the empirical data:

Table 1: Accounts Exclusion List

Accounts	Amount of Exclusion
Cash	64
Receivables	39
Inventories	37
Investments	65
Fixed Assets and Other Assets	230
Third Party and Current Liabilities	23
Local Income	21
Local Expenditures	73
Others	4

Sources: IHPS I 2015

The highest exclusion account is fixed asset and other assets which are occurred in 230 entities of local governments while the second is local expenditures account in 73 regional entities. In addition, the auditor also considers other factors such as audit recommendations, and the completion of the audit recommendations followed-up.

This study aimed to identify factors that affect the probability for local government financial statements to obtain WTP opinion, so this study has the problem as follows:

1. Is there a significant difference between local government entities that acquire WTP opinion and non WTP?
2. What factors affecting the probability local government in obtaining the WTP opinion?

Literature Study

The purpose of the financial statements audit is to give an opinion the fairness of the financial information presented in the financial statements. According to Law 15 of 2004 article 16 paragraph (1) “*opinion is a auditor professional statement on the fairness of financial information presented in the financial statements*”. The criteria consideration in awarding the audit opinion are:

1. compliance with government accounting standards;
2. adequate disclosures;
3. compliance with laws and regulations; and
4. the effectiveness of the internal control system (SPI).

According to Technical Bulletin (Bultek) 01 of State Financial Auditing Standard (SPKN), the results of the financial audit is opinion on the financial statements which is consist of unqualified opinion (WTP), qualified opinion (WDP), adverse opinion (TW) and disclaimer opinion (TMP). According to Elder et. al. (2010: 48) the standard unqualified audit report is issued when the following condition have been met:

1. All statements – balance sheet, income statement, statement of retain earnings, and statement of cash flows – are included in financial statements;
2. The accounting standard has been followed in all respects on the engagement:

3. Sufficient appropriate evidence has been accumulated, and the auditor has conducted the engagement in a manner that enables him or her to conclude that the accounting standard of field work have been met; and
4. The financial statements are presented in accordance Indonesia Governmental Accounting Standard (SAP)
5. There are no circumstances requiring the addition of an explanatory paragraph or modification or wording of the report

The most important requirements which is developed by the Elder's is following SAP for local governmental financial statements. SAP is issued based on Government Regulation 71 of 2010.

Audit recommendations is an integral part of the audit report. Article 1 point 12 Law 15 of 2006 said that recommendation is an advice from the auditor based on his/her audit, addressed to official persons and/or entities to take correction action. Recommendations given by the auditor are required to be followed in the form of the completion of the audit recommendations followed-up. Audit recommendations are expected to have a negative relationship to the probability in obtaining WTP opinion. The more recommendations indicate that local government has more problem in financial management so it will minimize the probability in obtaining WTP opinion.

Auditor recommendations are required to be followed by the auditee. According to article 20 of Law 15 of 2004:

- (1) Officials should follow the recommendations in the audit report;
- (2) Officials are required to provide an answer or explanation to the BPK as the follow up on the recommendations in the audit report; and
- (3) response or explanation referred to in paragraph (2) shall be submitted to the BPK no later - than 60 (sixty) days after the audit reports be accepted.

In more detailed the audit recommendation followed-up regulated in BPK Decision No. 1/K/I-XIII.2/3/2012 on Technical Guidelines for monitoring of audit recommendation followed-up, the audit recommendations should be thoroughly followed up by the auditee a maximum of 152 days since the audit recommendation issued, if within a period of 152 days has not been or are not followed up, BPK should submit its findings and recommendations to the authorities or law enforcement apparatus (APH). Further BPK examine the official answer no later than one month after an answer is received from the officials. Results of the review are classified as follows:

1. Follow-up in accordance with the recommendation;
2. Follow-up is not in accordance with the recommendation;
3. The recommendation has not been followed up; or
4. Recommendations are not actionable.

Follow-up on the audit recommendation in accordance with the recommendations is estimated to have positive relationship with the probability for the local government to obtain WTP opinion. More and more follow-up on the audit recommendation in accordance with the recommendations will lead to increasing probability for the local government to obtain WTP opinion.

Statement of Government Accounting Standards (PSAP) No. 01 defines tangible assets are assets that have a useful life of more than 12 (twelve) months to be used, or intended for use, in government activities or used by the community. In more detail PSAP 08 on fixed assets, fixed assets are classified based on the similarity in the nature or function in the operating activities of the entity. Classification of fixed assets is as follows:

1. Land;
2. Equipment and Machinery;
3. Building;
4. Roads, Irrigation, and Network;
5. Other Fixed Assets; and
6. Construction in Progress.

International Financial Reporting Standard (IFRS) defines assets as tangible assets consisting of property, plant and equipment. According to Mirza (2005:108)¹ Tangible asset that are held for use in production or supply of goods and services, for rental to others, purpose for administrative purpose and are expected to be used during more one period.

The big amount of fixed assets is expected to have a negative or positive relationship to the probability of local governments to obtain WTP opinion. The larger amount of fixed assets amount is approximated given more exceptions by the auditor that affect the probability of obtaining WTP opinion. Otherwise, the well managed fixed asset will give positive influence to the auditor in determining audit opinion. The more fixed asset will increase the planning materiality in audit.

According to article 1 point 14 Regulation of the Minister of Home Affairs Number 32 on 2011 on Guidelines for Grant Aid and Social Originating from Local Government Budget (APBD) defines grant is giving money/goods or services from the local government to government or other local governments, regional companies, communities and civil society organizations, which specifically predetermined allotment, are not mandatory and not binding, and does not continuously aiming to support the implementation of local government affairs.

¹ Mirza, Abbas Ali., Orell, Magnus., Holt, Graham J., IFRS Practical Implementation Guide and Workbook Second Edition., 2008., John Wiley & Sons, Inc.

Research Methods

The number of local government entities in Indonesia comprising 34 provinces, 73 municipalities and 460 regions. Municipalities and regions are object of this research. There are 523 municipalities and regions as research population. Purposive sampling method is used to select sample of population. The Provision of purposive sampling as follows:

1. Regions and Municipalities are located in Eastern Indonesia
2. The local government of Regions and Municipalities who have received audit opinions from the BPK in fiscal year 2014
3. The local government whose getting audit recommendations from BPK
4. The local government has partially made following-up the audit recommendations

Nonparametric comparative descriptive method is used to answer the first research question whether there are significant differences between the entities that obtain WTP opinion with entities that get non WTP opinion. To test or not difference used nonparametric approach *One Sample t Test*². The Hypothesis that was developed is:

H_0 :	There were no significant differences between the entities that obtain WTP opinion with entities that get non WTP opinion
H_1 :	There were significant differences between the entities that obtain WTP opinion with entities that get non WTP opinion

So the statistical hypothesis is as follows:

$$H_0 : \rho_1 = \rho_2 \quad H_1 : \rho_1 \neq \rho_2$$

Test the difference between independent variables with the audit opinion category used *Mann Whitney U Test*. The data processing use SPSS version 21 statistical applications.

To answer the second research question, the research use inferential parametric logistic regression approach. Logistic regression which is often called the qualitative response regression model³ is a model of probability of occurrence is influenced by the factors considered. The use of dummy category in response variables. The auditee that obtain WTP opinion is given category 1 (one) and the entities that get non WTP opinion is given category other than 0 (zero).

The operationalization of variables in detail in this study are as follows:

² Panduan Aplikatif dan Solusi., *Mengolah Data Statistik Hasil Penelitian dengan SPSS 17.*, 2010., Wahana Komputer

³ Gujarati, Damodar N., *Basic Econometrics.*, Fourth Edition., 2003., McGraw Hill

Table: The operationalization of Variables

Variable	Notation	Indicator	Measurement	Scala	Relationship to Response Variable
Independent Variable of Audit Recommendation	RkomRp	Amount of audit recommendation that issued by auditor in local government financial statements audit	Billion Rupiah	Ratio	Negative
Independent Variable of Completion of Audit Recommendation Followed-up	TLRHP	The portion of the completion of audit recommendation followed-up to total recommendations	Percentage	Ratio	Positive
Independent Variable of Fixed Asset	Aset	Amount of Fixed Asset that owned by local government as stated in balance sheet	Trillion Rupiah	Ratio	Positive or Negative
Independent Variable of Grant Expenditures	LnBhibah	Amount of grant expenditure that realized by local government as stated in budget realization report	Log Natural	Ratio	Negative
Response Variable of audit opinion	Opini	Audit opinion for financial statement that obtained by local government	<i>Dummy Variables</i> 1: Entities whose obtain WTP opinion 0: Entities whose obtain non WTP opinion	Ordinal	

Based on the hypothesis development, this study regresses four (4) independent variable to 1 (one) response variable. The design of the research is as follows:

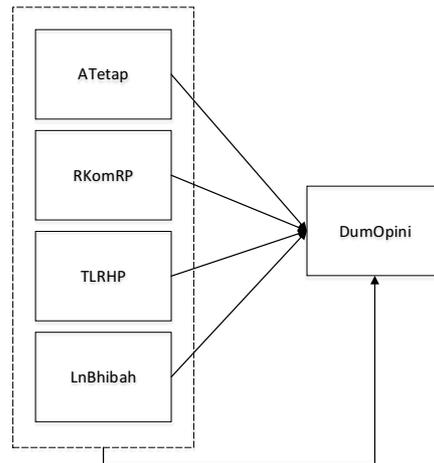


Figure: Research Design

Logistic regression models were generated in this study are as follows:

$$p(Opini) = \frac{1}{1 + e^{-(b_0 + b_1 RkomRp + b_2 TLRHP + b_3 Aset + b_4 LnBHibah + e)}} \quad (1)$$

or by mathematical transformation of logistic regression model was changed to be:

$$\ln\left(\frac{p(Opini)}{1 - p(Opini)}\right) = b_0 + b_1 RkomRp + b_2 TLRHP + b_3 Aset + b_4 LnBHibah + e \quad (2)$$

Before the research hypotheses was statistically tested, the logistic regression model generated should be tested by using goodness of fit test of Hosmer-Lomeshow Test. The Hypotheses of goodness of fit test is:

H_0 :	Fit Model
H_1 :	Unfit Model

In the final stages of this research, hypotheses testing by using significant level of 5% to determine whether the independent variables significantly affect the response variable. Hypotheses constructed in this stage is:

H_0 :	$b_1 = b_2 = b_3 = b_4 = 0$	There were no significant effect of independent variables to response variable individually or simultaneously
H_1 :	$b_1 \neq b_2 \neq b_3 \neq b_4 \neq 0$	There were significant effect of independent variables to response variable individually or simultaneously

The data processing application for this stage is Minitab version 17.

Result

Based on a purposive sampling process, of the 523 population of regions and municipalities has been selected 155 samples. The complete samples list are:

Table: Sample List

1	Kab. Bangli	41	Kab. Katingan	81	Kab. Sumba Barat Daya	121	Kab. Wajo
2	Kab. Badung	42	Kab. Sukamara	82	Kab. Sumba Tengah	122	Kota Makassar
3	Kab. Buleleng	43	Kab. Berau	83	Kab. Sumba Timur	123	Kota Parepare
4	Kab. Gianyar	44	Kab. Kutai Barat	84	Kab. Timur Tengah Selatan	124	Kab. Barru
5	Kab. Karangasem	45	Kab. Kutai Timur	85	Kab. Lanny Jaya	125	Kab. Bulukumba
6	Kab. Klungkung	46	Kab. Penajam Paser Utara	86	Kab. Mappi	126	Kab. Gowa
7	Kab. Gorontalo Utara	47	Kota Balikpapan	87	Kab. Puncak Jaya	127	Kab. Luwu Utara
8	Kota Gorontalo	48	Kota Samarinda	88	Kab. Jayapura	128	Kab. Pangkep
9	Kab. Boalemo	49	Kab. Kutai Kertanegara	89	Kab. Jayawijaya	129	Kab. Pinrang
10	Kab. Bone Bolango	50	Kab. Bulungan	90	Kab. Kepulauan Yapen	130	Kab. Buol
11	Kab. Gorontalo	51	Kab. Malinau	91	Kab. Merauke	131	Kab. Morowali
12	Kab. Pohuwato	52	Kota Nunukan	92	Kab. Mimika	132	Kab. Parigi Moutong
13	Kab. Kapuas Hulu	53	Kota Tarakan	93	Kab. Nabire	133	Kab. Poso
14	Kab. Kayong Utara	54	Kab. Buru	94	Kab. Yalimo	134	Kab. Sigi
15	Kab. Ketapang	55	Kab. Maluku Tenggara Barat	95	Kab. Asmat	135	Kab. Tolitoli
16	Kab. Kubu Raya	56	Kab. Kepulauan Sula	96	Kota Jayapura	136	Kota Palu
17	Kab. Melawi	57	Kab. Halmahera Barat	97	Kab. Fakfak	137	Kab. Bangkep
18	Kab. Sambas	58	Kab. Halmahera Timur	98	Kab. Teluk Wondama	138	Kab. Donggala
19	Kab. Sanggau	59	Kab. Halmahera Utara	99	Kab. Maybrat	139	Kab. Buton Utara
20	Kab. Bengkayang	60	Kota Temate	100	Kab. Raja Ampat	140	Kab. Kolaka
21	Kota Singkawang	61	Kota Tidore Kepulauan	101	Kota Sorong	141	Kab. Kolaka Utara
22	Kab. Landak	62	Kab. Bima	102	Kab. Kaimana	142	Kab. Konawe
23	Kab. Sekadau	63	Kab. Dompu	103	Kab. Sorong	143	Kab. Wakatobi
24	Kab. Sintang	64	Kab. Lombok Barat	104	Kab. Sorong Selatan	144	Kab. Buton
25	Kota Pontianak	65	Kab. Lombok Timur	105	Kab. Mamasa	145	Kota Kendari
26	Kab. Hulu Sungai Utara	66	Kab. Lombok Utara	106	Kab. Majene	146	Kab. Kepulauan Talaud
27	Kab. Tabalong	67	Kab. Sumbawa Barat	107	Kab. Mamuju Utara	147	Kab. Minahasa Selatan
28	Kab. Tapin	68	Kota Bima	108	Kab. Polewali Mandar	148	Kab. Minahasa Tenggara
29	Kab. Balangan	69	Kota Mataram	109	Kab. Mamuju	149	Kab. Bolaang Mongondow Utara
30	Kab. Hulu Sungai Selatan	70	Kab. Lombok Tengah	110	Kab. Jeneponto	150	Kab. Minahasa
31	Kab. Hulu Sungai Tengah	71	Kab. Kupang	111	Kab. Takalar	151	Kota Manado
32	Kab. Tanah Bumbu	72	Kab. Alor	112	Kota Palopo	152	Kab. Bolaang Mongondow Timur
33	Kab. Tanah Laut	73	Kab. Belu	113	Kab. Bantaeng	153	Kab. Kepulauan Sitaro
34	Kota Banjarmasin	74	Kab. Ende	114	Kab. Enrekang	154	Kota Kotamobagu
35	Kab. Barito Timur	75	Kab. Flores Timur	115	Kab. Luwu	155	Kota Tomohon
36	Kab. Pulang Pisau	76	Kab. Manggarai	116	Kab. Luwu Timur		
37	Kab. Gunung Mas	77	Kab. Manggarai Timur	117	Kab. Sidrap		
38	Kab. Kotawaringin Timur	78	Kab. Ngada	118	Kab. Soppeng		
39	Kab. Murung Raya	79	Kab. Sabu Raijua	119	Kab. Tanatoraja		
40	Kab. Seruyan	80	Kab. Sumba Barat	120	Kab. Toraja Utara		

Kab. stand for Kabupaten which mean regency; Kota is municipality

Variable *Atetap* has average value of Rp 2.099 trillion, which the lowest value of Rp 74 billion in Mappi regency-Papua and the highest Rp 20.139 trillion in Kutai Kertanegara regency-East Kalimantan. The average of *RKomRp* Variable is Rp5.999 billion, with the highest values occur in Mimika regency-Papua amounted to Rp73.215 billion and the lowest in Sigi regency-Central Sulawesi Rp 20 million. *TLRHP* variable has average 22.97%, which the lowest of 1% in Asmat regency-Papua, Morowali regency-Central Sulawesi, Ketapang regency-West Kalimantan, and Bone Bolango regency-Gorontalo and the highest of 90% in East Luwu regency-South Sulawesi. As for the *LnBhibah* variable has average of Rp $e^{23.256}$ the highest in Manggarai Timur regency-East Nusa Tenggara Rp $e^{26.855}$ and the lowest Rp $e^{19.167}$ occurs in Sitaro Islands regency-North Sulawesi. Table shown the descriptive statistics of variables:

Table: Descriptive Statistics

Descriptive Statistics: Atetap, RkomRp, TLRHP, LnBhibah						
Variable	N	Mean	SE Mean	StDev	Minimum	Maximum
Atetap	155	2.099	0.170	2.113	0.074	20.139
RkomRp	155	5.999	0.897	11.163	0.002	73.215
TLRHP	155	22.97	1.29	16.04	1.00	90.00
LnBhibah	155	23.256	0.107	1.331	19.167	26.855

Non-parametric test results showed t count for 7.196 is greater than t table or we can see from the significant value that is smaller than the value of 0.05 so that the test results indicate to reject H_0 that there is significant difference between the local governments who obtain WTP opinion and non WTP opinion as in following table:

Table: Non Parametric Test Result

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Opini	7.196	154	.000	.25161	.1825	.3207

While the test results Mann Whitney U Test can be seen in the following:

Table : Mann Whitney U Test Result
Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of RKomRp is the same across categories of Opini.	Independent-Samples Mann-Whitney U Test	.002	Reject the null hypothesis.
2	The distribution of TLRHP is the same across categories of Opini.	Independent-Samples Mann-Whitney U Test	.063	Reject the null hypothesis.
3	The distribution of Aset is the same across categories of Opini.	Independent-Samples Mann-Whitney U Test	.203	Retain the null hypothesis.
4	The distribution of BHibah is the same across categories of Opini.	Independent-Samples Mann-Whitney U Test	.438	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .10.

With the critical value of 10%, it can be seen that the *RKomRp* and *TLRHP* variable statistically different between the local governments who get WTP opinion and non WTP. As for the *Atetap* and *LnBhibah* variable was not statistically different.

To answer the second research question, it can be done through a logistic regression model generated which consisting of independent variables *ATetap*, *RKomRp*, *TLRHP* and *LnBhibah* against response variable of *DumOpini*. Output of Minitab 17 application shown in the following table:

Table : Logistic Regression Model

Binary Logistic Regression: OpiniDum versus Atetap, RkomRp, TLRHP, LnBhibah						
Method						
Link function	Logit					
Rows used	155					
Response Information						
Variable	Value	Count				
OpiniDum	1	39	(Event)			
	0	116				
	Total	155				
Regression Equation						
P(1) = exp(Y') / (1 + exp(Y'))						
Y' = 5.03 + 0.1686 Atetap - 0.1737 RkomRp + 0.0336 TLRHP - 0.224 LnBhibah						
Deviance Table						
Source	DF	Adj Dev	Adj Mean	Chi-Square	P-Value	
Regression	4	21.635	5.409	21.63	0.000	
Atetap	1	3.189	3.189	3.19	0.074	
RkomRp	1	15.308	15.308	15.31	0.000	
TLRHP	1	6.053	6.053	6.05	0.014	
LnBhibah	1	2.142	2.142	2.14	0.143	
Error	150	153.236	1.022			
Total	154	174.871				
Odds Ratios for Continuous Predictors						
	Odds Ratio	95% CI				
Atetap	1.1837	(0.9869, 1.4196)				
RkomRp	0.8406	(0.7306, 0.9670)				
TLRHP	1.0342	(0.9993, 1.0054)				
LnBhibah	0.7997	(0.5915, 1.0811)				
Goodness-of-Fit Tests						
Test	DF	Chi-Square	P-Value			
Deviance	150	153.24	0.411			
Pearson	150	141.09	0.687			
Hosmer-Lemeshow	8	11.77	0.162			
Measures of Association						
Pairs	Number	Percent	Summary Measures	Value		
Concordant	3243	71.7	Somers' D	0.44		
Discordant	1265	28.0	Goodman-Kruskal Gamma	0.44		
Ties	16	0.4	Kendall's Tau-a	0.17		
Total	4524	100.0				

In *Response Information* table shows that of the 155 local government observed that there are 39 local governments obtain WTP opinion and 16 non WTP opinions. In *Logistic Regression* table, the logistic regression model generated is:

$$\ln\left(\frac{p(\text{Opini})}{1-p(\text{Opini})}\right) = 5.03 + 0.1686 \text{Atetap} - 0.1737 \text{RkomRp} + 0.0336 \text{TLRHP} - 0.224 \text{LnBhibah} + e \quad (3)$$

The logistic regression model above shows that relationship in accordance with the research hypothesis development. *Atetap* and *TLRHP* variable provide a positive influence to the probability in obtaining WTP opinion. On the other hand, *RKomRp* and *LnBhibah* give negative influence to the probability in getting WTP opinion.

In *Deviance* table shows the *p-value* of the *RKomRp* and *TLRHP* variable are 0.000 and 0.014 which is smaller than the 5% or 0.05 so that these variables have influence

the significant influence to the probability in obtaining WTP opinion. In other words, this has strong reason to reject H_0 in the statistical hypothesis above. The *Atetap* variable has *p-value* of 0.074 that has significant influence in 10% critical value. Whereas *LnBhibah* variable does not have a significant influence on obtaining WTP opinion. Due to its *p-value* of 0.143 which is higher than 5% as well as 10%.

In *Odds Ratios for Continuous Predictors* table, odds ratio value for *Atetap* variable is 1.1837 that the increasing of Rp 1 trillion in fixed asset shall increase the probability in obtaining WTP opinion as big as 18.37%. *RKomRp* variable has odd ratio value of 0.8406 the increasing of Rp 1 billion in audit recommendation has consequences of decreasing 15.63% in probability of gaining WTP opinion. The growth of settlement or completion audit recommendation followed-up as big as 1% will lead 3.42% of the probability in obtaining WTP. That can be seen in odd ratio value of 1.0342 in TLRHP variable.

In *Goodness-of-Fits Test* table shows the Hosmer-Lemeshow test, Pearson and Deviance give a *p-value* greater than 0.05 so it can be decided to accept H_0 and say the model has a good fit model. The logistic regression model can be used to predict the value of the response variable (the probability of obtaining opinions WTP) by the independent variable (fixed assets, audit recommendation, audit recommendation followed-up).

Measure of Association table is used to measure the closeness of the relationship between the response variable with the predicted value. Somers'D association value and Goodman-Kruskal-value of 0.44. While the value of the association Kendall's Tau-a 0.17.

Conclusion

There is a significant difference between local governments gain WTP and non WTP opinion. Unqualified Opinion is one indicator of accountable financial management. The local government should seriously consider the factors that affecting in obtaining the WTP opinion from BPK. In this study is empirically evidenced that fixed assets, audit recommendation followed-up and audit recommendation have a significant influence for the probability of obtaining the WTP opinion.

Well managed fixed assets by local government have a positive influence to the probability for obtaining the WTP opinion. Similarly with the results of audit recommendation followed-up that need to be seriously resolved by the local government. The auditor recommendations also give significant impact on the audit opinion because the government must implement good financial governance so the fewer the recommendations given by the auditor.

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