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Factors Affecting the Financial Independence of District and City Governments in Lampung Province

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***Abstract*:- This study aims to examine the effect of business diversification and disclosure of derivative transactions on tax avoidance activities. The study was conducted on manufacturing companies listing on the Indonesia Stock Exchange from 2014-2018, the research sample of 92 companies. The method of data analysis in this study uses multiple linear regression. The results of the study prove that business diversification measured using the Hirschman-Herfindahl index does not affect tax avoidance activities. While the derivative transaction disclosure variable as measured by the disclosure score affects the tax avoidance activity.**

Keywords: Financial Independence, Local Government

I. INTRODUCTION

Law Number 23 the Year 2014 concerning Regional Government, Law Number 33 the Year 2004 concerning Financial Balance between Central Government and Regional Government and the previous law on regional government has provided changes in government from centralization becomes decentralized. Based on article 1 paragraph (8) of Law no. 23 of 2014 decentralization is the transfer of government affairs by the central government to autonomous regions based on the principle of autonomy. According to Law No. 33 of 2004, concerning Fiscal Balance between Regional Government and the Central Government in the Implementation of Regional Autonomy requires the regulation, distribution, and utilization of equitable national resources and financial balance between the central and regional governments.

The authority to manage the potential of each region to finance regional affairs is exercised in the Regional Original Revenue (PAD) container. Based on Law Number 33 of 2004 concerning Financial Balance Between Central and Regional Article 1 number 18 that "regional own-source revenue, hereinafter referred to as PAD, is the income that the region has collected based on regional regulations following statutory regulations, where the source of regional income according to Article 157 of Law Number 32 the Year 2004 and Law Number 12 the Year 2008 Regarding Regional Government the source of Regional Original Revenue consists of regional tax revenue, regional levies, regional company results and other regional wealth management results that are separated and other valid Local Original Revenue (PAD).

Regional Finance is the overall structure, institutional set, and budgeting policy that covers regional revenue and expenditure. Sources of regional revenue consist of the excess of last year's budget calculation, regional own-source revenue (PAD), balance funds, loans, and other legitimate regional income. Regional financial independence is expected to be realized with regional autonomy because of course, the central government realizes that the most aware of the condition of the region is the local government itself, both in terms of existing problems to the source of revenue that can be explored by the local government. Regional financial independence shows the ability of local governments to finance their government activities, development, and services to the people who have paid taxes and levies as a source of income needed by the region (Halim, 2016).

The ratio of the level of regional independence is the amount of regional original income obtained by each district/city government. The greater the local revenue compared to the assistance provided by the central government, the city government has a high level of local financial independence. A region that has a high level of independence means that it can finance the implementation of regional government by managing the potential of the region as a source of income. Sources of funding for the implementation of government activities and activities means obtained independently by utilizing the resources owned by the area.

The financial independence of local governments can be influenced by several factors, as revealed by several researchers in their research. One of them is audit opinion, the fewer audit findings the better the opinion given. BPK audit opinion can be a benchmark to assess the accountability of a local government. Research by Masdiantini and Erawati (2016) shows that the size of local government and BPK audit opinions have a significant positive effect on the financial performance of district/city governments as measured using financial independence.

This study focuses on district/city governments in Lampung Province, arguing that districts/cities in Lampung Province have not fully succeeded in achieving the expected level of financial independence. The Regency / City Government in Lampung Province is one of the regional governments that still receives balance funds from the central government in a much higher portion compared to the original revenue of the region, this can be seen in the following table:

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Table 1.1 Ratio of Independence of Regency / City Governments as a whole Lampung Province, 2019

District / State	Level Independence	Criteria
Bandar Lampung	29.44%	Average
Metro City	17.31%	Less
Way Kanan	3.70%	Very Less
Lampung Barat	7.68%	Very Less
Tanggamus	3.59 %	Very Poor
Tulang Bawang Regency	3.53%	Very Poor
Tulang Bawang Barat Regency	10.79%	Less
Mesuji Regency	3.03%	Very Poor
Pringsewu Regency	6.15%	Very Poor
Pesawaran Regency	3.78%	Very Poor
North Lampung Regency	6, 10%	Very Poor
Central Lampung Regency	6.26%	Very Poor
East Lampung Regency	10.27%	Poor
South Lampung Regency	9.93%	Very Poor
West Pesisir Regency	5.28%	Very Poor
Average	6.96%	Very Poor

Source: data processed from the Central Statistics Agency, 2018

In Table 1.1 it can be seen that of the fifteen districts/cities in Lampung Province, Bandar Lampung City has the highest independence ratio of 29.44 percent while Mesuji Regency has the lowest ratio of independence, 3.03. Besides, the regency/city government in Lampung Province shows that the average portion of PAD to total regency/city revenue in Lampung province only reaches 6.96% and is categorized as very less independent.

Based on the background described above, the formulation of the problem in this study is whether the audit opinion, prosperity, liquidity, size, investment, and age of the regional government affect the financial independence of the regency/city local government in Lampung Province?

Based on the problem that the author pointed out above, it can be explained the purpose of this study is:

1. To empirically prove the influence of audit opinion on the financial independence of district/city governments in Lampung Province.
2. To prove empirically the influence of regional prosperity on the financial independence of district/city governments in Lampung Province.
3. To prove empirically the effect of liquidity on the financial independence of regency/city governments in Lampung Province.
4. To prove empirically the influence of the size of the regional government (size), on the financial independence of the district/city government in Lampung Province.
5. To empirically prove the effect of investment on the financial independence of regency/city governments in Lampung Province.
6. To prove empirically the influence of the age of local government on the financial independence of regency/city local governments in Lampung Province.

II. LITERATURE REVIEW

Agency theory (Agency Theory)

Theory agency (agency theory) is the basic theory in this study because it can explain the concept of governance. Referring to the agency theory from Jensen and Meckling (1976) which states that the agency relationship as a contract, which arises when one or more people as the owner (principal) to employ someone else (agent) to provide a service to the principal and then delegate the authority to decide on the agent.

Mardiasmo (2009) explains that accountability in the context of the public sector is the obligation of the trustee (government) to provide responsibility, present, report and disclose all activities and activities that are its responsibility to the trusted provider (community) who has the right to hold that responsibility. This statement implies that in the management of local government there is an agency relationship (agency theory) between the community as the principal and the local government as an agent.

Agency theory is used as a theoretical basis in this study to explain the existence of conflicts of interest between regional governments as agents and communities as principals related to the use of the Regional Budget (APBD) which will describe the financial performance of local governments.

The theory of legitimacy (Legitimacy Theory)

Legitimacy can be considered as the perception or assumption that the actions taken by an entity are an action that is desirable, appropriate, or following the system of norms, values, beliefs, and definitions developed social (Wiranata et al,2014). Legitimacy is considered important for companies because people's legitimacy to companies is a strategic factor for the company's future development.

The rationale for this theory is that the organization or company will continue to exist if the community realizes that the organization operates for a value system commensurate with the value system itself. Legitimacy theory encourages companies to ensure that their activities and performance are acceptable to society. However, inevitably, there will always be differences between the values held by the company and the community, so there will be a legitimacy gap that can affect the company to continue its business activities. When there are differences, companies need to evaluate their social values and adjust to existing social values and make adjustments to social values in society or perceptions of the company as a tactic of legitimacy.

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Regional Government Financial Independence

Regional financial independence is the ability of an area to explore and manage local financial resources in meeting their needs to support the running of the government system, services to the community and regional development by not relying entirely on the central government and having the discretion in using funds for the benefit of the community regions within the limits determined by statutory regulations.

The measurement of the financial independence of local governments is very dependent on the amount of local own revenue (PAD) itself. If the PAD of a region is greater than the central government assistance and loans, the region is already financially independent so that the central government can reduce the allocation of equalization funds to the region. Conversely, if the PAD of a region is smaller than the regional loan and assistance from the central government such as DAU, DAK, and DBH, then the area is said to be not yet financially independent because the region is still dependent on the central government. Revenue Sharing Fund is a balancing fund that is a potential source of regional income and is one of the basic capital of regional governments in obtaining development funds and meeting regional expenditure (Wandira, 2013).

The ratio of regional financial independence is shown by the magnitude of the ratio of original regional income compared to regional income originating from other sources (transfer revenue) such as tax revenue sharing, natural resource revenue sharing, general allocation funds, and special allocation funds (Halim, 2016). The level of regional independence is measured by how much the share of PAD that local governments can produce compared to the total revenue it receives. PAD is a source of local revenue that was explored in the area include regional taxes, regional levies, the results of the management of separated regional assets, and other valid PAD. The greater the value of PAD to total revenue shows the more independent the local government.

Audit Opinion

An audit opinion is a report provided by a registered auditor which states that the audit has been carried out following the norms or rules of the accountant's auditing followed by an opinion on the reasonableness of the audited financial statements (Hardani, 2018). Furthermore, according to Article 1 of Law Number 15 the Year 2004, the audit opinion is a professional statement as the examiner's conclusions regarding the level of reasonableness of the financial information presented in the financial statements.

The opinion is based on 4 criteria, namely:

1. Conformity with government accounting standards;
2. Adequacy of disclosure (adequate disclosures);
3. Compliance with laws and regulations; and the
4. effectiveness of the internal control system.

Audits conducted by the BPK function to ensure that there is no abuse of authority in the management and reporting of government finances.

Regional

Prosperity is the ability to make ends meet. The prosperity of a country can be measured with a variety of measures that are not always the same because everyone has a different outlook on life so that the benchmarks of well-being are also different. In this study, prosperity was measured using per capita GRDP. Per capita, GRDP at Constant Prices can be used to show the rate of economic growth as a whole / each sector from year to year and as an illustration of the average income received by each population for one year in an area and can be used as indicator prosperity. Thus the aggregate GRDP shows the ability of a province to generate income and the factors of production that participate in the production process in the province. Per capita, GRDP data is obtained by dividing the GRDP value by the population.

Liquidity

Liquidity is one of the financial statement ratio analysis tools. Ratio analysis is an analysis technique that is done by comparing one estimate with another estimate in the same financial statement to provide an overview of the company's financial weaknesses and capabilities from year to year. Ratio analysis can be used to assess management achievements in the past and predict prospects for future management performance.

The calculation of liquidity ratios for local government agencies is used to measure the ability of local governments to meet their short-term obligations. In this study, the liquidity ratio will be measured using cash ratios by comparing current assets (cash and cash equivalents) with short-term debt, referring to the research of Hadi (2010). The higher the level of liquidity means the smaller the local government debt so the higher the level of regional independence because there is no burden on the local government with the source of funds from loans or debt.

Total Assets (Size)

Local governments are the main role holders in providing services to the community. Ensuring the welfare of the community through public services is a mandatory task of the regional government. a government whose financial performance is good will have a good level of public service. The fulfillment of good public services for the community must be supported by good assets. The number of assets owned by an area will indicate how large the size of the area. The size of local government is one of the characteristics of local government. The size of the regional government shows how big the government organization is (Suhardjanto et al, 2010).

Investment

Regulation of the Minister of Home Affairs No. 13 of 2006 explains that investment is the use of assets to obtain economic benefits such as interest, dividends, royalties, social benefits, and or other benefits to increase the ability of the government in the service of the community. Government investment is intended to obtain economic, social, or other benefits to increase economic growth to advance general welfare (PP No.1 of 2008).

According to Regulation of the Minister of Finance Number 101 / PMK.02 / 2011 concerning Budget Classification, capital expenditure is an expenditure for payment of acquisition of assets and / or adding value to fixed assets /

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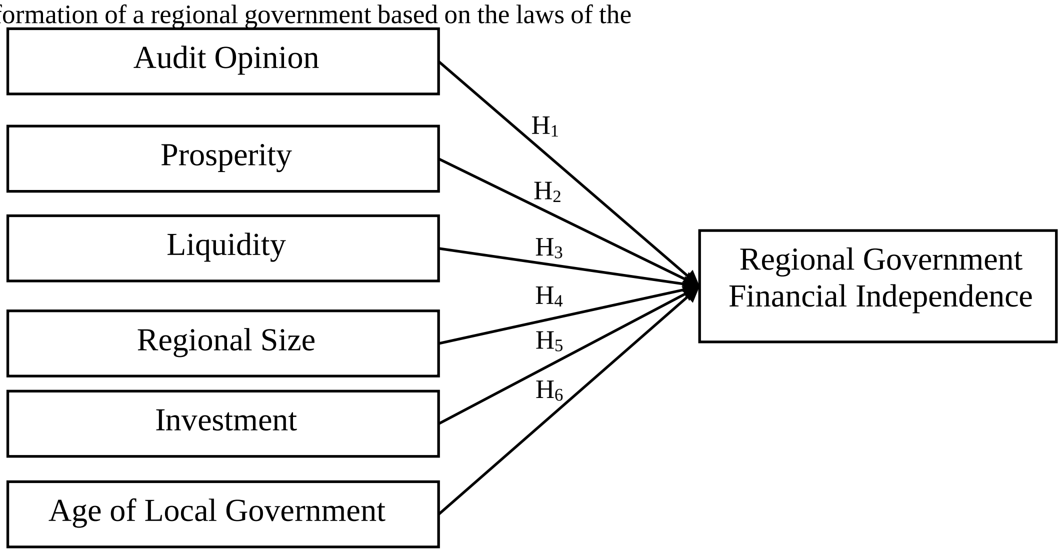
other assets that benefit more than one accounting period and exceed the minimum capitalization limit of fixed assets / other assets determined by the government. Whereas in PP Number 1 of 2010, capital expenditure is defined as budget expenditures for the acquisition of fixed assets and other assets that provide benefits for more than one accounting period. Based on this, it can be concluded that investment (in this case capital expenditure) is an expenditure that can provide benefits, both economic, social, and other benefits, for more than one year.

Age of Regional Government The

administrative age of regional government is the year of the formation of a regional government based on the laws of the formation of the region. Local governments that have a longer administrative age will have experience and be able to present reasonable financial reports following applicable regulations. The age of government will correlate with its financial performance. Local governments that have a longer age will be higher in their level of financial performance because the older the age of an area will have better experience in carrying out the running of government.

Thinking Framework

Based on the description stated earlier, the variables related in this study can be formulated through the following framework of thought:



Development of Research Hypothesis

Based on the above framework, this research hypothesis consists of:

Audit Opinion on the Financial Self-Reliance of Regional Governments

Opinion results of the examination of Regional Government Financial Reports (LKPD) conducted by the BPK indicate the level of fairness and suitability of LKPD against applicable accounting standards. The opinion is also determined by the findings of the audit results. The fewer audit findings, the better the opinion given. BPK audit opinion can be a benchmark to assess the accountability of a local government. The better opinion shows better financial performance. Vice versa, bad opinion shows poor financial performance as well. A good opinion shows that the local government has been able to manage its finances well. The hypothesis that can be asked is:

H1: BPK audit opinion positive effect on financial independence of local government

Prosperity Towards Financial Self-Reliance Regional Government

Prosperity is very closely related to the economic activities that run in the area. The higher the prosperity of an area, the greater the regional income so that it will provide opportunities for increasing regional financial independence. Research conducted by Marhawai (2015) prove that the prosperity of some local governments and inter-governmental revenue positive effect on the financial performance of local governments, Based on the explanation, the second hypothesis is:

H2: Prosperity positive effect on the financial autonomy of local governments.

Liquidity Against Regional Government Financial Independence Liquidity

ratios on local government agencies are used to measure the ability of local governments to meet their short-term obligations. The independence ratio illustrates the region's dependence on external funding sources. The external source of funds referred to in addition to the balanced fund from the center, also the loan element that must be taken into account other than the PFK Debt and the Central Tax Debt because the two types of debt are not intended to increase the source of local government funding. The hypothesis proposed is:

H3: Liquidity has a positive effect on the financial independence of governments local

Size of Regional Government Financial Independence Local

governments are given the authority to manage regional assets for use in the public interest. The greater the assets that are managed by the local government then naturally gives greater pressure on the local government. These pressures make local governments have to improve their performance. The greater the size of the regional government, the greater the demands for better financial performance. From the description above it can be formulated a hypothesis that can be proposed related to the formulation of the problem in this study are:

H4: Size has a positive effect on the financial independence of local governments

Investment in Financial Self-Reliance of Regional Governments

Increasing local government in capital investment (capital expenditure) is expected to improve the quality of services public and in turn able to increase the level of public participation (contribution) to development which is reflected in an increase in regional income (Mardiasmo, 2009). Based on this, if the increase in regional income through investment activities (capital expenditure) can be maximized, it will affect the financial independence of the region positively. From the description above, a hypothesis can be formulated as follows:

H5: Investment has a positive effect on the financial independence of governments local.

Age of Regional Government Towards Financial Independence Regional Government

The age of government will correlate with financial performance. Local governments that have a longer age will be higher in their level of financial performance because the older the age of an area will have better experience in carrying out the running of government. On this basis, the hypotheses that can be revealed are:

H6: The age of the Regional Government has a positive effect on independence finances of the local government.

III. RESEARCH METHODOLOGY

Types and Sources of Data The

The type of data used in this study is quantitative data, namely the Financial Statements of the Regency or City Governments in Lampung Province with the 2013-2017 fiscal year.

The data source used in this study is secondary data because the data is obtained indirectly or through intermediary media. The research data were obtained from the Central Statistics Agency of Lampung Province and the Lampung Provincial Finance Bureau.

Population, Sample, Sample Size and Sampling Technique The

population in this study is the Financial Statements of the Regency or City Governments in Lampung Province with the fiscal year 2013 to 2017. The Regency or Municipal Government Financial Statements used are financial reports that have been examined by the Agency Financial Inspector. In this study, the sample company was selected based on Purposive Sampling (desired criteria). The sample criteria in this study are as follows:

District/city Local Government Financial Reports (LKPD) in Lampung Province in 2013-2017 that have been audited by the Supreme Audit Board (BPK), both of them who obtained a Fair Without Exception (WTP) opinion, Fair With Exceptions (WDP), Not Giving Opinion (TMP) or Not Fair (TW).

It has complete data that researchers want, such as total assets, original regional income, general allocation funds, total revenue, capital expenditure, and regional transfer income in the BPK Audit Report 2013-2017.

Table 1. Sample Selection Procedure

Remarks	Number
1. of Regency/city Governments in Lampung Province	**15**
2. Regency/city governments in Lampung Province which did not have 2013-2017 regional government financial reports that had been audited by the Supreme Audit Board until the first semester of 2018; (Pesisir Barat Regency)	**(1)**
Total research sample	**14**

Source: Lampung Province Central Statistics Agency and Lampung Province Finance Bureau, 2020

data analysis methods

Descriptive this study is used to provide descriptive or research variables. Descriptive statistics will provide a general description or description of the research variable regarding the mean (mean), standard deviation, maximum, minimum, sum. This test is done to make it easier to understand the variables used in research.

The regression method was performed on the model proposed by the researcher using the SPSS program to predict the relationship between the independent variable and the dependent variable. Based on the problem formulation and theoretical framework that has been described previously, the research model formed is as follows:

The research model formed is as follows:

$$\mathbf{KMD\ t = \alpha + \beta 1OP\ t\text{-}1 + \beta 2WL\ t\text{-}1 + \beta 3LIQ\ t\text{-}1 + \beta 4SZ\ t\text{-}1 + \beta 5INV\ t\text{-}1 + \beta 6AGE\ t\text{-}1 + et}$$

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Description:
KMD : Financial Autonomy of Local Governments
OP : Audit Opinion
WL : Prosperity
LIQ : Liquidity
SZ : Regional Size
INV : Investment
AGE : Age of Local Government
et : Error term
α : Constants of the regression equation
β : Coefficient of a regression equation

IV. RESULTS AND DISCUSSION The

Data used in this study are secondary data obtained from the Financial Statements of District or City Governments in Lampung Province with the fiscal year 2013-2017. Sources of data come from the Central Statistics Agency of Lampung Province and the Lampung Provincial Finance Bureau. Sampling uses purposive sampling, with a total of 14 city districts in Lampung Province.

Variable Description

Table 2. Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std.Deviation
KMD	0.021	0.594	0.106	0.111
OP	2.000	5.000	4.329	0,974
WL	9.579	10.819	10.260	0.293
LIQ	0.258	101.271	9.893	17.990
SZ	27.212	29.031	28.315	0.359
INV	27.014 26.221 0.421			24.212
AGE	5.000	53.000	21.429	14.420

Source: Data Processing, 2020.

Table 2 presents the descriptive statistics that include the minimum, maximum, and average value, with the number of observations of the inspection report on the financial statements of the regency or city government in Lampung Province which were the research observations in 2013-2017 totaling 70 observations.

Independent Variable Independent

A variable is a variable that influences or causes changes or emergence of a dependent or dependent variable (Sugiono, 2015).

1. Audit Opinion Audit

Opinion in this study refers to Masdiantini and Erawati (2016) research measured by an ordinal scale which shows the level or ranking starting from the lowest opinion to the highest, namely 1 = Not Expressing Opinion (TMP), 2 = Unreasonable (TW), 3 = Fair With Exceptions (WDP), 4 = Fair Without Exceptions With Explanatory Paragraphs (WTP-DPP), and 5 = Fair Without Exceptions (WTP).

2. Prosperity

Prosperity is the ability of the region to meet the needs of prosperity. Prosperity variable refers to research Riswanda and Wahyudin (2014) proxied by the logarithm of per capita PDRB.

Prosperity (WL) =LN (GRDP per capita)

3. Liquidity

Liquidity is the ability of an entity to obtain financial obligations that must be fulfilled immediately or the ability of an entity to meet its finances at the time of collection. Liquidity variables refer to research by Turley et al (2014) measured using the formula:

$$\text{Liquidity} = \frac{Current}{Assets\ Short-term\ Obligations}$$

Referring to PSAP No.07 defines an asset classified as a current asset if it is expected to be realized or owned to be used or sold in time 12 (twelve) months from the date of reporting. While short-term liabilities are obligations that are expected to be paid within a maximum period of 12 months (PP 71/2010 PSAP NO. 9).

4. Size The

Size of local governments is measured by the total assets owned by local governments in Noviyanti and Kiswanto's (2016) research, and Mustikarini and Fitriasari (2012). Total assets were chosen because they have a value that is considered more stable. Besides, assets can also show or describe economic resources that are controlled or owned by the government as a result of past events and from which future economic benefits are expected to be obtained.

Size = LN TotalAsset

5. InvestmentInvestment

The government is intended to obtain economic, social, or other benefits to increase economic growth to advance the general welfare. Measurement of this variable refers to Regulation of the Minister of Finance Number 101/ PMK.02

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/2011 concerning Budget Classification, using the logarithm of capital expenditure as a measurement of investment, capital expenditure is expenditure for payment of acquisition of assets and or adding value to fixed assets / other assets that provide more benefits from one accounting period and exceed the minimum capitalization limit of fixed assets/other assets determined by the government.

Investment (INV) = LN Capital expenditure

6. Age of Regional Government

Age or administrative age of the government is the year of the formation of a regional government based on the laws of the formation of the region (Setyaningrum & Syafitri, 2012). The age variable of the local government refers to the research of Dewata et al (2018) measured by calculating the difference between the year the issuance of the legislation forming the relevant local government with the study year. The use of government age based on the anniversary can illustrate how long the province has been established. Measurement of the age of the provincial government can be proxied as follows:

Age = Year of Research-Year of formation of Local Government

4.2 Analysis of data

Classical Assumption TestThe

The requirement to be able to use multiple regression equations is the fulfillment of classical assumptions. To get an efficient and unbiased value or Best Linear Unbias Estimator (BLUE) from one multiple regression equation, it is necessary to test to determine the resulting regression model meets the classical assumption requirements (Ghozali, 2013).

Normality Test

Normality Test Results Table 3.

One-Sample Kolmogorov-Smirnov Test

variable	KMD	OP	WL	LIQ	SZ	INV	AGE
N	70	70	70	70	70	70	70
Mean	10.260 9.893 28.315 26.221 21.429	4.329					0.106
Std. Deviation	0.974 0.293 17.9900.421 14.420				0.359		0.111
Kolmogorov-Smirnov Z	3.565 0.558 2.669			1.279	0.739	0.752	1.525
Asymp. Sig. (2-tailed)	0,059	0,000	0,914	0,000	0,646	0,624	0,019

Source: SPSS Output Results, 2020

Multicollinearity Test

Table 4 Multicollinearity Test Results

Variable	Collinearity Statistics	
	Tolerance	VIF
OP	0.961	1,040
WL	0.822	1,217
LIQ	0,876	1,141
SZ	0.567	1,763
INV	0.812	1,231
AGE	0.631	1,586

Source: SPSS output,2020

Autocorrelation test

Table 5 Test Results auto correlation

Du_{Table}	Durbin-Watson	4-dU
1,680	1,940	2,32

Multiple linear regression analysis

multiple regression method is carried out on the model proposed by the researchers using software SPSSto predict the relationship between the independent variables with the dependent variable

Determination Coefficient Test

Results Table 6 Coefficient Determination Test (Test R2)

Model	*R*	R^2
1	0.521	0.272

The test results obtained Rvalue2 of 0.272 which means that 27.2% of financial independence of local government district / city in Lampung province can be explained by the audit opinion (OP), prosperity (WL), liquidity (LIQ), size of local government

(SZ), investment (INV), and age of local government (AGE). While the remaining 72.8% is explained by other factors not tested in the study.

Feasibility Test Model

7 Results Statistics Test F

$F_{arithmetic}$	F_{table}	Sig
5.917	2.25	0.002

From the results of this test in table 7 can be seen at a significance value of 0.002 smaller than 0.05, by looking at the level of significance, then this model can be used for predict the financial independence of the district / city government in Lampung Province, thus, this model equation is fit or feasible to use.

1.1 Hypothesis Testing Hypothesis

testing in this study uses the t statistical test, the t statistical test basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable. Hypothesis test results using the t statistical test as follows:

Table 8 Hypothesis Test Results

variable	Coefficients	t-count	sig	Conclusion
(Constant)	-3,152	-2,516	0.014	
OP	0.208	2.097	0.042	Ha received
WL	0.083	0.699	0.487	Ha rejected
LIQ	0.024	0.209	0.835	Ha rejected
SZ	0,312	2,185	0,033	Ha received
INV	0.012	0.103	0.918	Ha rejected
AGE	0.182	1.944	0.048	Ha received

Based on the calculation, the regression equation as follows:

KMD = - 3,152 + 0.208 OP + 0.083WL + 0.024LIQ + 0.312SZ+ 0.012INV+ 0.182AGE

From the formed regression model,is the relationship between each independent variableobtained, namely audit opinion, prosperity, liquidity, size of local government, investment, and age of the government regions with the dependent variable namely financial independence of the regency/city government in Lampung Province which can be explained as follows:

1. Constant value with a negative sign of -3,152 states, that if there are no activities of all these independent variables that affect the financial independence of the regency/city government in Lampung Province, then the financial independence of the regency/city government in Lampung Province will be negative value-3,152, or in other words if the audit opinion, prosperity, liquidity, size of the local government, investment, and age of the regional government are zero then it will reduce financial independence regency/city regional government in Lampung Province -3,152.
2. The OP coefficient of positive sign of 0.208 states, that thevariable audit opinion has a positive influence on the financial independence of the district/city government in Lampung Province, and has a significant value (0.042) less than 0.05 so the hypothesis stating "BPK audit opinion positive effect on the financial independence of local governments", supported. This result also means that if thevariable audit opinion increases by 1 unit, the financial independence of the regency/city government in Lampung Province will also increase by 0.208.
3. The positive coefficient WL regression coefficient of 0.083 states that thevariable prosperity has a positive influence on the financial independence of local governments but has a significant value (0.487) greater than 0.05 so the hypothesis stating "Prosperity has a positive effect on financial independence of local governments", does not supported.
4. The LIQ regression coefficient with a positive sign of 0.024 states that thevariable liquidity has a positive influence on the financial independence of local governments but has a significant value (0.835) greater than 0.05 so the hypothesis stating "Liquidity has a positive effect on the financial independence of local governments", is not supported.
5. The SZ regression coefficient with a positive sign of 0.312 states that the variable size of the local government (SZ) has a positive influence on the financial independence of the regency/city government in Lampung Province, and has a significant value (0.033) smaller than 0.05 so that the hypothesis stating "Size has a positive effect on the financial independence of local governments", supported. This result also means that ifvariable the regional governmentsize increases by 1 unit, the financial independence of the regency/city government in Lampung Province will also increase by 0.312.
6. The positive coefficient INV regression coefficient of 0.012 states thatvariables investment have a positive influence on the financial independence of local governments but have a significant value (0.918) greater than 0.05 so the hypothesis stating "investment has a positive effect on financial independence of local governments", is not supported.
7. The positive coefficient AGE regression coefficient of 0.182 states that thevariable ageof the local government (AGE) has a positive influence on the

financial independence of the district / city government in Lampung Province, and has a significant value (0.033) smaller than 0.05 so the hypothesis stating "Theage of the regional government has a positive effect on the financial independence of the local government", supported. This result also means that if thevariable ageof the regional government increases by 1 unit, the financial independence of the regency / city government in Lampung Province will also increase by 0.182.

Based on the explanation above it can be seen that from the six independent variables namely audit opinion (OP), prosperity (WL), liquidity (LIQ), size of local government (SZ), investment (INV), and age of local government (AGE) which have influence The biggest dependent variable on financial independence of regency / city governments in Lampung Province is the size of the local government because it has the largest beta value in thetable coeficient standard of 0.312 compared to the other five variables.

4.4 Discussion

Based on the results of this study it was found that the regression model is in accordance with the observational results of the study. Where this shows that the dependent variable used in research is related to the independent variable. Furthermore, the influence of each of these variables can be seen in the table discussion can be made as follows:

The Effect of Audit Opinion on the Financial Independence of Local Governments

Based on the audit opinion testing results measured by ordinal scale which shows the level or rank starting from the lowest opinion to the highest, it can be seen that the audit opinion variable influences the financial independence of the district / city government in Lampung Province. So the hypothesis stating "BPK's audit opinion has a positive effect on the financial independence of local governments", is supported.

The positive effect results show that the better compliance with government accounting standards, compliance with laws and regulations, and the adequacy of disclosure will be able to provide an increase in the performance of local governments as measured by the financial independence of local governments. The audit opinion on LKPD is a representation of the level of achievement of the accountability of the local government so it can be said that when the audit opinion on LKPD is good then it can have an impact on the increasing performance of the Regional Government.

Effect of Prosperity Regional Government Financial Independence

onBased on the results of prosperity testing as measured by the GDP per capita logarithm, it can be seen that thevariable prosperityhas no influence on the financial independence of the district / city governments in Lampung Province. So the hypothesis which states "Prosperity has a positive effect on the financial independence of local governments", is not supported.

A result that has no effect is possible that an increase in prosperity will affect an increase in Local Original Revenue (PAD), but an increase in PAD when compared to an increase in transfer funds is not significant because the increase is considered to be relatively low. Another reason for not accepting the prosperity hypothesis is because the increase in prosperity measured by using the per capita GRDP logarithm does not contribute to the elements that increase PAD. While independence is measured by the amount of local own revenue compared to regional income that comes from other sources (transfer income) such as tax revenue sharing, this can also be used to measure how much the ability of local governments to maintain or increase success in collecting PAD from period to period . The average independence of regency / city governments in Lampung is 10.56%. That means that local governments must make more optimal efforts going forward in exploring the sources of PAD in their regions. By knowing growth for sources of revenue, the government can use it to evaluate which potentials need attention. In addition, prosperity will be realized if PAD is allocated more for public service expenditure than for regional apparatus expenditure.

Effect of LiquidityRegional Government Financial Independence

onBased on the test results, it can be seen that the variable liquidity does not have an influence on the financial independence of district / city governments in Lampung Province. So the hypothesis which states "liquidity has a positive effect on the financial independence of local governments", is not supported.

The absence of liquidity effect is the same as the prosperity variable, the increase in PAD which is partly becoming a current asset is smaller than the increase in general allocation funds which will also partly become a current asset, so that the contribution of liquidity does not affect financial independence, given the large dependence of local governments on government funds central, this can be seen from the results of the variable description which shows that the average liquidity ratio of the regional governments sampled in this study is very high, reflecting that high liquidity will result in lower profits because many cash is unemployed so the local government considered less productive which does not have an impact on the independence of these regional governments.

Effect of Local Government SizeRegional Government Financial Independence

onBased on the results of testing the size of the local government measured by the natural logarithm of total assets, it can be seen that the variable size of the local government affects the financial independence of the district / city government in Lampung Province. So the hypothesis stating "thesize of the regional government has a positive effect on the financial independence of the local government", is supported.

The results that influence the size of the local government affect financial independence indicates that the role of total assets in the independence of local governments in Lampung Province can function as it should. The bigger portion of PAD will provide more flexibility for regional governments to manage their own spending. Most assets owned by local governments are productive and effective assets in improving the financial performance of local governments and impacting the financial independence of the regional government. Local governments that have a large size will be demanded to have better performance compared to local governments that are small in size.

Effect of InvestmentRegional Government Financial Independence

onBased on the test results, it can be seen that thevariable investmenthas no influence on the financial independence of the district / city governments in Lampung Province. So the hypothesis stating "investment has a positive effect on the financial independence of local governments", is not supported.

No effect is possible that the high increase in local government spending does not necessarily increase the financial capacity of the region, local government spending is felt to be used for employee infrastructure and facilities that are not directly related to increasing community economic activity is still lacking in improving services provided to the community. Therefore it is necessary to allocate funds that are more targeted to the welfare of the community. The investment variable in this study was measured using capital expenditure. According to the Government Accounting Standards (SAP), the definition of capital expenditure is expenditures made in the context of capital formation which is to add fixed assets / inventory that provides benefits for more than one accounting period, including expenses for maintenance costs that are to maintain or increase the useful life , and improve asset capacity and quality.

Effect of Age of Local GovernmentRegional Government Financial Independence

onBased on the results of the age test of local governments, it can be seen that thevariable ageof local government influences the financial independence of district / city governments in Lampung Province. So the hypothesis stating "theage of a regional government has a positive effect on the financial independence of local governments", is supported.

The age of local government can be interpreted how long the local government is there. Legally, the formation of a local government is stipulated in a law. The age variable of the regional government is measured based on since the issuance of the regulation concerning the formation of the relevant local government. The age of government will have a correlation with its financial performance. Local governments that have a longer age will be higher in their level of financial performance, because the older the age of an area will have better experience in carrying out the running of government. The older administrative age of local governments encourages governments to make better disclosures in their LKPD.

5. CONCLUSIONS AND SUGGESTIONS

CONCLUSION

This study aims to examine the influence of audit opinion, prosperity, liquidity, size, investment, and age of local governments on the financial independence of district / city governments in Lampung Province. The study was conducted on a report on the results of an examination of the financial statements of the district / city government in Lampung Province with a fiscal year 2013 to 2017, the research sample of 14 districts / cities in Lampung Province. Based on the description in the discussion, the authors draw some conclusions that:

1. Based on the audit opinion testing results measured by ordinal scale which shows the level or ranking starting from the lowest opinion to the highest, it can be seen that the audit opinion variable influences the financial independence of the district government / Cities in Lampung Province, the hypothesis stating "BPK's audit opinion has a positive effect on the financial independence of local governments", is supported.
2. Based on the results of prosperity testing as measured by the GDP per capita logarithm, it can be seen that the prosperity variable has no influence on the financial independence of the regency / city government in Lampung Province, the hypothesis stating "Prosperity has a positive effect on the financial independence of the local government", is not supported.
3. Based on the test results, it can be seen that the liquidity variable has no influence on the financial independence of the regency / city government in Lampung Province, so the hypothesis stating "liquidity has a positive effect on the financial independence of the local government", is not supported.
4. Based on the results of testing the size of the local government as measured by the natural logarithm of total assets, it can be seen that the variable size of the local government affects the financial independence of the district / city government in Lampung Province, then the hypothesis stating "thesize of the local government has a positive effect on the financial independence of the local government" , supported.
5. Based on the test results, it can be seen that the investment variable has no influence on the financial independence of the regency / city government in Lampung Province, so the hypothesis stating "investment has a positive effect on the financial independence of the local government", is not supported.
6. Based on the results of age testing of local governments, it can be seen that the age variables of local governments affect the financial independence of district / city governments in Lampung Province, then the hypothesis stating "theage of local government has a positive effect on financial independence of local governments", is supported.

SUGGESTION

Use more samples and re-examine the results of this study in different contexts, for example at the Provincial Government or State Ministries / Institutions.

Further researchers are advised to add other variables that can explain or influence the independence of regional finances, such as efficiency ratios, effectiveness ratios, or other variables that can explain or influence the independence of the region.

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