

THE INFLUENCE OF LOCAL TAX, LOCAL RETRIBUTION, AND AUDIT OPINION ON EXPENDITURE PERFORMANCE IN LOCAL GOVERNMENTS CENTRAL JAVA PROVINCE, INDONESIA

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Abstract

Purpose: Capital expenditure is one of government performance. It is a component of direct expenditure in government budgets that produce fixed assets. This study aims to examine the influence of Local Tax, Local Retribution and Audit Opinion on Expenditure Performance in Regencies / Cities in Central Java Period 2014-2016.

Methodology: The populations in this study are 30 regencies and 6 cities in Central Java. The samples are 27 regencies and 6 cities in Central Java Period 2014-2016. The sampling technique in this study uses a purposive sampling nonprobability sample. The data analysis technique uses multiple linear regression.

Results: The results of this study indicate that partially Local Tax and Local Retribution have a positive significant influence on Expenditure Performance. Meanwhile, Audit Opinion has no significant influence on Expenditure Performance. The result simultaneously shows that there is a significant influence of Local Tax, Local Retribution and Audit Opinion on Expenditure Performance.

Implications: Based on the results of statistical calculations, this study yields the conclusion that the Local Tax has a significant influence on the Performance of Local Government Expenditure of Regencies / Cities in Central Java Period Year 2014-2016.

Keywords: *Expenditure Performance, Local Tax, Local Retribution, Audit Opinion, Government Budgets.*

INTRODUCTION

Expenditure Performance is one of government performance. Capital Expenditure is a component of direct expenditure in government budgets that produce output in the form of fixed assets ([Mboci & Moronge, 2015](#)). Capital expenditures generally allocated can be used as a means of local development, such as the development and improvement of the education, health and transport sectors so that people can enjoy the benefits of local development. Normatively, the higher level of capital investment is expected to increase the level of public participation in development ([Mardiasmo, 2009](#)). In local revenue and expenditure budget, resource allocation is a fundamental issue for public sector budgeting. Limitations of resources as the base of major problems in the allocation of public sector budgets can be overcome by the approach of economics through various theories. The demand for change in spending structure becomes stronger, especially in areas with low fiscal capacity ([Halim, 2001](#)). Fiscal capacity is one measure of government performance.

Measurement of local government performance is important because performance can be assessed the achievement of local government from year to year ([Kuntari, Chariri & Prabowo, 2019](#)). Through performance, the measurement can be known to what extent the local government has done its function ([Bastian, 2006](#)). Measurements of local government performance can be assessed with the concept of value for money with 3 (three) indicators namely economy, efficiency and effectiveness ([Mardiasmo, 2009](#)). Measurement results on the performance of local governments as one form of accountability for revenue received from the community. Performance measurements promote accountability to stakeholders, particularly in government organizations. There is a great deal of literature on performance measurements in government, and governments around the world have made large investments to develop performance measurement systems frequently related to notions of accountability.

The area of Central Java is interesting to study because this province's Gross Regional Domestic Product (GRDP) tends to increase from year to year ([Central Bureau of Statistics, 2017](#)). This reflects that in the era of fiscal decentralization, there are many regencies/cities whose GRDP growth is optimal and shows significant changes in their GRDP. So, the expectation is that the performance of local government spending can be allocated appropriately and according to the needs of each regency/ city government in Central Java Province. Because the era of fiscal decentralization is an era where regions are given the authority to manage their own local finances ([Arsyad, 2004](#)). Local tax and local retribution can be utilized well in financing the development of local government, so as to increase local revenue regencies/city concerned. In addition, with the improvement and improvement of infrastructure for services to the public can spur Gross Regional Domestic Product Regencies City in Central Java to further increase and can prosper the community. Increasing the welfare of the community is one of the evaluations of the implementation of local government.

Evaluation of local government implementation is intended to measure the performance of local government ([Kuntari, 2010](#)). Government accountability to the public is a demand that must be fulfilled by the government. It is a tool to

facilitate the achievement of transparency and financial accountability in the form of local government financial reporting. The Law No.15 of 2004 article 4 paragraph 2 mentions that examination on financial statements conducted by the Supreme Audit Agency (known as Badan Pemeriksa Keuangan/BPK). The report on the results of the financial audit will include an opinion on the financial statements of a local government. There are four types of opinions that can be given by the examiner Unqualified opinion, Qualified opinion, Adverse Opinion and Disclaimer of Opinion. BPK audit results on audit findings are divided into two, namely audit findings on internal control systems and audit findings on non-compliance with legislation (www.bpk.go.id).

In relation to the above, the question arises whether Local Tax, Local Retribution, and Audit Opinion affect Expenditure Performance Local Government in Central Java Province.

LITERATURE REVIEW

Expenditure Performance

The performance of expenditure is assessed by the ratio obtained by comparing the total value of expenditure realization with the realization of local revenues expressed in percentage units. The smaller the percentage of the ratio the better the spending performance, otherwise the greater the percentage of the performance ratio of expenditure is getting worse ([Mardiasmo, 2009](#)). Based on the Law No. 13 of 2006 Guidelines for the management of local finances define performance as the outcome of the program to be or has been achieved in relation to the use of budgets with quantifiable quantities and quality.

Local tax

According to Law no. 28 of 2009 Local Tax is a compulsory duty to a region owned by an individual or entity which is coercive under the Act, by not obtaining direct remuneration and being used for local purposes for the greatest possible prosperity of the people. According to [Halim & Abdullah \(2004\)](#), local taxes are local income derived from taxes. The types of local taxes for regencies/cities, among others, are Hotel Tax, Restaurant Tax, Entertainment Tax, Advertising Tax, Street Lighting Tax, Parking Tax.

Local Retribution

According to Law no. 28 of 2009 Local Retribution is local retribution as payment for services or granting certain permits specifically provided or provided by the local government to the interests of individuals or entities.

"Local retribution is local revenue derived from local retribution". Retribution for regencies/municipalities can be divided into 2, namely: Retribution for regencies/municipalities are set in accordance with the respective local authority, consisting of 10 types of public service retribution, 4 types of certain licensing fees, Retribution for regencies stipulated according to services provided by each region." ([Halim, 2001](#))

Audit Opinion

According to Law no. 15 of 2004 Article 1 paragraph 11 Opinion is a professional statement as the examiner's conclusion about the fairness of the information presented in the local government's financial statements. In the sector of government, there are 4 types of opinions (opinions) that can be given that is Unqualified, Qualified/Fair With Exceptions, Adverse Opinion/Unfair and Disclaimer of Opinion/Non-Opinion.

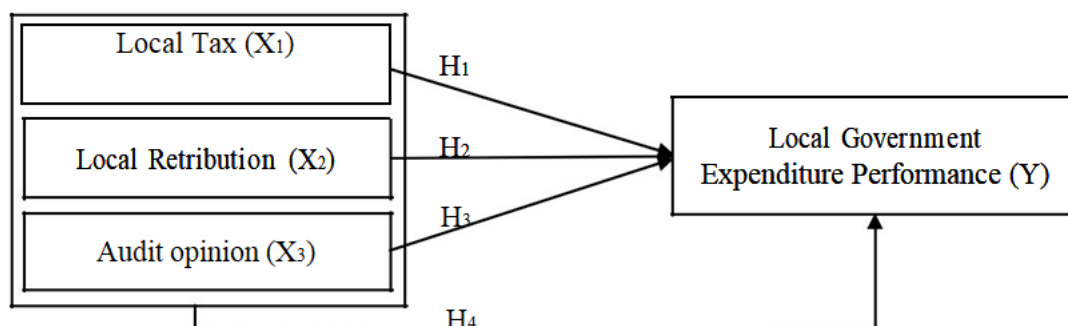


Figure 1: Effect The Local Tax, Local Retribution, and Audit Opinion On Performance of Local Government Expenditure

The hypothesis proposed in this research are as follows:

- H₁ = Local Tax positively influence on Local Government Expenditure Performance in Central Java Province 2014-2016.

- H2 = Local Retribution has a positive effect on the Performance of Local Government Expenditure in Central Java Province in 2014-2016.
- H3 = Audit opinion has a negative effect on Local Government Expenditure Performance in Central Java Province 2014-2016.
- H4 = Local Tax, Local Retribution, Audit Opinion influence simultaneously to Local Government Expenditure Performance in Central Java Province 2014-2016.

METHODOLOGY

The type of research in this paper is causal-comparative research, research with the characteristics of the problem of causality between two variables or more.

Comparative causal research is an ex post facto type of research, ie type of research based on data collected in fact or event so that researchers can identify facts or events as influenced variables and investigate influences variables that affect (Indriantoro and Supomo, 1999).

Expenditure Performance (Y). The performance of expenditure is assessed by the ratio obtained by comparing the total value of expenditure realization with the realization of local revenues expressed in percentage units. The smaller the percentage of the ratio the better the expenditure performance. Otherwise, the greater the percentage of expenditure performance, the worse the ratio will be. Expenditure Performance can be calculated by the formula:

$$= \frac{\text{Total Value of Expenditure Realization}}{\text{The Realization of Local Revenues}} \times 100\%$$

This data is obtained from the Central Java Provincial Statistic Centre and Local Financial Management and Asset Management Office Central Java Province 2014-2016.

Local Tax (X1). Local Tax is a compulsory duty to a region owned by an individual or a coercive entity under the Act, by not obtaining direct remuneration and being used for local purposes for the greatest possible prosperity of the people. Local tax can be calculated by the formula:

$$\text{Local Tax} = \text{Hotel Tax} + \text{Restaurant Tax} + \text{Entertainment Tax} + \text{Advertising Tax} + \text{Street Illumination Tax} + \text{Minning Tax Category C} + \text{Parking Tax}$$

This data is obtained from the Central Java Provincial Statistic Centre and Local Financial Management and Asset Management Office Central Java Province 2014-2016.

Local Retribution (X2). Local retribution is local retribution as payment for services or granting specific permits specifically provided or provided by the local government to the interests of individuals or entities. Local retribution can be calculated by the formula:

$$\text{Local Retribution} = \text{Retribution Health Service} + \text{Local Land Usage retribution} + \text{Retribution of Wholesale and / or Shop Market} + \text{Local Production Sales retribution} + \text{retribution of Passenger Transportation License} + \text{Water retribution} + \text{Terminal Retribution} + \text{Fishery Business License Retribution} + \text{Retribution License} + \text{retribution Alcoholic Beverage}$$

This data is obtained from the Central Java Provincial Statistic Centre and Local Financial Management and Asset Management Office Central Java Province 2014-2016.

Audit Opinion (X3). The opinion is a professional statement as the examiner's conclusion about the fairness of the information presented in the financial statements. In the government sector, there are four types of opinions (opinions) that can be given: Unqualified, Fair With Exceptions, Unfair, Not Giving Opinion. This data is obtained from Central Java Provincial BPS and Local Financial Management and Asset Management Office Central Java Province 2014-2016.

Population and Sample

The population of this study is the Regencies / Cities in Central Java which amounted to 36 regencies/cities, consisting of 30 regencies and 6 cities. While the data is from the realization of Central Java's APBD 2014-2016 then the selected

regencies/cities are 33 regencies/cities for 3 years, so the total sample is 99.

Sampling technique

The sampling technique in this study was chosen by using nonprobability samples, using a purposive sampling technique with a judgment sampling method which is a type of random sample selection whose information obtained by using certain considerations tailored to the purpose or problem of research ([Indriantoro and Supomo, 1999](#)).

Data Type

The data used in this research is documentary data that is:

1. General Overview Data of Central Java Province,
2. Data of Local Income and Expenditure Budget of Central Java Province in 2014-2016,
3. Local Tax Data of Central Java Province in 2014-2016,
4. Local Retribution Data of Central Java Province in 2014-2016,
5. BPK Audit Opinion Data of Central Java Province in 2014-2016.

Data source

This study uses secondary data sourced from the Central Bureau of Statistics of Central Java Province and Local Financial Management and Asset Management Central Java Province through www.depkeu.djpkd.go.id

Data collection technique

Data collection techniques used in this study is through literature study and documentation. The data in this research are Expenditure Performance Data, Local Taxes, Local Retribution, and Audit Opinion at the Regencies / Cities in Central Java period 2014-2016, which has been made by Central Java Provincial Finance Bureau and Central Bureau of Statistics of Central Java Province.

Data analysis technique

The analysis technique used in this research is a quantitative analysis which is divided into two namely:

1. Classic Assumption Test

- a. Normality Test
- b. Multicollinearity Test
- c. Heteroscedasticity Test
- d. Autocorrelation Test

2. Multiple Linear Regression Test

This research uses a quantitative analysis technique, a method of multiple linear equations on three independent variables through the 't' test and 'F' test with a significant level of a test of 5%. The general form of multiple linear equations with three independent variables is as follows ([Indriantoro and Supomo, 1999](#)).

$$\hat{Y} = b_0 + b_1X_1 + b_2X_2 + b_3X_3$$

\hat{Y}	= Expenditure Performance
b_0	= Constant
b_1, b_2, b_3	= Coefficient Regression
X_1	= Local Tax
X_2	= Local Retribution
X_3	= Audit opinion

Hypothesis test to determine the influence of each independent variable on the dependent variable need to be tested significant 5% with the steps as follows:

a. Hypothesis testing

1. Test t

The statistical *t-test* is used to test the influence of each independent variable of Local Tax, Local Retribution, and Audit Opinion on the dependent variable (Expenditure Performance) partially.

2. Statistical Test F

The *F statistic test* is basically used to determine whether the regression model can be used to predict the dependent variable or not. That is to test the influence of each variable free of Local Tax, Retribution Area, and Opinion Audit to the dependent variable (Expenditure Performance) simultaneously.

b. Coefficient of Determination (R^2)

The sample determination coefficient is the proportion of the total y variation explained by the relation y by x. The coefficient R^2 will be 0 if no variation of y is explained by the relationship, R^2 will be 1 if all variations of y are explained, and R^2 will be between 0 and 1 if only partial variation y is explained by the relationship.

Findings and Argument

Table 1: Descriptive Data

	N	Range	Minimum	Maximum	Mean	Std. Deviation
Expenditure Performance	99	46.06	.01	46.07	8.8565	7.84938
Local Tax	99	850.00	8.00	858.00	84.3838	136.81916
Local Retribution	99	105.00	5.00	110.00	26.8788	20.42721
Audit opinion	99	1	4	5	4.60	.493
Valid N (listwise)	99					

Source: secondary data, treated

Classic assumption test

1. Normality Test

Table 2: One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	99
Normal Parameters ^a	
Mean	.0000000
Std. Deviation	7.42051513
Most Extreme Differences Absolute	.144
Positive	.144
Negative	-.119
Kolmogorov-Smirnov Z	1.436
Asymp. Sig. (2-tailed)	.132

a. Test distribution is Normal

Normal P-P Plot of Regression Standardized Residual

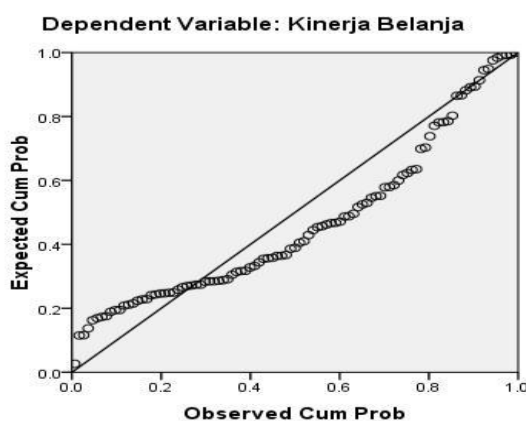


Figure 2: Normality Test

From the graph analysis results in Table 1, it is seen that the data are normally distributed, which forms a straight line diagonally and plotting the residual data compared with the diagonal line. If the residual data distribution is normal, then the line representing the real data will follow its diagonal line. Similarly, the results of statistical analysis, Local Tax, Local Retribution and Audit Opinion of Local Government Expenditure Performance have normally distributed data that is $0.132 > 0.05 (\alpha)$. The value of Kolmogorov-Smirnov is 1.436 and significant at 0.132. This means that H_0 is received, which means that the residual data is normally distributed.

2. Multicollinearity Test

Table 3: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1 (Constant)	1.548	7.200		.215	.830		
Local Tax	.119	.027	.336	2.586	.011	.557	1.796
Local Retribution	.149	.050	.389	2.995	.003	.558	1.793
Audit opinion	1.744	1.547	.110	1.127	.262	.996	1.004

Dependent Variable: Expenditure Performance

The calculation of tolerance shows no independent variables that have a tolerance value of less than 0.10 of the Local Tax of 0.557, Local Retribution of 0.558, and Audit Opinion of 0.996 which means there is no correlation between independent variables. The result of Variance Inflation Factor (VIF) calculation also shows the same thing, there is no independent variable that has a VIF value of more than 10, that is Local Tax equal to 1,796, Local retribution equal to 1,793, and Audit Opinion equal to 1,004. So it can be concluded that there is no multicollinearity between independent variables in the regression model.

3. Autocorrelation test

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Durbin-Watson
1	.326 ^a	.206	.178	7.53677	1.882
a. Predictors: (Constant), Audit Opinion, local retribution, local tax					
b. Dependent Variable: Expenditure Performance					

The output of SPSS shows that the value of Durbin Watson (DW) is 1.882, this value is compared with the value of 5% significant table, the number of samples 99 (n) and the number of independent variables 3 (k = 3), then in Durbin Watson table will get the value as the following: $dl = 1,611$, $du = 1,735$. Since the DW value of 1.882 is greater than the upper limit of (du) 1,735 and less than $3 - 1,735$ ($3 - du$) = 2,265, it can be concluded that there is no positive or negative autocorrelation or no autocorrelation.

4. Uji Glejser

Table: 5 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	3.692	4.771			.774	.441
Local Tax	.011	.005	.280		2.127	.056
Local Retribution	.060	.033	.238		1.804	.074
Audit Opinion	1.808	1.025	.174		1.764	.081
a. Dependent Variable: ABS_UT						

Multiple Linear Regression Test

Table 6: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	1.548	7.200		.215	.830
Local Tax	.119	.027	.336	2.586	.011
Local Retribution	.149	.050	.389	2.995	.003
Audit opinion	1.744	1.547	.110	1.127	.262

a. Dependent Variable: Expenditure Performance

Table 7: ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	641.778	3	213.926	3.766	.013 ^a
Residual	5396.276	95	56.803		
Total	6038.054	98			

a. Predictors: (Constant), Audit opinion, Local Retribution, local tax

$$\hat{Y} = \text{Expenditure Performance} = 1,548 + 0,119 \text{ Local Tax} + 0,149 \text{ Local Retribution} + 1,744 \text{ Audit Opinion}$$

DISCUSSION

Effect of Local Tax (X1) on Local Government Expenditure Performance (Y) at Regency / City in Central Java period 2014-2016.

Based on SPSS test version 16, it is obtained t-count = 2.586 and t-table = 1.985, so tcount > ttable then H0 rejected. Significant value 0.011 < 0.05, then H0 is rejected. Conclusion, reject H0 means there is a significant influence between local tax variables on the Performance of Local Government Expenditures in Regency / City in Central Java Period Year 2014-2016. Thus the Local Tax statistically significant positive effect on the variable of Performance of Local Government in regency/city in Central Java hence from the result of the variable of Local Tax (X1) accept the hypothesis that local tax positively influences the performance of expenditure of the local government in Central Java Province 2014 -2016.

According to [Mardiasmo \(2009\)](#), the tax is a compulsory duty made by an individual or entity to the region without equal direct repayment, imposed under applicable legislation, which is used to finance the implementation of Local Government and Local Development.

According to the Law No. 28 of 2009, it can be concluded that local taxes become one of the sources of local revenue whose collection is forced and should be utilized as much as possible for the benefit of the community. Local taxes shall be paid by parties in direct contact with various facilities and infrastructure provided by the government. Sources of revenue in the form of local taxes should be optimized by local governments to increase local wealth so that local governments can provide various means and public services to the community better.

This hypothesis is reinforced by signaling theory which states that the theory of signals as described discusses the relationship between information provided by the company. It can give a positive signal (good news) or a bad signal (bad news) to investors ([Jensen & Meckling, 1976](#)). Taxes are viewed positively if viewed as an attempt at tax planning and tax efficiency and the risk of detection is small, and taxes are viewed negatively as non-compliance because such actions are at risk of major detection which leads to higher costs so that the value of the firm decreases. So it can be concluded that this study supports research conducted by [Rukmana \(2013\)](#), that local taxes have a significant effect on the performance of local governments. But this study does not support research conducted by [Sumawan and Sukartha \(2016\)](#), that local taxes have a negative effect on the performance of local government spending.

Effect of Local Retribution (X2) on Local Government Expenditure Performance (Y) at Regency / City in Central Java period 2014-2016.

Based on SPSS version 16 test results obtained t-count = 2.995 and t-table = 1.985, meaning that t-count > t-table then H0 is rejected. Significant value 0.003 < 0.05, then H0 is rejected. Conclusion, reject H0 means Local Retribution has a significant positive effect on Local Government Expenditure Performance in Regency / City in Jawa Tengah Period

Year 2014-2016. Thus Local Retribution statistically has a significant positive effect to the variable of Local Government Expenditure Performance in Regency/municipality in Central Java hence from that result variable of Local Retribution (X2) accept the hypothesis that Retribution has a positive effect on Local Government Expenditure Performance in Central Java Province 2014 -2016.

According to [Mardiasmo \(2009\)](#), Retribution is local retribution as payment for services or granting specific permits specifically provided and/or provided by the Local Government for the benefit of individuals or bodies. Local retribution is a major part of the revenue source in Locally-Generated Revenue (PAD). All sources of indigenous wealth should be able to be explored and developed by local governments to meet the financing needs of development and governance. The more optimal the collection of local retribution shows that the ability of the local government in digging the source of PAD is getting better. Thus, local retribution will give effect to the financial performance of local governments.

Similar to local taxes, local retribution is a major part of the revenue source in PAD. All sources of indigenous wealth should be able to be explored and developed by local governments to meet the financing needs of development and governance. The more optimal the retribution of local retribution shows that the ability of the local government in exploring the source of PAD is getting better.

This hypothesis is reinforced by agency theory which states that in public sector organizations, particularly in the central and local governments, this theory is reinforced by the autonomy and decentralization policies granted to local governments since 1999. In managing and allocating these resources, the central government can not treat it themselves, the central government authorizes local governments to manage these resources because the central government also does not have sufficient funds for resource allocation. Due to these funding constraints budgeting is required as an important mechanism for resource allocation.

So it can be concluded that this study supports the research conducted by [Rukmana \(2013\)](#) that shows similar conclusions with the research by [Irsutami \(2011\)](#) with the results of research shows the local retribution significantly affect the performance of local government.

But this study does not support research conducted by [Sumawan and Sukartha \(2016\)](#), that the Local Retribution has no effect on Local Government Expenditure Performance.

Influence of Audit Opinion (X3) on Local Government Expenditure Performance (Y) at Regency / City in Jawa Tengah period 2014 - 2016.

Based on the results of SPSS test version 16 obtained $t_{count} = 1.127$ and $t_{table} = 1.985$, so $t_{count} < t_{table}$ then H_0 accepted. Significant value of $0.262 > 0.05$, then H_0 is accepted. In conclusion, accept H_0 means there is no significant influence between variables of Audit Opinion to Performance of Local Government Expenditure at Regency / City in Central Java Province Year 2014-2016. Thus Audit Opinion statistically has no significant effect on the variable of Local Government Expenditure Performance at regency/city in Central Java hence from that result variable of Audit Opinion (X3) accept the hypothesis that Audit Opinion does not affect Local Government Expenditure Performance in Central Java Province 2014 -2016.

According to Mulyadi (2002: 20) Opinion is a professional statement as a conclusion examiner about the fairness of information presented in the financial statements. In the sector of government, there are 4 types of opinions (opinions) that can be given that are Unqualified (WTP), Fair With Exceptions (WDP), Unfair (TW) and Non-Opinion (TMP). Audit opinion from BPK is one of the benchmarks in assessing the accountability of a local government. Financial reports with unqualified and reasonable exceptions (WDP) are not obtained easily, it is necessary to have commitments from all levels of employees in preparing financial statements that refer to applicable standards and regulations.

There are 4 criteria for obtaining WTP or WDP opinion that is compliance with SAP, compliance with laws and regulations, disclosure level and effectiveness of internal control ([Masdiantini & Erawati, 2013](#); [Virgasari, 2009](#)). The acquisition of WTP or WDP opinion by a local government illustrates that local governments have performed fairly well. The more reasonable opinion of BPK obtained in the year (t), should be the motivation by the local government to maintain or improve performance in the next year (t + 1).

This hypothesis is reinforced by the agency theory which states that the relationship of agency theory to the acceptance of audit opinion. The agent in charge of running the company and produce financial statements as a form of management accountability. Auditors should be able to behave independently so that the outcome of overseeing the performance of management becomes objective and transparent. The more qualified an auditor the company's likelihood of getting an opinion will be greater because the auditor will be more thorough to examine all the events that exist in the financial statements.

So the results of this study in accordance with research [Sumawan and Sukartha \(2016\)](#) stating that the audit opinion does not affect the performance of local government spending. But this study does not support the results of research that have been done by [Nanda \(2015\)](#) and [Indrarti \(2011\)](#) concluded that BPK audit opinion shows a significant relationship with local government financial performance.

The Effect of Local Taxes (X1), Regional retribution (X2) and Audit Opinion (X3) on Local Government Expenditure (Y) Performance in Regency / City in Central Java period 2014 - 2016.

Based on the F test, it can be seen that the variable of Regional Tax, Regional Retribution and Audit Opinion simultaneously have a significant influence on the variable of Local Government Expenditure Performance. This condition is proved by the F test that yields an F value of 3.766 with a significance level of 0.013 at $\alpha = 5\%$. These results indicate that these three variables together have a significant effect on the dependent variable. Thus Regional Tax, Regional Retribution, and Audit Opinion simultaneously affect the performance of local government expenditures in regencies/cities in Central Java then the results of the Regional Tax variables (X1), Local retribution (X2) and Opinion Audit (X3) accept the hypothesis that Local Taxes, Regional retribution, Audit Opinion BPK influence on the Performance of Local Government Expenditure in Central Java Province in 2014-2016.

The performance of local government expenditure in the framework of development needs to be improved. This is based on the fact that many regencies in Central Java have very interesting attractions. In addition, many regencies/cities in Central Java have good industrial development access. This is an added value for the local government of Central Java in its economic development. Especially with the guidance and provision of physical and security facilities to support the regional climate and the development of the industry. Sumarmi (2009), stated that the government needs to facilitate various economic improvement activities, one of them by opening the opportunity to invest, the development of infrastructure and the provision of various facilities. This can be done to increase the attractiveness of investing.

This is in line with research by Sumawan and Sukartha (2016) that Regional Tax, Regional Retribution, and Audit Opinion simultaneously have an effect on Local Government Expenditure Performance.

The amount of adjusted R2 value of 0.178 indicates that the magnitude of the relationship of independent variables to the variables affected by 17.8%. And the remaining 82.2% of other variables are not included in this research model.

CONCLUSION

The main objective of this research is to examine the factors influencing the performance of local government expenditure in regencies/cities in Central Java period of the budget year 2014-2016. Based on the results of statistical calculations, this study yields the conclusion that the Local Tax has a significant effect on the Performance of Local Government Expenditure of Regency / City in Jawa Tengah Period Year 2014-2016. Retribution Region has a significant positive effect on the Performance of Regencies / City Government Expenditure in Central Java Province Year 2014-2016. Audit opinion has no significant effect on the performance of regional government expenditures of regency/city in Central Java Period of 2014-2016 and based on the F test, it can be seen that the variable of Regional Tax, Regional Retribution and Audit Opinion simultaneously have a significant influence on the variable of Local Government Expenditure Performance.

SUGGESTIONS

Local Governments of Regency/City in Central Java have several patterns and strategies to increase local taxes, i.e simplification of system and tax procedure. There must be excellent service, in the sense of time and place must be the clear and friendly attitude from tax officers itself, improved oversight of tax revenue both to taxpayers and tax officials. Improve local regulations related to various types of local tax, need to ask for input to the community in the making of local regulations, especially local taxes so that people are not burdened, increasing human resources, in this case, could be the provision of training for tax officials. Future research in order to use different sampling techniques. For example, with census techniques, for bigger areas and the availability of required data. The range of time periods used should be longer so that it is better able to generalize the results of the research. Variables used in future research are expected to vary by adding another independent variable.

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