

ABSTRACT

This study aims to examine the effect of BPK audit report, budget structure, and the size of local governments on the financial performance of local governments in Central Java Province. It also seeks to provide empirical insight into the contribution of oversight factors such as audit findings, audit opinions, and follow-up of audit results as well as financial characteristics of local governments, including budget structure and government size, in promoting the efficiency of financial performance at the local level.

This study uses a population of all district / city local governments in Central Java consisting of 29 districts and 6 cities with panel data for five years, from 2019 to 2023 so that 160 observational data are obtained. The data used are secondary data in the form of financial reports, including budget realization reports, balance sheets, and audit reports from the BPK. This research applies a quantitative method using a multiple linear regression approach, processed with SPSS version 26.

The partial results show that the variables of audit findings, audit opinions, and government size have no significant effect on the financial performance of local governments. Meanwhile, the follow-up on audit results and budget structure have a negative and significant effect on financial performance. Simultaneously, all independent variables influence the financial performance of local governments by 8.1%. These findings are expected to serve as a basis for formulating more effective financial management policies aimed at improving the financial performance of local governments.

Keywords: financial performance, BPK audit report, budget structure, government size