The influence of audit opinion, characteristics of regional head, and levels of corruption on performance of local government in Indonesia

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ABSTRACT

This study aims to analyze the influence of audit opinion, characteristics of regional head, and the level of corruption on local government performance in Indonesia. This study uses secondary data with the research population being all local governments in Indonesia with a research sample of 394 observations in 2021. The analysis method used is multiple linear regression analysis. The results of multiple linear regression test show that audit opinion and the education level of the regional head have a positive and significant effect on local government performance. Meanwhile, the experience of the regional head and the level of corruption have a negative and significant effect on local government performance. However, it is known that the age of the regional head has no significant effect on local government performance. This study implies that the better the audit opinion, the better the local government performance, as well as the higher the education level of the regional head, the higher the cognitive complexity possessed by the regional head can further improve local government performance. This study also shows that there is a negative effect on the experience of regional heads and the level of corruption on local government performance. This implies that regional heads with experience as non-bureaucrats can improve local government performance more than regional heads with experience as bureaucrats. In addition, the negative effect of the level of corruption on local government performance implies that the higher the level of corruption that occurs in a region, the worse the performance of the local government. As for the age of the regional head, it is not statistically proven to affect local government performance, this finding reveals that other factors such as experience and education level may be more decisive.

Keywords: audit opinion; characteristics of regional head; levels of corruption; local government performance
JEL Classification: H11; M42

1. Introduction

The performance of local governments has become a primary focus in the current era of regional autonomy. The public expects local governments to perform effectively in carrying out their responsibilities and duties in accordance with the principles of regional autonomy (Arti & Rizky, 2023). Local governments must prioritize public interests and be responsive to environmental challenges with maximum efforts to provide transparent and high-quality services (Nangoy et al., 2016). The implementation of regional autonomy does not automatically lead to an improvement in public service quality. Good performance from all power holders is required to implement work programs in accordance with applicable regulations so that regional autonomy will have a positive impact on the community's livelihood (Hill & Lynn, 2003).

Local government performance attracts attention because the public evaluates the effectiveness of local government administration (Sutopo et al., 2017). In Indonesia, every local government is required to submit a Local Government Administration Report (or LPPD), which serves as the basis for the Evaluation of Local Government Performance (or EKPPD). This evaluation is conducted annually by the Ministry of Home Affairs, which determines the performance status and ranking of local governments. Performance scores range from 0 to 4, reflecting the local government's ability to provide high-quality public services to the community. In addition to performance evaluation, the government must also be accountable for the performance achieved. The obligation of a government agency to account for the success or failure of program or activity implementation to achieve established goals is called accountability. One form of accountability for the performance of government agencies is the financial statement. Financial statement is a form of accountability for managing local or national finances for a specified period as regulated in Government Regulation Number 13 of 2019. Financial statement can be used as material for evaluating past performance, identifying problems, and planning improvements. These reports contain information about income, expenditures, and results achieved, which are useful for evaluating local government performance (Nogueira & Jorge, 2012). To ensure the fairness of the information presented in government financial reports, an audit of the financial reports must be conducted by the Audit Board of Indonesia (or BPK), the authority responsible for conducting such audits. One of the results of the BPK's audit of government financial reports is the audit opinion. An audit opinion is defined as a professional judgment expressing the auditor's assessment of the fairness of the information in the financial reports as stated in Article 1 of Law Number 15 of 2004. The better the audit opinion on a Local Government Financial Statement (or LKPD), the more reliable and trustworthy the information contained in the LKPD.

Through the financial audit by BPK as an independent party, it is expected to reduce agency problems within the government, namely information asymmetry between the public, who in an agency relationship is analogized as the principal, and the government as the agent. According to Ririhena and Richard (2022), agency problem arises as public cannot directly observe government actions and experiences uncertainty regarding the honesty of the government in managing finances. Thus, the audit of government financial reports can enhance the trust of financial report users.

In the local government system, the role of the head of the region is crucial and fundamental (Priharjanto et al., 2020). A

regional head with strong talent and capability in managing local government is required to enhance regional potential and oversee reliable human resources. According to the upper-echelons theory, these characteristics are represented by age, experience, and education level. A regional head with a high level of education, mature age, and sufficient work experience can broaden their executive horizons, adapt to changing circumstances, and generate new ideas that help achieve optimal government performance (Mahardini & Setiawan, 2022).

On description, it can be assumed that the characteristics of the regional head greatly influence the functioning of a system within the bureaucracy or government. The success of a bureaucratic system can vary depending on the characteristics of the regional head leading it. Therefore, this study also examines the influence of the regional head's characteristics, such as age, experience, and education level, on local government performance. The implementation of regional autonomy, commonly referred to as decentralization, is not free from rampant corruption cases at the regional level. The presence of corruption in regions has a significant impact on local government performance in managing the organization. Although optimal local government performance is expected to reduce the risk of corruption or misappropriation, it does not guarantee that a region will be free from these issues (Ahyaruddin & Amrillah, 2018).

Currently, corruption issues involving several officials are considered one of the factors hindering the optimal public service delivery to the community. The 2022 Corruption Eradication Commission (or KPK) Report indicates that local governments contribute a substantial portion of the total national corruption cases. According to the KPK report, there were 120 agencies involved in corruption crimes throughout 2022, an increase from 108 cases the previous year. Of this number, corruption cases most frequently occurred in district/city government agencies, with 65 cases, equivalent to 54.16% of the total corruption cases during that period. This fact indicates that decentralization has not been optimally implemented and that regional autonomy must be accompanied by effective oversight to prevent an increase in regional corruption.

Previous research examining the characteristics of regional heads was conducted by Avellaneda (2012) on governments in Colombia during the period 1999-2005. This study examined the influence of regional head characteristics, namely age, public sector experience, and level and type of education on regional income growth. The results indicate that the regional head's public sector experience impacts income growth, while the level and type of education do not. Conversely, Pahlevi and Setiawan (2017) study investigating the characteristics of regional heads in Indonesia found that local government performance is more optimal under regional heads with higher age and longer tenure. Education level also positively affects strategic decision-making to achieve regional goals. Previous research correlating the level of corruption with local government performance was conducted by Ahyaruddin and Amrillah (2018), who found that the level of corruption affects local government performance. This finding is consistent with Min (2022) which indicates that a low level of corruption positively impacts local government performance. However, this finding differs from Khairudin et al. (2023) which found that corruption positively impacts local government performance. This study explains that corruption can play a role in enhancing local government performance through economic activities from primary and secondary consumption by corrupt actors.

Based on the background and inconsistent previous research findings, this study aims to examine influence audit opinion, characteristics of regional head, and levels of corruption on performance of local government in Indonesia.

2. Literature review

Agency theory

The concept of agency theory is based on the agency problem that arises when the management of a company is separated from its ownership. Jensen and Meckling (1976) state that an agency relationship is a contract between a manager (agent) and an investor (principal) that involves the delegation of authority from the principal to the agent in decision-making. The agency problem arises because of the conflict of interest between the principal and the agent, which occurs because the agent does not always act in the best interest of the principal. In the context of government, agency theory can also be used to describe the relationship between the principal and the agent. Modern democratic states are based on a series of principal-agent relationships (Lane, 2000). The agency problem arises because the public cannot directly monitor the actions of the government and bureaucrats, while the government and bureaucrats have more information regarding government administration, which can lead to information asymmetry. Information asymmetry between the agent and the principal can cause uncertainty in decision-making (Cope & Rainey, 1992). The agent has more information about day-to-day operations and may have incentives to hide or manipulate information for their own benefit.

Upper echelons theory

Upper echelons theory was developed by Hambrick and Mason (1984) and is based on the assumption of what will happen to a company by studying the company's top management team (TMT).

Hambrick and Mason (1984) argue that if we want to explain why companies do what they do, or why they do it in a certain way, we must study the characteristics of the company's TMT. Upper echelons theory posits that organizational outputs such as company performance, strategic orientation, innovation, creativity, and diversification are influenced by the demographic diversity of the directors, such as education level, experience, and age (Miller & Del Carmen Triana, 2009). This theory states that demographic diversity among leaders provides a broader scope for perspectives and problem-solving, thereby enhancing effectiveness and efficiency in strategic organizational decision-making. This theory can also be applied to public organizations, considering that since the advent of the New Public Management and Reinventing Government ideas, public organizations have been required to start adopting managerial strategies used in private organizations. Leaders or top management in the public sector or government, equivalent to regional heads, have the duties, responsibilities, and authority in the administration of government. Regional heads, as executive leaders of local government administration, play a crucial role because the strategies and decisions made by regional heads in performing their duties significantly affect the performance of the local government they lead.

Audit opinion

According to Leung et al. (2015), auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events, to ascertain the degree of correspondence between those assertions and established criteria and to communicate the results to interested parties. An audit opinion is the auditor's statement as a conclusion regarding the fairness of the financial

statements based on criteria: (i) compliance with government accounting standards, (ii) adequacy of disclosure, (iii) compliance with laws and regulations, and (iv) effectiveness of the internal control system (Law Number 15 of 2004). There are four types of opinions regarding the examination of Government Financial Statements:

1. Unqualified opinion states that the financial statements have been presented fairly in all material respects in accordance with generally accepted accounting principles in Indonesia.
2. Qualified opinion states that the financial statements have been presented fairly in all material respects in accordance with generally accepted accounting principles in Indonesia, except for the effects of the matters relating to the qualification.
3. Adverse opinion states that the financial statements do not present fairly the financial position, results of operations, and cash flows of a particular entity in accordance with generally accepted accounting principles in Indonesia.
4. Disclaimer of opinion states that the auditor does not express an opinion on the financial statements if the audit evidence is insufficient to form a conclusion.

Local government performance

According to LAN Decree Number 239/IX/6/8/2003, the performance of government agencies is a depiction of the level of achievement of goals or objectives as an elaboration of the vision, mission, and strategy of government agencies, indicating the level of success and failure in implementing activities according to established programs and characteristics. Government Regulation Number 13 of 2019 concerning Reports and Evaluation of Regional Government Administration explains that the performance of regional government administration is the achievement of regional government affairs measured from inputs, processes, outputs, outcomes, benefits, and impacts.

One measure for assessing the performance of local governments in carrying out their duties and responsibilities is the Evaluation of Local Government Performance, known as EKPPD. The purpose of EKPPD is to assess the performance of local government administration in an effort to improve performance to support the achievement of regional autonomy goals based on Good Governance principles and to determine the success of local government administration in utilizing the rights obtained by the region with the planned outputs and outcomes. The form of assessment results from EKPPD is the ranking of EKPPD scores for all local governments, which are regulated with a score range as follows: 0.00-5.00. 0.00-1.80: very low predicate, 1.81-2.60: low predicate, 2.61-3.40: moderate predicate, 3.41-4.20: high predicate, and 4.21-5.00: very high predicate.

Characteristics of regional heads

In the regional government system, the position and role of the regional head are very strategic. Therefore, a regional head must apply dynamic, active, creative, and communicative activities and apply leadership power and behavior patterns that suit the needs. This is influenced by the background and individual characteristics of each regional head (Priharjanto et al., 2020). The characteristics of leaders based on this theory include age, formal education, experience in the same field, and experience in other sectors. The explanation of the relationship between the characteristics of the leader on strategy selection and performance is as follows.

- *Age*. The age of the regional head can reflect the maturity and maturity of the regional head. A regional head with a higher age will have a higher level of

maturity and maturity in thinking (Hambrick & Mason, 1984). The age of the incumbent leader will affect confidence in decision-making. This is because more time that has passed synergizes with more information and sufficient time to make decisions.

- *Experience*. Work experience includes the number of jobs or positions a person has held and the length of time they have worked in each job or position (Siagian & Khair, 2018). The use of experience is based on the assumption that tasks performed repeatedly provide opportunities to learn to do them best. Experience in the same field will make it easier for someone to adjust to their work. Someone who is accustomed to working in the same field has more in-depth knowledge about that field based on previous experience. The experience of regional heads referred to in this context is work before serving as regional heads. Generally, these jobs consist of entrepreneurs, community leaders, educators, or from the bureaucratic sector.

- *Education level*. Education is an effort to develop human resources, especially to develop intellectual and personal qualities (Notoatmodjo, 2009). The level of education is positively correlated with the acceptance of innovation, change, and growth (Sebaa et al., 2009). In Indonesia, the levels of education are divided into primary education, secondary education, and higher education according to Law Number 20 of 2003. The levels for primary education are Elementary School/Madrasah Ibtidaiyah (SD/MI), Junior High School/Madrasah Tsanawiyah (SMP/MTs), and for secondary education, Senior High School/Madrasah Aliyah/Vocational High School/Vocational Madrasah Aliyah (SMA/MA/SMK/MAK), and higher education consists of Diploma (D3), Bachelor (S1), Master (S2), and Doctoral (S3).

The level of corruption

Johnston (1996) defines corruption as the misuse of public power for personal gain. Meanwhile, Mimba et al. (2007) states that corruption is all behavior by public sector officials and civil servants to misuse their positions in the decision-making process for their personal benefit, harming public interest. From the legal perspective in Indonesia, Law Number 31 of 1999 jo Law Number 20 of 2001 on the Eradication of Corruption defines corruption as forms or types of actions that harm the state's finances, bribery, embezzlement of funds, extortion, fraud, conflict of interest in procurement, and gratuities.

Hypothesis development

Audit opinion and local government performance. Audit opinion can reflect the effectiveness of budget management in implementing programs and services provided by local governments (Sutopo et al., 2017). This can serve as a basis for local governments to conduct evaluations and improve their performance. Agency theory suggests that there is significant information asymmetry between the agent (government) who has direct access to information and the principal (community). Consequently, local governments must enhance accountability for their performance as a mechanism for checks and balances to reduce information asymmetry. This is consistent with Sutopo et al. (2017) who state that the better the opinion given by the auditor (or BPK) to a local government, the better the expected performance of the local government. This is consistent with Parwanto and Harto (2017) who found a positive correlation between audit opinions and local government performance, indicating that audit opinions on financial statements can

address agency problems, namely information asymmetry.

H1: audit opinion has a significant effect on local government performance

Age of the regional head and local government performance. Age is generally a measure of maturity and psychological condition. Thus, with greater maturity, it is expected that individuals will be more cautious and capable of utilizing the information they possess in decision-making. This aligns with upper echelons theory, which posits that older leaders are considered to have sufficient financial stability and commitment to work, making them less likely to engage in deviant behavior (Hambrick & Mason, 1984). Pahlevi and Setiawan (2017) show that older age of regional heads positively affects local government performance. However, Prasetyo and Putrini (2016) find different results which indicating that the age of regional heads does not affect local government performance.

H2: age of the regional head has a significant effect on local government performance

Experience of the regional head and local government performance. Experience in a particular field shapes the orientation of top managers in their work. Similarly, a regional head's experience in a specific field influences how they perform their duties. According to upper echelons theory, the experience of leaders in the same or different fields is expected to positively influence strategy selection and organizational performance. This is consistent with Sebaa et al. (2009) who states that career experience is expected to influence top managers in decision-making. Through experience, top managers gain knowledge, which forms unique skills and competencies in building networks. Avellaneda (2012) demonstrates that a regional head's experience in the public sector affects revenue growth,

which impacts local government performance.

H3: experience of the regional head has a significant effect on local government performance

Education level of the regional head and local government performance. Through education, individuals can more easily develop their potential, personality, intelligence, and skills (Wiersema & Bantel, 1992). The higher the level of education attained, the more complex the knowledge, skills, and experience gained. As the leader of a local government, a regional head is expected to have sufficient knowledge and competence to perform their duties and responsibilities. This is in line with upper echelons theory, which posits that the education acquired by a leader-aids in decision-making and can influence organizational performance (Hambrick & Mason, 1984). Previous research has demonstrated a positive effect of the education level of regional heads on strategy and performance (Sebaa et al., 2009).

H4: education level of the regional head has a significant effect on local government performance

Level of corruption and local government performance. High levels of corruption indicate budget leakage which disrupts local government performance. The approved local government budget (or APBD) is intended to achieve the proposed work plans and strategic plans but cannot be realized due to corrupt practices (Latief & Mutiarin, 2016). This aligns with agency theory, where corruption exploits information asymmetry, with the government as the agent having authority granted by the public as the principal for public welfare but instead using it for personal gain. Higher levels of corruption in an area will negatively impact local government

performance. The higher the level of corruption, the worse the local government performance will be. This is consistent with Choi and Woo (2010) and He (2016) which revealed that the public identifies corruption as a primary reason for poor regime performance and punishes incumbents by not reelecting them. Similarly, Min (2022) also finds that lower levels of corruption positively affect local government performance.

H5: level of corruption has a significant effect on local government performance.

3. Research method

The quantitative approach emphasizes hypothesis test, requiring measurable data that can lead to generalizable conclusions based on evidence (Kuncoro, 2013). The population in this study consists of all local governments in Indonesia (Provinces, Regencies, and Cities) in the year 2021, totaling 542 local governments. Sampling was conducted using purposive sampling. Based on data sources, the type of data used in this study is secondary data. Secondary data sources include audit opinions, age of regional head, experience of regional head, education level of regional head, level of corruption, and local government performance, obtained from the Summary of BPK's Semester Examination Results (IHPS BPK), Ministry of Home Affairs Decree on EKPPD, profiles of regional heads, and Supreme Court decisions. This study was conducted nationwide in Indonesia from December 2023 to May 2024.

This study uses the local government performance as the dependent variable. This refers to the measurement of local government performance based on the Inputs-Outputs-Outcomes (IOO) model (Walker & Andrews, 2015). This model assesses inputs, outputs, and outcomes achieved by local governments. The measurement of government service performance refers to evaluation scores issued by the Ministry of Home Affairs

through EKPPD. This measurement is based on Utama et al. (2019). Audit opinion is an independent variable in this study. Audit opinion will be measured by indicating levels or rankings ranging from one for a disclaimer of opinion, two for an adverse opinion, three for a qualified opinion, and four for an unqualified opinion. This measurement refers to Pamungkas et al. (2018), and Dionisijev and Lazarevska (2021).

Demographic characteristics of local government leaders including age, experience, and education level are independent variables. Age of regional head is measured using a scoring system where a value of one is assigned if the leader is old, and zero if young, using age categories from the Indonesian Ministry of Health in 2009: young (early and late adults): 26-45 years, and old (early elderly to very elderly): 46 years and above. This study selected these age ranges because they meet the minimum age requirements for regional head as stipulated in the requirements for local elections, which is 25 years old. This measurement is based on Monika (2015).

Experience of local government leaders is measured using a scoring system where a value of one is assigned if the leader comes from a bureaucratic background, and zero if from outside or has experience beyond bureaucratic circles. Experience refers to the occupation held before assuming office as a regional head, typically including businesspersons, community leaders/educators, members of parliament/local legislative councils, and civil servants. This measurement refers to Park and Cho (2014).

Education level in this study will be measured by indicating ranks from high school level to doctoral level (S3), as follows: one for high school (SMA), two for Diploma (D3), three for Bachelor's (S1), four for Master's (S2), and five for Doctoral (S3). The minimum educational requirement of high school (SMA) is used

in accordance with the requirements for local government candidates under Law Number 1 of 2015 concerning the Determination of Government Regulation Replacing Law Number 1 of 2014 Concerning the Election of Governors, Regents, and Mayors into Law. This measurement is based on Mahardini and Setiawan (2022). The last independent variable in this study is the level of corruption, measured by the number of corruption cases in each region that have been decided by the Supreme Court. This measurement is based on Liu and Lin (2012).

The analysis technique used to test the hypotheses is multiple regression analysis with empirical model as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Y is local government performance, α is constant, β_1 to β_5 are the regression coefficients; X_1 is audit opinion; X_2 is age of regional head, X_3 is experience of regional head, X_4 is education level of regional head, X_5 is level of corruption, and e is the error term.

4. Result and discussion

This study uses cross-sectional data consisting of local governments in Indonesia during period 2021. The final sample used in the study which is consists of 394 local governments. Table 1 shows that the total number of Indonesian local governments in 2021 are 542. The sample consist 34 provincial governments, 415 regency governments, and 93 city governments. In the sample selection for the study, 16 local governments did not receive an EKPPD score (see Note a). This was due to some local governments not submitting data on the performance achievements of governmental functions, and others not conducting reviews of their performance achievements. Additionally, one local government did not have an audit opinion in the IHPS BPK because it had not submitted its LKPD to the BPK (see Note b). Moreover, based on the data from the 2021 Data Book of the Ministry of Home Affairs and the websites of the respective local governments, 131 local governments did not provide complete biodata of the regional head (see Note c).

Table 1. The sample

No	Description	Total
1	Local Government in Indonesia in 2021	542
2	EKPPD[a]	(16)
3	Audit opinion[b]	(1)
4	Regional head data[c]	(131)
	Total sample	394

[a] local governments that did not receive an EKPPD score from the Ministry of Home Affairs
[b] local governments that did not receive an audit opinion from BPK
[c] local governments that do not present complete regional head data
Source: data processed, 2024

Descriptive statistics

Table 2 shows that the number of samples in this study is 394. By 394 samples, the study uses the dependent variable, which is the local government performance, and the independent variables, which are audit opinion, age of the regional head, experience of the regional head, education level of the regional head, and level of corruption.

Table 2 Descriptive Statistics

Variable	N	Mean	Std Dev	Min	Max
Dependent variable					
EKPPD	394	2,5192	0,30430	1,39	3,63
Independent variable					
OPINION	394	3,8909	0,39173	1,00	4,00
AGE	394	0,7919	0,40648	0,00	1,00
EXPERIENCE	394	0,8122	0,39106	0,00	1,00
EDUCATION	394	3,4645	1,03869	1,00	5,00
CORRUPTION	394	0,9924	1,24889	0,00	7,00

EKPPD is evaluation of local government performance; OPINION is audit opinion; AGE is age of the regional head; EXPERIENCE is experience of the regional head; EDUCATION is education level of the regional head; CORRUPTION is level of corruption

Classic assumption test results

The classic assumption tests performed in this study include the normality test, multicollinearity test, and heteroscedasticity test as suggested by Ghozali (2016).

- *Normality test*. The normality test aims to determine whether the residual error of data is normally distributed or not. Residual error of data is considered normally distributed if it meets the requirements of the parametric test. The Kolmogorov-Smirnov test is used with the criterion that if the significance higher than 0.05 then the data is normally distributed. Table 3 presents the result of Kolmogorov-Smirnov test where the significance is 0.200 or greater than 0.05. Therefore, the residual error of data is normally distributed.

Table 3. Normality test

		Unstandardized residual
N		394
Normal parameters	Mean	0.0000000
	Std. Deviation	0.28193348
Most extreme differences	Absolute	0.033
	Positive	0.030
	Negative	-0.033
Test Statistic		0.033
Asymp. Sig. (2-tailed)		0.200

- *Multicollinearity test*. The multicollinearity test aims to identify whether there is any correlation among the independent variables. The multicollinearity test results provide tolerance and Variance Inflation Factor (VIF) for each independent variable. If the tolerance value more than 0.10 and the VIF less than 10 then it can be concluded that the independent variables is free from multicollinearity issues. Table 4 presents the result of the multicollinearity test. The result shows that tolerance values are higher than 0.10 and VIF are less than 10. Therefore, it can be concluded that there is no correlation among the independent variables, or no multicollinearity issues are present in this study.

Table 4. Multicollinearity test

Variables	Collinearity statistics	
	Tolerance	VIF
OPINION	0.991	1.009
AGE	0.947	1.056
EXPERIENCE	0.948	1.055
EDUCATION	0.983	1.017
CORRUPTION	0.981	1.019

- *Heteroscedasticity test*. The heteroscedasticity test aims to identify whether there is a variance in the residuals across all observations in the regression model. To detect the presence of heteroscedasticity then the Glejser test is used. The Glejser test assumes that if the significance values of all variables are greater than 0.05 then it can be concluded that there is no heteroscedasticity in the data. Table 5 shows that the significance values for all independent variables are greater than 0.05 so regression model does not contain heteroscedasticity.

Table 5. Heteroscedasticity test

	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
OPINION	0.004	0.023	0.009	0.185	0.853
AGE	-0.009	0.023	-0.020	-0.378	0.706
EXPERIENCE	-0.003	0.024	-0.007	-0.130	0.896
EDUCATION	-0.001	0.009	-0.008	-0.149	0.882
CORRUPTION	-0.004	0.007	-0.031	-0.615	0.539

Hypothesis test

The analysis of the multiple linear regression model is conducted to determine the positive or negative effects of the independent variables on the dependent variable. The F-test aims to determine the joint effect of the independent variables on the dependent variable. Table 6 shows that the F value of 12.798 is significant at 1% which indicates that the model is fit where all independent variables simultaneously significant on dependent variables. The result of t test also shows that only AGE is insignificant while the other variables are significant at 5%. The result also shows that the adjusted R^2 is 0.131 which indicates that all independent variables can explain 13.1% the model of dependent variable and the rest is explained by other variables that not included in this study.

Table 6. Multiple regression test

	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	1.501	0.154		9.768	0.000
OPINION	0.247	0.037	0.318	6.725	0.000
AGE	0.044	0.036	0.059	1.225	0.221
EXPERIENCE	-0.081	0.038	-0.104	-2.149	0.032
EDUCATION	0.032	0.014	0.110	2.315	0.021
CORRUPTION	-0.023	0.012	-0.095	-2.004	0.046
F-test (sig. at 1%)	12.798				
R	0.376				
R^2	0.142				
Adj. R^2	0.131				
SE of the estimate	0.284				

Discussion

Audit opinion and performance of the local government

This study indicates that audit opinion has a positive effect on the local government performance, as evidenced by a positive coefficient. This suggests that higher audit opinions achieved by local governments correlate with better performance. This finding aligns with agency theory, which illustrates the relationship between the public and the government. In this context, the public acts as the principal, providing trust to the government as the agent, which is entrusted with delivering services in the public interest. A positive audit opinion can serve as an incentive for local governments to maintain or improve the quality of their performance. By the positive audit opinion, local governments have an incentive to mitigate agency risks, such as actions that do not align with stakeholders' interests in managing government operations. This study supports the findings of Sutopo et al. (2017), Parwanto and Harto (2017), and Hasthoro et al. (2020) that find a positive impact of audit opinions on local government performance.

Age of regional head and local government performance

This study indicates that the age of the regional head does not guarantee better local government performance. Contrary to the hypothesis that the age of the regional head would have a significant impact on the performance of the local government, this research shows that the age of the regional head does not significantly affect local government performance. This means that having a regional head who is older or younger does not necessarily lead to improved performance in local government. This finding is supported by the unified theory of leadership developed by Harung et al. (1995) which states that the age of a leader is not the primary determinant of organizational performance. Good performance depends on the leader's ability to integrate diverse experiences, adapt to local contexts, and demonstrate leadership competence. This result aligns with Bunadi et al. (2022) and Tama and Adi (2018) which suggests that the age of the regional head does not reflect the level of maturity in decision-making or action. The maturity of thought is not determined by age but by the competence and quality of decisions made (Sebaa et al., 2009).

Experience of the regional head and local government performance

This study shows that regional heads with backgrounds in bureaucracy have a negative impact on local government performance, while regional heads from non-bureaucratic backgrounds have a positive impact. This suggests that regional heads with experience outside the bureaucracy can enhance local government performance more effectively than those with bureaucratic experience. This finding aligns with the upper echelons theory by (Hambrick & Mason, 1984), which concludes that experience from different sectors significantly affects the actions taken by leaders. Leaders with diverse experiences are more likely to implement changes compared to those who have worked exclusively within the same sector. The results are consistent with Sebaa et al. (2009) and (Avellaneda, 2012), which found that the experience of leaders or regional heads positively influences decision-making and performance. Additionally, the findings support Saragih and Mulyani (2018) which indicates that regional heads with entrepreneurial experience impact government performance.

Education level of the regional head and local government performance

This study indicates that the education level of the regional head positively impacts local government performance, as evidenced by a positive coefficient. This suggests that higher levels of education among regional heads are associated with better performance of local governments. This finding is consistent with the upper-echelons theory proposed by Hambrick and Mason (1984), which posits that leaders with higher education levels possess greater cognitive complexity. This can enhance their ability to absorb new ideas and increase their tendency to embrace innovation. The results align with Sebaa et al. (2009), and (Mahardini &

Setiawan, 2022) which found a positive correlation between education level and the acceptance of innovation, change, and growth.

Level of corruption and local government performance

This study shows that higher levels of corruption are associated with poorer local government performance. This is consistent with agency theory, which describes how corruption exploits information asymmetry. The government, as the agent, is entrusted by the public, who act as the principal, to work for public welfare. However, this trust is sometimes misused for personal gain. Government officials have more information than the public because they are the administrators of government functions. The information asymmetry between the principal and the agent creates opportunities for the agent to engage in illegal activities (Klitgaard, 1998). The findings of this study are in line with research by Ahyaruddin and Amrillah (2018), which found that corruption negatively impacts local government performance. This is further supported by Min (2022) who found that lower levels of corruption are associated with better local government performance.

5. Conclusion

This study aims to examine the influence of audit opinion, characteristics of regional head, and level of corruption on local government performance in Indonesia. The characteristics of regional head tested in this study include age, experience, and education level. The study provides the following empirical evidence. Audit opinion has a positive impact on local government performance, indicating that higher audit opinions achieved by local governments are associated with better performance. Age of the regional head does not guarantee better local government performance. There is no assurance that a region led by an older or

younger regional head will result in improved local government performance. Regional heads with experience outside the bureaucracy can enhance local government performance more effectively than those with bureaucratic experience. Leaders with diverse experiences are more likely to implement changes compared to those from the same sector. Higher education levels positively impact local government performance, indicating that more educated regional heads are associated with better local government performance. A negative impact on local government performance was found, where higher levels of corruption correlate with poorer performance. Corruption exploits the information asymmetry between the government (agent) and the public (principal), often leading to personal gain rather than public welfare. Further research is recommended to use longitudinal methods to capture changes in local government performance over time and to expand the sample to include diverse characteristics, providing a more comprehensive view of the determinants of local government performance.

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