



Research article

Enhancing the timeliness of local government financial reporting: An agency theory and compliance theory perspective

Nur Rizki Wijaya, Ika Swasti Putri, Ratu Aghnia Raffaidy Wiguna, Rika Nur Widiastutik

PSDKU Magetan, Universitas Negeri Surabaya, Indonesia

ABSTRACT

The Local Government Financial Report (LKPD) is a crucial component of public financial governance, as it fosters transparency and accountability within local governments. However, delays in LKPD submissions persist as a significant issue. It indicates weaknesses in administrative discipline and technical capacity. This study examines the impact of audit findings, audit opinions, and regional size on the timeliness of LKPD submission by provincial governments in Indonesia from 2019 to 2023. Using a sample of 170 provincial governments, the research applies multiple linear regression analysis in SPSS to assess the relationship between these factors and timeliness. The findings indicate that favorable audit opinions have a positive impact on timeliness, while audit findings and regional size are negatively associated with timely submissions. Larger regions and those with significant audit findings tend to experience delays in their submissions. -The study emphasizes the significance of favorable audit opinions and highlights the impact of structural and technical challenges on causing delays. Agency Theory and Compliance Theory provide frameworks for understanding these dynamics, focusing on external pressures and internal compliance systems. The study concludes by offering recommendations to address persistent delays in LKPD submissions.

Keywords: LKPD, audit findings, audit opinions, timeliness, regional size.

Article Information:

Received 3/1/2025 / Revised 4/3/2025 / Accepted 5/24/2025 / Online First 6/30/2025

Corresponding author:

Nur Rizki Wijaya

Email: nurwijaya@unesa.ac.id

PSDKU Magetan, Universitas Negeri Surabaya, Indonesia



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Abstrak

Laporan Keuangan Pemerintah Daerah (LKPD) merupakan komponen penting dalam tata kelola keuangan publik karena mendorong transparansi dan akuntabilitas di tingkat pemerintah daerah. Namun, keterlambatan pengajuan LKPD tetap menjadi masalah yang signifikan. Hal ini mengindikasikan adanya kelemahan dalam disiplin administrasi dan kapasitas teknis. Penelitian ini mengkaji pengaruh temuan audit, opini audit, dan ukuran daerah terhadap ketepatan waktu pengajuan LKPD oleh pemerintah provinsi di Indonesia dari tahun 2019 hingga 2023. Dengan menggunakan sampel sebanyak 170 pemerintah provinsi, penelitian ini menerapkan analisis regresi linier berganda menggunakan SPSS untuk menilai hubungan antara faktor-faktor tersebut dan ketepatan waktu pengajuan. Hasil penelitian menunjukkan bahwa opini audit yang menguntungkan berpengaruh positif terhadap ketepatan waktu, sementara temuan audit dan ukuran daerah memiliki hubungan yang negatif dengan pengajuan tepat waktu. Daerah yang berukuran lebih besar dan memiliki temuan audit yang signifikan cenderung mengalami keterlambatan dalam pengajuan LKPD. Studi ini menekankan pentingnya opini audit yang baik dan menyoroti dampak tantangan struktural serta teknis sebagai faktor penyebab keterlambatan. Teori Agen dan Teori Kepatuhan menyediakan kerangka untuk memahami dinamika tersebut, dengan fokus pada tekanan eksternal dan sistem kepatuhan internal. Penelitian ini diakhiri dengan memberikan rekomendasi untuk mengatasi keterlambatan yang masih terjadi dalam pengajuan LKPD.

Kata Kunci: *LKPD, temuan audit, opini audit, ketepatan waktu, ukuran daerah*

1. Introduction

The Local Government Financial Report (LKPD) is a fundamental component of public financial governance. It is a regulatory mandate stipulated in Government Regulation No. 8 of 2006, which requires every local government entity to prepare financial statements as a form of accountability for the implementation of the Regional Revenue and Expenditure Budget (APBD). LKPDs are essential in promoting transparency in local government financial management, as they provide a structured account of financial activities and public resource use that serves as a basis for evaluating performance (Fathirah et al., 2024; Sihombing & Arsani, 2020). The effectiveness of LKPDs in fulfilling this role depends on several factors, including adherence to government accounting standards, the use of accounting information systems, and the competence of human resources, all of which significantly affect the quality and credibility of the reports (Nurazizah et al., 2024).

LKPD serves not only as an accountability tool but also as a strategic instrument for regional fiscal policy-making. It provides comprehensive data on financial position and operational performance (Juliyanti, 2023; Utami et al., 2024). The data informs budgeting and efficiency evaluations while exposing internal control weaknesses to guide reforms (Widajatun & Kristiastuti, 2020). In addition, transparent reporting through LKPD reduces information asymmetry between the government and the public (Diwantari et al., 2024). Compliance with accounting standards ensures alignment with sound governance principles (L. Zhang & Yuan, 2023). It also enables objective assessments of performance and accountability (Iliopoulos & De Witte, 2024). Internally, LKPD supports strategic planning by regional governments. Externally, it allows stakeholders to monitor the quality of public services. This helps strengthen fiscal discipline and public trust. (Li & Li, 2024; Putra et al., 2023).

Although the role of the LKPD is highly significant, various challenges persist in practice, one of which is the delay in submitting financial reports to the Audit Board of Indonesia (*Badan Pemeriksa Keuangan* – BPK). According to the Summary of Audit Results (*Ikhtisar Hasil Pemeriksaan Semester* – IHPS) published by BPK, the number of local governments that submitted their LKPD late has shown fluctuating trends over the years. In 2013, a total of 108 local government entities experienced delays, which decreased to 68 in 2014, 38 in 2015, and further to 9 in 2016. This number dropped significantly to 5 entities in 2017, increased again to 10 in 2018, and stood at 6 in 2019. Although there has been improvement, persistent delays show that reporting discipline and administrative readiness still need serious attention. These delays may be linked to weak enforcement mechanisms, limited technical capacity, and insufficient use of financial information systems.

Delays in the submission of LKPD reflect a lack of administrative discipline and have systemic implications for national financial management. Postponed audits by BPK hinder the preparation of the Semester Examination Results Overview (*Ikhtisar Hasil Pemeriksaan Semester* – IHPS) and may delay the approval of the new fiscal year's budget, thereby disrupting audit schedules across Indonesia (Ritonga & Suyanto, 2022). These delays worsen fiscal vulnerabilities, especially for local governments with limited financial resilience and crisis response capacity (Padovani et al., 2025). Late submissions may also result in administrative sanctions, such as delayed fund transfers or reduced incentives. This accountability challenge is not unique to Indonesia; similar issues have emerged in South Africa, where delayed and inadequate performance reporting has weakened public trust and prompted reforms to strengthen transparency (Mosimege & Masiya, 2022). Timely reporting is essential not just as a formality, but as the basis for credible and accountable local governance.

Structural and technical issues drive delays in the submission of LKPD by local governments. The transition from cash-based to accrual-based accounting complicates implementation. Additionally, regulatory changes and a lack of training hinder the local government's ability to adapt. Regions with low fiscal capacity struggle with limited human resources and weak technological infrastructure (Iliopoulos & Witte, 2024). Tools like blockchain can enhance transparency in financial reporting. However, their effectiveness relies heavily on institutional readiness and openness to innovation. A rigid bureaucratic culture also reduces financial reporting to a routine task, undermining its strategic value. The suboptimal use of the Regional Financial Information System (*Sistem Informasi Keuangan Daerah* – SIKD) continues due to insufficient technical knowledge.

Beyond technical hurdles, these delays also signal deeper accountability issues rooted in principal-agent relationships. A complete understanding, therefore, requires not only addressing operational barriers but also examining the incentive structures that influence local government behavior. Agency Theory offers a critical lens for understanding the accountability dynamics between citizens (as principals) and local governments (as agents). In this contractual relationship, agents are expected to act in the best interests of the principals. This includes managing public resources responsibly and reporting financial outcomes transparently. However, the divergence of interests often results in agency problems, such as delayed or manipulated reports, which aim to avoid unfavorable audit results. These actions generate information asymmetry, moral hazard, and adverse selection. As a result, they undermine public trust and weaken the quality of governance (Chtaoui, 2024; Devella & Abdullah, 2021;

Latuamury & Hedyanti, 2022). A way to address these risks is to utilize external oversight mechanisms, such as audits by the BPK, and implement fiscal sanctions or incentives to align local government behavior with public accountability standards (Egbon, 2024).

Whereas Agency Theory explains delays in financial reporting because of conflicting interests and information asymmetry between principals and agents, it does not fully account for why some local governments remain compliant even in the absence of strong external enforcement. This gap invites a complementary view from Compliance Theory, which emphasizes that sustainable regulatory adherence stems not only from sanctions or oversight but also from internalized values, institutional culture, and systemic commitment to norms (Torres, 2024). Compliance Theory posits that local governments that embed compliance into their administrative culture are more likely to regard financial reporting not merely as a bureaucratic requirement but as a moral and professional responsibility to the public (Gunawan & Arifin, 2023; Silveira, 2022). Empirical evidence supports this view, showing that jurisdictions with strong compliance systems and ethical leadership tend to produce more timely financial disclosures and experience fewer delays (Hariani & Fakhrorazi, 2022).

This study is motivated by the need to understand the factors that influence the timeliness of LKPD. It focuses particularly on the relationship between audit outcomes, institutional capacity, and regulatory compliance. A primary focus is on examining how audit findings and the audit opinion issued by BPK may affect local governments' motivation to improve the timeliness of financial reporting. Adverse audit findings or unfavorable opinions can create intense external pressures, political, reputational, and fiscal, that motivate local governments to improve their financial reporting in subsequent periods. At the same time, normative pressures from professional bodies or regulatory agencies may drive improvements when a government's legitimacy is threatened. These pressures encourage alignment with accepted standards and efforts to restore public trust (Keerasuntonpong & Cordery, 2018).

Additionally, this study examines the impact of local government size on the technical and managerial capabilities required to produce timely financial statements. Larger regions often have better resources but face challenges due to greater administrative complexity (Young et al., 2024). Therefore, an empirical examination of the size effect is needed for comprehensive understanding. This study integrates insights from Agency Theory and Compliance Theory to better understand the dynamics of financial reporting in local governments. The goal is to develop policy recommendations that go beyond external oversight mechanisms. These recommendations also focus on enhancing incentive structures and fostering an organizational culture that promotes accountability, transparency, and timely financial governance. In doing so, it contributes to the literature by offering a dual-theoretical approach to diagnosing and addressing persistent reporting delays in Indonesian local governments.

2. Theory and hypothesis

Agency theory

Agency Theory describes a contractual relationship in which principals delegate resource management to agents, expecting them to act in the principals' best interests (Jensen & Meckling, 1976). In the context of local government, citizens act as principals (resource owners) who delegate authority to local governments to manage public finances by established

regulations. However, this relationship often faces agency problems, such as asymmetric information and conflicts of interest, where agents may prioritize personal or political agendas over public needs (Bodin & Taks, 2022; Dirzka & Acciaro, 2021). Therefore, the timeliness of financial reporting becomes a key indicator of an agent's transparency and accountability. Timely financial statements not only enable citizens to evaluate government performance but also help build public trust and reduce negative perceptions regarding the management of public resources (Medina et al., 2024; Van Thiel & Smullen, 2021).

Agency problems can explain the relationship between several factors related to the timeliness of financial reporting. They create information asymmetries between agents and principals that influence reporting behavior. Audit findings often reveal weaknesses in financial management that lead agents to delay reporting in order to avoid negative scrutiny (Beyer et al., 2024). Unfavorable audit opinions, such as qualified or disclaimer opinions, may indicate a failure in public accountability, which can lead to delays as a strategic response to mitigate potential consequences (Kim, 2021). In addition, larger regional governments tend to face greater administrative complexity and weaker internal oversight, which increases the likelihood of agency problems and delays in financial reporting (Liu & Zhang, 2024; Oh & Jeon, 2022). Thus, agency theory provides a framework for understanding how agents' motives and behaviors influence the timeliness of local government financial reporting.

Compliance theory

Compliance Theory explains how individuals or entities adhere to rules, norms, and standards through a process of socialization that shapes attitudes and behaviors (Torres, 2024). In the context of local government, this theory is reflected in adherence to financial regulations such as accounting standards and PERMENDAGRI No. 21 Tahun 2011. Compliant entities do not view financial reporting merely as an administrative requirement. Instead, they regard it as a moral and professional responsibility. This mindset is influenced by organizational culture, integrity, and leadership commitment. Empirical evidence suggests that a strong ethical culture and transparent leadership lead to improved audit outcomes and reduced reporting delays. In sum, fostering a culture of compliance within local government institutions is essential for ensuring transparency, audit quality, and timely financial reporting.

Timeliness of local government financial reporting

Local Government Financial Reports (*Laporan Keuangan Pemerintah Daerah* - LKPD) are essential tools for ensuring accountability and transparency (Kang & Chen, 2022). It provides information on financial conditions, budget execution, cash flows, and overall financial performance (Turley et al., 2015). Its preparation follows government accounting standards (*Standard Akuntansi Pemerintah* – SAP) to align with public sector accounting principles (Simbolon & Kurniawan, 2020). The Timeliness of Local Government Financial Reports (LKPD) is crucial for ensuring the relevance of financial information, supporting decision-making, and maintaining public trust (Ohaka & Akani, 2017). Moreover, Timeliness moderates the impact of accounting standards and internal control systems on audit opinions. This reinforces its role in shaping positive audit outcomes. Delays in reporting may reduce stakeholder confidence and undermine the perceived reliability of financial information (Budai & Denich, 2022).

Several factors, such as audit opinions, the number of inspection findings, and the size of local governments, can influence the Timeliness of LKPD submissions. Regions that receive

Unqualified Opinions generally demonstrate sound financial management, which supports timely LKPD submissions (Mabelane et al., 2022). Conversely, a higher number of findings from BPK can increase the risk of delays because local governments require more time to clarify or make corrections in response to these findings (Ferry et al., 2023). Additionally, the size of the local government also plays a significant role. Larger regions with complex organizational structures and budgets frequently encounter administrative challenges. These challenges can be more severe if they do not have adequate resources (Dong et al., 2024; C. Zhang et al., 2023). In summary, the Timeliness of LKPD submissions is closely linked to the quality of audit opinions, the extent of inspection findings, and the organizational capacity of local governments.

Audit finding

Audit findings, as noted by Furqan et al. (2020), are the results derived from an audit process involving the systematic examination of records or statements to ensure compliance with established standards. These findings are crucial as they highlight areas of non-compliance, inefficiencies, or risks that need to be addressed to improve organizational accountability (Zhang et al., 2023). The timeliness of LKPD submissions can be significantly affected by a high number of audit findings. The need for local governments to spend additional time on clarifications and adjustments due to audit findings often leads to delays in LKPD submissions (Furqan et al., 2020). Furthermore, the potential negative public image or political repercussions associated with adverse audit findings may lead to intentional delays in submission to avoid transparency and accountability issues (Denny et al., 2024; Jorge et al., 2023). Therefore, addressing audit findings promptly and effectively is essential to ensuring timely LKPD submissions.

Audit opinion

An audit opinion is a formal statement issued by an auditor after examining a financial statement. It reflects the auditor's assessment of the accuracy and fairness of the financial statements by applicable accounting standards (Handayani, 2024). Audit opinions are categorized into several types: Unqualified Opinion, Qualified Opinion, Adverse Opinion, Disclaimer of Opinion, and Modified Unqualified Opinion (Handayani, 2024). The quality of an audit opinion is a critical factor in determining the credibility of financial reporting. This is especially important in the context of LKPD. An Unqualified Opinion often indicates that the financial statements are free from material misstatements and comply with relevant regulations. This opinion is associated with higher compliance levels and robust internal controls (Djanegara, 2017); thus, it minimizes the need for revisions and enhances the timeliness of financial reporting submissions (Wulan et al., 2024).

Regional size

The size of a region can be assessed through various indicators such as local own-source revenue (*Pendapatan Asli Daerah* - PAD), total assets, the number of local government agencies (*Satuan Kerja Perangkat Daerah* - SKPD), and the scope of the budget. Larger regions often benefit from greater resources. They also have more robust administrative structures. These factors can strengthen operational capacity but may also result in coordination challenges and bureaucratic delays (Corbett, 2023). SKPDs play a vital role in preparing financial reports and implementing accounting systems. As an organization becomes more complex, the need for effective management increases. This complexity also demands sufficient human resources to maintain

efficient operations. Larger regions may struggle with timely LKPD submissions due to administrative overload and difficulties in consolidating financial information across multiple departments, particularly if they lack this support.

Hypothesis

The impact of audit findings on timeliness of local government financial report

The relationship between audit findings and the timeliness of local government financial reporting can be explained through the lens of agency theory. In the public sector, local governments act as agents who are entrusted by the public (principals) to manage financial resources responsibly (Jensen & Meckling, 1976). However, agency problems arise when there is a misalignment of interests between the principal and the agent. This condition may lead agents to act opportunistically. Audit findings serve as evidence of these agency problems, as they often reveal non-compliance, inefficiencies, or the misuse of public funds (Furqan et al., 2020; Zhang et al., 2023). These findings increase the risk of reputational damage or political repercussions. As a result, agents may intentionally delay the submission of financial reports as a defensive mechanism (Jorge et al., 2022). In addition to strategic motives, the technical process of addressing findings, such as revising figures, adding disclosures, or resolving inconsistencies, requires extra time and administrative effort, further lengthening the reporting duration (Denny et al., 2023). Consequently, the more audit findings are issued, the longer the disclosure delay tends to be, indicating lower timeliness.

H1: Audit findings have an impact on the timeliness of local government financial reports.

The impact of audit opinion on timeliness of local government financial report

The effect of audit opinion on the timeliness of local government financial reporting is supported by both agency theory and compliance theory. A favorable audit opinion indicates strong internal control, adherence to accounting standards, and high organizational integrity (Djanegara, 2017; Handayani, 2024). According to compliance theory, this suggests that the government upholds a culture of accountability and professionalism. As a result, there is less need for significant revisions or clarifications during the audit process (Torres, 2024). In contrast, unfavorable opinions typically indicate material misstatements, lack of transparency, or systemic weaknesses in financial management. These opinions trigger delays because local governments must invest additional time to improve reporting quality or respond to audit concerns before disclosure (Wulan et al., 2024). From the agency's perspective, unfavorable audit results may also lead governments to deliberately delay submission to manage the timing and impact of negative public perception (Kim, 2021). Thus, lower-quality audit opinions are associated with longer reporting delays and lower timeliness.

H2: Audit opinion has an impact on the timeliness of local government financial report.

The impact of regional size on timeliness of local government financial report

Regional size influences timeliness through mechanisms grounded in agency theory. Local governments may expand in terms of assets, revenue, and administrative units. When this occurs, their operational complexity also increases. This expansion magnifies coordination challenges, weakens internal monitoring, and exacerbates information asymmetry between agents and principals (Liu & Zhang, 2024; Oh & Jeon, 2022). These conditions create a fertile

ground for agency problems, where bureaucratic inefficiencies and delays in information consolidation prolong the financial reporting process. Compliance theory adds that larger governments require a strong culture of adherence to financial norms and regulations. Without it, they may struggle to cope with the burden of complex financial reporting (Corbett, 2023). Moreover, insufficient human resources and limited technological integration can further hinder the timely preparation and submission of financial statements (Dong et al., 2023). Therefore, as regional size increases, the duration of financial disclosure also tends to grow, indicating lower levels of reporting timeliness.

H3: Regional size has an impact on the timeliness of local government financial report.

3. Methods

This research aims to empirically evaluate the impact of audit findings, audit opinions, and regional size on the timeliness of Local Government Financial Statement (LKPD) submissions. The study adopts a confirmatory or explanatory research approach. It aims to clarify the relationships among predetermined variables through hypothesis testing. The data employed in this study are secondary. They were previously collected and are now utilized to support the current research objectives.

Sample and procedures

The data collected in this study were obtained within the same time frame. As a result, they are classified as cross-sectional data. The data collection method involved obtaining secondary data from the Local Government Financial Report (*Laporan Keuangan Pemerintah Daerah* – LKPD) and Audit Reports (*Laporan Hasil Pemeriksaan* - LHP) from 2019 to 2023. These data were sourced from each respective regional government and the Audit Board of the Republic of Indonesia (*Badan Pemeriksa Keuangan Republik Indonesia* - BPK RI). The researcher employed a purposive sampling method to select the research sample based on specific criteria. The sampling criteria included Indonesian provincial governments in 2019 that had published their LKPD and had undergone an audit by BPK RI. Additionally, the selected samples provided complete information relevant to the variables used in this study. Based on these criteria, a total of 170 samples were collected from 34 provinces over five years.

Table 1. Sample Selection Results

Sample Criteria	Quantity
Provinces in Indonesia from 2019 to 2023	34
Provinces that did not publish LKPD and were not audited by BPK	(0)
The final number of research samples (34 x 5)	170

Source: Processed data, 2025

Measurement

This study will empirically examine the effect of audit findings, audit opinion, and regional size on the timeliness of local government financial reports (LKPD). Therefore, the variables used in this study are timeliness as the dependent variable and audit findings, audit opinion, and regional size as the independent variables. The operational definitions and proxies used to measure each variable are as follows:

Table 2. Measurement of Variables

Variable	Definition	Proxies	Source
Timeliness LKPD	The number of days between the end of the fiscal year and the audit report date. A lower value indicates higher timeliness	Number of days from 31 December to the issuance date of LHP	Gunawan & Arifin (2023) and Oktawiana, R., & Handayani (2024)
Audit Finding	The number of irregularities or audit issues identified in the audit report	Total number of audit findings listed in the LHP	Oktawiana & Handayani (2024)
Audit Opinion	The auditor's conclusion regarding the fairness of the local government's financial statements	Scoring system: Disclaimer = 1 Adverse Opinion = 2 Qualified = 3 Unqualified = 4	Sabella, R. F., & Mutmainah (2022) and Oktawiana & Handayani (2024)
Regional Size	The number of SKPD responsible for preparing financial statements	Total number of SKPDs in provine	Oktawiana & Handayani (2024)

Source: Author's documentation, 2025

Data analysis technique

This study employs multiple regression analysis as the primary method for analyzing the research data, which were processed using SPSS for Windows. The analysis includes statistical tests, a normality test to verify the assumption of normally distributed residuals, and correlation analysis to measure the strength and direction of relationships between variables. Hypothesis testing is conducted through the coefficient of determination (R^2), which shows how much of the variance in the dependent variable is explained by the independent variables; the F-test, which assesses the joint significance of all independent variables; and the t-test, which evaluates the individual significance of each predictor while controlling for others.

4. Results and implications

Result

The analysis in this study began with a normality test to determine whether the residuals in the regression model were usually distributed. The Kolmogorov-Smirnov test was used to assess the normality of the data. The test produced a significance value of 0.072 (Look Table 3). Since this value is greater than the threshold of 0.05, it indicates that the data are typically distributed.

Therefore, the assumption of normality was fulfilled. This allowed the analysis to proceed using parametric statistical methods.

Table 3. Normality Test

	Unstandardized Residual
N	170
Kolmogorov-Smirnov Z	0.069
Asymp. Sig. (2-tailed)	0.072

Source: Processed data, 2025

After confirming normality, the study continued with descriptive statistics and correlation analysis between the research variables. Table 4 presents the means, standard deviations, and Pearson correlation coefficients among the variables: findings, audit opinion, regional size, and the timeliness of LKPD. The results indicate that audit findings exhibit a positive and significant correlation with timeliness ($r = 0.162$, $p < 0.05$), whereas audit opinions display a negative and significant correlation with timeliness ($r = -0.390$, $p < 0.01$). Additionally, regional size exhibits a positive correlation with timeliness ($r = 0.305$), although the significance level is not explicitly stated. These initial findings offer insight into the relationships between the key variables and provide a basis for the subsequent regression analysis.

Table 4. Descriptive statistics and correlation between variables

Variable	Mean	SD	1	2	3	4
Finding	14.382	3.676	1			
Opinion	3.757	0.617	-0.215*	1		
Size	48.217	10.914	0.228*	-0.180*	1	
Timeliness	163.493	26.732	0.162*	-0.390**	0.305	1

Note. N = 170. * = significant at the 0.05 level. ** = significant at the 0.01 level

Source: Processed data, 2025

Table 5. Regression results

Variable	B	SE	T	Sig.
Finding	1.013	0.492	2.192	0.030
Opinion	-15.325	2.980	-5.143	0.000
Size	0.551	0.154	2.573	0.000
R ²	0.212			
F-Statistics / p-value	16.32 (0.000)			

Source: Processed data, 2025

A t-test was conducted to test the effect of each independent variable on the dependent variable. The results in Table 5 indicate that all three independent variables — audit opinion, regional size, and findings — have a statistically significant impact on the timeliness of LKPD, as measured by the number of days required to submit the report. The variable finding has a positive significant effect ($\beta = 1.013$, $p = 0.030$). This suggests that audit findings are more frequently associated with longer reporting durations. Similarly, opinion has a significant adverse effect ($\beta = -15.325$, $p = 0.000$), indicating that better audit opinions are associated with shorter reporting durations.

In contrast, size has a positive significant effect ($\beta = 0.551$, $p = 0.000$), suggesting that larger regions tend to have longer reporting durations. Furthermore, the F-test was used to assess the overall significance of the regression model. The F-statistic value of 16.32 with a significance level of 0.000 confirms that the model is statistically significant. This means that the independent variables collectively influence reporting timeliness. Finally, the coefficient of determination (R^2) is 0.212, which means that 21.2% of the variation in the number of days taken to submit LKPD can be explained by the audit findings, audit opinion, and regional size.

Discussion

The impact of audit findings on timeliness of local government financial report

The results of this study indicate that audit findings have a significant impact on the timeliness of LKPD. This finding aligns with agency theory, which suggests that information asymmetry between the public (the principals) and local government officials (the agents) leads to opportunistic behaviour (Jensen & Meckling, 1976). When audit findings identify discrepancies, additional time is needed to correct these issues before the final reports can be submitted. The statistically significant positive relationship between audit findings and reporting delays ($\beta = 1.013$, $p = 0.030$) suggests that local governments with higher audit findings are likely to experience longer delays in submitting their financial reports. This relationship indicates that the delays could be a strategic response to mitigate the adverse effects of unfavorable audit findings (Jorge et al., 2022). Moreover, local governments may face substantial administrative burdens, which contribute to the extended reporting timeline.

These findings are consistent with previous studies that demonstrate the impact of audit-related complexities on the timeliness of reporting. For example, Furqan et al. (2020) and Zhang et al. (2023) argue that the more substantial the audit findings, the longer the time required to prepare the final report. This study contributes to this body of literature by explicitly focusing on the local government sector, where audits often involve complex financial data and regulatory compliance issues. The study's results also underscore the importance of strengthening internal controls and audit preparedness in local governments. Improving financial management before the audit stage could help reduce the number of findings and, consequently, speed up the reporting process. Thus, the findings suggest that addressing the root causes of audit issues can enhance the overall timeliness and transparency of financial reporting, thus improving governance and accountability in the public sector.

The impact of audit opinion on timeliness of local government financial report

The statistically significant negative relationship between audit opinion and reporting delays ($\beta = -15.325$, $p = 0.000$) suggests that better audit opinions are associated with shorter reporting durations. This finding aligns with both agency theory and compliance theory. These theories suggest that a favorable audit opinion reflects strong internal controls and financial transparency that leads to more timely reporting. A favorable audit opinion indicates that the local government has adhered to accounting standards and maintained high organizational integrity (Djanegara, 2017; Handayani, 2024). As a result, local governments with favorable audit opinions are less likely to face delays. This relationship suggests that favorable opinions reduce the time required for final report submission (Torres, 2024). In contrast, local governments with

unfavorable audit opinions may experience delays as they need additional time to address audit concerns (Wulan et al., 2024).

These findings are consistent with previous studies that emphasise the role of audit opinions in influencing the timeliness of financial reporting. For instance, Wulan et al. (2024) and Kim (2021) highlight that unfavorable audit opinions often lead to delays as governments strive to improve report quality and respond to audit concerns. This study contributes to the existing literature by showing that the quality of the audit opinion is a critical factor in the timeliness of local government financial reporting. The results also underline the importance of maintaining strong internal controls and ensuring compliance with accounting standards, as favorable audit opinions facilitate quicker report submission. Improving financial reporting practices at the local government level can help reduce delays and enhance transparency, ultimately strengthening public sector governance and accountability.

The impact of regional size on timeliness of local government financial report

The statistically significant positive relationship between regional size and reporting delays ($\beta = 0.551$, $p = 0.000$) confirms that larger regions tend to require more time to submit their financial reports. This finding is supported by agency theory, which suggests that as regions expand in terms of administrative units, the complexity of internal coordination increases, thereby weakening oversight and heightening information asymmetry between agents and principals (Oh & Jeon, 2022; Liu & Zhang, 2024). These agency problems contribute to reporting delays, as bureaucratic inefficiencies and fragmented data systems hinder the timely consolidation of financial information. Compliance theory also explains that the scale of a local government demands a proportional level of discipline in adhering to financial regulations. In the absence of adequate internal capacity, larger governments may lack the organizational efficiency necessary to meet reporting deadlines, further contributing to delays (Corbett, 2023).

These findings are consistent with earlier research that highlights the administrative and technical challenges faced by larger regional governments. For instance, Dong et al. (2023) argue that insufficient human resources and limited integration of digital systems can further impede the timely preparation of financial statements in large jurisdictions. This study adds to the existing body of knowledge by confirming that regional size is a critical factor influencing the efficiency of financial reporting in the public sector. It emphasizes the need for targeted policy interventions to support larger local governments in managing complex financial systems. Enhancing staff capacity, improving IT infrastructure, and strengthening financial governance practices can mitigate the delays associated with regional size. Therefore, understanding the link between size and reporting timeliness is essential for improving the transparency and accountability of local government financial management.

5. Conclusion

This study aimed to examine the impact of audit findings, audit opinions, and regional size on the timeliness of LKPD submissions by provincial governments in Indonesia from 2019 to 2023. The sample included 170 regional governments at the provincial level. The results of the regression analysis indicated that all independent variables significantly influenced the timeliness of LKPD presentation when considered together. The study found that each variable had a distinct impact on the timeliness of financial reports. The audit opinion had a positive

effect, while audit findings and regional size were negatively correlated with timeliness, as measured by the number of days required for submitting the report. This means that the longer it takes to address audit findings or manage the complexities of larger regions, the more delayed the LKPD report submission becomes. The study also highlights the crucial role of favorable audit opinions in improving timeliness. Additionally, audit findings and the administrative complexities of larger regions pose challenges that can hinder the timely submission of reports.

Limitations

The limitations of this study primarily concern the scope of the independent variables used. The analysis was limited to only three internal variables: audit findings, audit opinions, and regional size. These may not fully capture all the factors affecting the timeliness of financial reporting. External factors, such as political influences, the level of digitalization, or changes in government regulations, could also significantly impact the timeliness of LKPD submissions. For instance, political instability or a lack of technological infrastructure may worsen delays, even when internal factors are favorable. Additionally, this study focused solely on provincial governments, meaning the findings may not be directly applicable to other levels of government, such as municipal or district governments, which may face different challenges. Future research should include these external variables and consider other levels of government to provide a more comprehensive understanding of the factors that influence the timeliness of LKPD.

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Declarations

Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

Conflicts of interest/ Competing interests:

The authors have no conflicts of interest to declare that they are relevant to the content of this article.

Data, Materials and/or Code Availability:

Data sharing does not apply to this article as no new data were created or analyzed in this study.

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