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Factors Influencing Internet Financial Reporting Quality: Audit Opinion as a Moderator

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Article Info	ABSTRACT
Keywords: Debt Financing Ratio, Size of Local Government, Financial Performance, Audit Opinion, Quality of Internet Financial Reporting	This study aims to assess how debt financing ratios, the size of local government, and financial performance collectively influence the quality of Internet financial reporting in provincial regional governments in Indonesia. Additionally, the study considers audit opinion as a moderating variable. The research is focused on the provincial regional governments of Indonesia, with a sample size of 81 entities selected through purposive sampling. For hypothesis testing, the study employs multiple linear regression with Moderated Regression Analysis (MRA). The collected data undergoes classical assumption testing before the hypothesis is tested, utilizing the SPSS 22.0 tool. The results indicate that Financial Performance has a positive impact on the quality of Internet financial reporting. In contrast, Debt Financing Ratios and the size of the local government do not significantly affect the quality of Internet financial reporting. The moderation role of audit opinion is highlighted, showing a significant positive effect in moderating the relationship between financial performance and the quality of Internet financial reporting. Conversely, audit opinion exhibits a significant negative effect in moderating the relationship between Debt Financing Ratio, regional government size, and the quality of Internet financial reporting.
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INTRODUCTION

Internet technology has become indispensable in the daily lives of Indonesians, influencing the economy as well (Ardiansyah, 2023; Justman & Teubal, 1991). While its rapid development has spurred digital exchanges, there's still a gap in its utilization between public and non-public institutions. The evolution of the internet has fostered increased digital information exchange, notably in financial reporting by government bodies. Internet Financial Reporting (IFR) is seen as a more efficient means of disseminating financial data, enhancing transparency and accountability. (Masra & Sari, 2020) note that IFR reduces monitoring costs, making financial information more accessible. Indonesian law also emphasizes the importance of public sector transparency, mandating open access to public information (Undang-Undang Republik Indonesia Nomor 14, 2018). To uphold good governance, institutions are urged to establish websites, ensuring efficient service delivery to the public.

The widespread phenomenon of Internet Financial Reporting (IFR) disclosure is evident among provincial governments in Indonesia. Putri & Setiawan (2022) highlight that some local governments have yet to consistently publish their financial reports on their official websites. Despite prior regulations like Minister of Home Affairs Instruction Number 188.52/1797/SJ (2012) mandating transparency through the TPAD menu, attention to this requirement seems lacking in recent years. While more businesses are utilizing websites for financial reporting, some local governments haven't followed suit. Verawaty (2016) notes a disparity between those adopting e-government for financial reporting and those neglecting internet technology. This lack of attention contributes to public trust issues towards local governments, impacting the quality of Internet Financial Reports.

The Internet Financial Report is influenced by several factors, including debt financing ratios, local government size, and financial performance. In addition, audit opinion can enhance local governments in Internet Financial Reporting disclosure. The first factor is the size of the local government, which is a variable assessed based on the magnitude of a region's governance, measured by total assets, number of employees, total income, and productivity level (Chaganti & Damanpour, 1991). A large-sized local government is expected to provide optimal services to the public. The expectations and demands on local governments will drive better performance. The second factor is debt financing ratios, which can affect the transparency of financial reporting by local governments. If a government starts borrowing funds from external parties, it must publish its regional finances as accountability to creditors. They also need to provide data to creditors to demonstrate their ability to repay (Nosihana & Yaya, 2016). The third factor is the financial performance of local governments. Financial performance indicates how well a region utilizes and manages its original financial resources to fund development, public services, and governance systems. This reflects the level of autonomy of the region.

The audit opinion variable will be used as a moderating variable in this research model. Public demands for public sector organizations to improve quality, professionalism, and accountability in implementing programs drive audits covering performance and compliance (Hiola, Rosidi, & Mulawarman, 2015). It is expected that financial reports audited by the Supreme Audit Agency with a favorable opinion, such as an unqualified opinion, will enhance the compliance of local governments in disclosing their financial information through websites. Therefore, this research aims to analyze and provide empirical evidence regarding the influence of debt financing ratios, local government size, and financial performance on the quality of Internet Financial Reports in provincial local governments in Indonesia. Additionally, this study also examines how the audit opinion influences the relationship between debt financing ratios, local government size, and financial performance on the quality of Internet Financial Reports in local governments in Indonesia. The novelty of this research lies in the use of audit opinion as a moderating variable.

The primary theory underpinning this research is the agency theory, adopting the perspective of Jensen & Meckling (1976). The agency theory is a framework that explains the contextual relationship between a principal and an agent, involving two or more individuals, a group, or an organization. The principal is the party entitled to make decisions for the future and delegates responsibilities to another party (the agent). Based on agency theory, the relationship between the public and the government can be described as an agency relationship, arising from a contract established by the public (as the principal) utilizing the government (as the agent) to provide services in the public interest.

The Effect of Debt Financing Ratio on the Quality of Internet Financial Report

The debt financing ratio is a picture that shows the ability of a local government to pay off its loans. Local governments that have high debt financing ratios must provide accurate information related to their financial statements to creditors as an attitude of responsibility (Trisnawati & Achmad, 2014). The purpose of lenders is to monitor the use of borrowed funds to assess and monitor the performance of local governments to meet their obligations. Based on *agency theory*, to generate a sense of trust in the public, the government as an agent is expected to be able to provide a transparent and responsible nature, including in displaying matters related to financial reporting, one of which is the debt financing ratio. The results of research byTrisnawati & Achmad (2014) show that the variable debt financing ratio has a positive effect on the publication of local government financial statements via the Internet. This statement is supported by Gayatri & Suputra (2013), Rafika (2018), Rahman, Budiatmanto, & Sutaryo (2013). The debt financing ratio is a comparison between debt and capital owned by the government. The greater the debt financing ratio, the greater the obligation of the local government to report it. Local governments will be considered more transparent if they can display debt financing ratios on their official websites. H1: Debt financing ratio has a positive effect on the quality of Internet *financial reports.*

The effect of local government size on the quality of the *Internet Financial Report*

Susiyah, Afifudin, & Mawardi (2017) stated that the size of the government can be measured from the total government assets. The larger the size of the government, the higher the public's curiosity about government assets. Transparency in local government financial statements can reduce negative public opinion about government performance. To support this, local governments can publish their financial statements using e-government, which is an online financial report. Where the disclosure of financial statements is expected to be able to provide transparency from the government to the public. Based on *agency theory*, the size of local government will be seen from the total assets it has, the greater the assets owned by local governments, the higher people's curiosity about regional assets. To generate trust in the community, local governments as agents are expected to be able to provide responsible financial reporting to the community as principals so that government performance can be carried out optimally. The results of Hadianto and Murtin's research (2020) stated that the size of local governments has a positive and significant effect on local government Internet Financial Reporting Disclosure. This statement supported by Nufus, Herwanti, & Santoso (2019), Trisnawati & Achmad (2014), Nosihana & Yaya (2016), Susiyah et al. (2017). H2: Local government size positively effects on the quality of Internet *financial report.*

The Effect of Local Government Financial Performance on the Quality of *Internet Financial Reporting*

Government financial performance is a picture of the independence or ability of a local government to manage local original financial resources to finance the running of the government system in the region. If a local government performs poorly, it tends to limit its access to information to the public (Craven & Marston, 1999). Financial performance is one measure of the success of local governments in managing the resources owned by the region. According to *agency theory*, local governments that act as agents are required to report and account for the results of resource management by providing transparent financial reports. The use of Internet financial reports is a step that must be taken to provide information to the public regarding the performance of local governments. In addition, in the publication of Internet financial reporting, local governments are expected to provide transparency and relevant properties that will later affect the quality of Internet financial reports. The results of research conducted by Hiola et al. (2015) show that local financial performance affects local governments in compliance with financial information disclosure on their official websites. These results are supported by Nufus et al. (2019), Priyastiwi & Saputra (2019), (Rahman et al., 2013). H3: Local government financial performance positively effects on the quality of Internet *financial reports.*

The Effect of Audit Opinion on the Relationship of Debt Financing Ratio to *Internet Financial Report Quality*

The audit opinion issued by BPK evaluates the government's fairness in presenting financial statements, serving as a crucial tool to monitor local government financial performance. A favorable opinion (reasonable without exception) suggests good quality in government financial statement disclosure. Agency Theory underscores the importance of transparent financial reporting by local governments, acting as agents, to foster accountability towards the principal, the community. Transparency is enhanced when local governments display debt financing ratios, indicative of their willingness to be open. Audit opinions influence the relationship between debt financing ratios and Internet Financial Reporting (IFR) quality, as regions receiving unqualified opinions are prompted to disclose financial statements on official websites, thereby enhancing transparency. This research is in line with research conducted by Putra, Suhartini, & Dimayantisukiswo (2023), Hiola et al. (2015). H4: Audit opinion moderates the influence of the Debt Financing Ratio on the quality of internet financial reporting.

The Effect of Audit Opinion on the Relationship Between Local Government Size and *Internet Financial Report Quality*

Agency Theory guides the relationship between the size of local governments and the quality of internet financial reports. As local governments possess more assets, public interest in regional assets rises. Hence, governments, acting as agents, are expected to furnish relevant and reliable reports to the community, with audit opinions reinforcing this responsibility. Positive audit outcomes, as suggested by Styles & Tennyson (2007)),

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motivate local governments to share financial statements online. Conversely, Nufus et al. (2019) found that audit opinions negatively moderate the influence of local government size on internet financial reporting. Similarly, Sunarti, Sarwono, & Feni (2021) noted that audit opinions strengthen this relationship, emphasizing that larger local governments, with favorable audit opinions, are more inclined to disclose financial information on official websites. Thus, audit opinions wield significant influence on the nexus between local government size and internet financial reporting. H5: Audit opinion moderates the influence of regional government size on the quality of internet financial reporting.

The Effect of Audit Opinion on the Relationship between Local Government Financial Performance and the Quality of *Internet Financial Report*

A favorable audit opinion reflects effective government performance and signifies well-managed local finances. This can amplify the impact of financial performance by encouraging the disclosure of financial statements on official government websites. Agency Theory underscores the link between local government financial performance and the quality of internet financial reports, highlighting the necessity of providing transparent and relevant information to the community. Compliance with disclosing financial information online is a crucial step towards accountability. With a favorable audit opinion, governments demonstrate their role as responsible agents. Studies by Hiola et al. (2015) and Sutopo, Wulandari, Adiati, & Saputra (2017) suggest that audit opinions positively influence compliance with financial information disclosure and overall government performance. Moreover, research by Nufus et al. (2019) indicates that audit opinions can moderate the relationship between local government performance and the quality of internet financial reports. In essence, a good audit opinion reflects well-ordered financial management, influencing financial performance and compliance with disclosure standards on local government websites. H6: Audit opinion moderates the influence of local government financial performance on the quality of internet financial reporting.

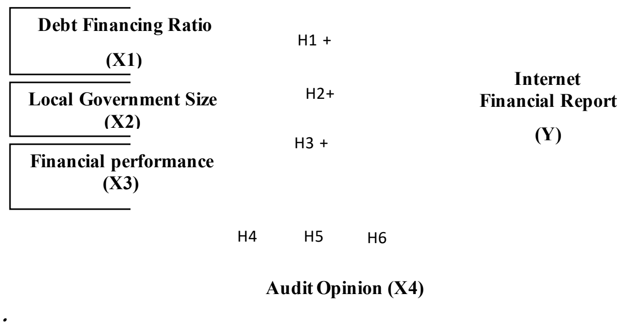

Figure 1: Research Model

METHODS

This study focuses on the websites of provincial-level local governments in Indonesia, with the financial statements found on these websites serving as the sample. Data was collected from the published financial statements on each local government's website. The study population includes all provincial-level local governments in Indonesia, and the

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sample closely resembles the population. Purposive sampling was used, considering criteria such as consistent internet financial reporting from 2020 to 2022 and financial statements relevance to the research. Data collection involved a literature review, including journals, theses, and other published sources. The study's dependent variable is the quality of Internet Financial Reporting (IFR), measured by relevance, reliability, transparency, and user accessibility, utilizing an index developed by Styles & Tennyson (2007) Independent variables include local government debt financing ratios, government size, financial performance, and the moderating variable, audit opinion.

IFR Quality

Quality financial statements are those that are fully disclosed, transparent, and pertinent. With the advent of the internet, local governments find it easier to enhance services and fulfill their financial reporting duties to the community. In this study, the focus was on the quality of Internet Financial Reporting (IFR), with an index developed by Styles & Tennyson (2007) used to measure this quality. Below is the IFR quality index table:

Table 1 IFR Quality Index

+1	If the local government website is found on the first page of google search by typing the name of the local government
+1	If only three clicks or less to view IFR on the local government website
+1	If IFR data can be downloaded in pdf or html format
+1	If there is an IFR of the previous year
+1	If there is a financial information data link (LKPD/APBD)
+1	If there is a search to search for financial statement information.
+8	If there are LKPD components (LRA, LPSAL, Balance Sheet, LPE, LO, LAK, CaLK) and APBD
+1	If there is a contact (telephone / fax / email) to get financial information data.

$$IFR = \frac{Total\ IFR\ criteria\ that\ correspond\ to\ the\ IFR\ Index}{the\ number\ of\ IFR\ quality\ indexes}$$

Debt Financing Ratio

The debt financing ratio is a depiction indicating a local government's ability to settle its loans. Local governments with high debt financing ratios should provide accurate information related to their financial reports to creditors as a responsible measure (Trisnawati & Achmad, 2014). The debt financing ratio is a comparison between debt and capital owned by the government (Wau & Ratmono, 2015).

$$\text{Debt Financing Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Local Government Size

The size of a local government is determined by its governance scope within a region, assessed through various factors such as total assets, number of employees, total income,

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and productivity level (Chaganti & Damanpour, 1991). This study focuses on provincial-level local governments across Indonesia. According to Susiyah et al. (2017), a government's size can be gauged by its total asset value. Hence, in this research, which centers on provincial local governments, size is measured by examining the total assets listed on the government's balance sheet. Total assets serve as a reliable measure of local government size, as they offer stability compared to metrics like income, number of employees, or regional production levels (Sari, Agusti, & Rofika, 2016). Local Government Size = Ln (Total Assets)

Financial Performance

Financial performance describes the level of achievement of financial management over the implementation of a policy program's work activities in realizing the goals, objectives, vision, and mission of the local government (Mahsun, Sulistiyowati, & Purwanagraha, 2018). Local government financial performance is a description of the ability of a region to manage its regional financial resources. Local governments that have poor financial performance tend to limit access to information for the community (Craven & Marston, 1999). The government's financial performance can be said to be good, namely, there is effectiveness in collecting PAD with the receipt of large local original revenues. The level of financial independence used is sourced from local government financial statements.

$$Regional\ Financial\ Independence = \frac{Local - generated\ revenue}{Total\ Revenue}$$

Audit Opinion

According to Hiola et al. (2015) societal demands on public sector organizations to maintain and enhance the quality of professionalism and public accountability in their performance drive the conduct of audits, not only focused on compliance but also on performance. Audit Board of the Republic of Indonesia opinions are measured using a nominal or dummy variable scale with 2 for local governments that get unqualified audit opinions and 1 for local governments that get audit opinions other than unqualified. Local governments that get unqualified opinion results are expected to be more transparent by publishing the results of financial statements on the local government website.

This study used regression analysis techniques in hypothesis testing. The study has six hypotheses that will be tested with four equation models. The hypothesis will be supported if the p-value < alpha 0.05 and the unidirectional regression coefficient (Nazaruddin & Basuki, 2015). The first equation model used was multiple regression. Test the hypothesis of the first equation will test the first (H1), second (H2), and third (H3) hypotheses. Meanwhile, the second equation models test the fourth (H4), fifth (H5), and sixth (H6) hypotheses using *Moderated Regression Analysis* (MRA), because there is 1 dependent variable, 1 independent variable, and 1 moderation variable. Model the hypothesis of equation 1 in this study:

Quality of Internet Financial Reporting = α + β1 Debt Financing Ratio + β2 Local Government Size + β3 Financial Performance + β4 Audit Opinion + e

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Model the hypothesis of the 2nd equation in this study:

Quality of Internet Financial Reporting = α + β1 Debt Financing Ratio + β2 Local Government Size + β3 Financial Performance + β4 Debt Financing Ratio*Audit Opinion + β5 Local Government Size*Audit Opinion + β_6 Financial Performance*Audit Opinion + e

RESULTS AND DISCUSSION OF RESEARCH

This study aims to determine empirical evidence related to the effect of Debt Financing Ratio, local government size, and financial performance on the quality of *Internet financial reporting* with audit opinion as a moderation variable. The research methods used to analyze the data are descriptive analysis, classical assumption analysis, and multiple linear regression analysis. The analysis tool used in this study was SPSS software version 22. This study used secondary data from provincial government populations in Indonesia. The samples used in the study have been adjusted to the purposive sampling method described in Chapter III. The following procedure in sample selection is listed in Table 2:

Table 2 Provincial Sampling in Indonesia

Sample Criteria	Total
Provincial Government in Indonesia 2020,2021, 2022	(111)
Provincial Governments in Indonesia that do not have financial statements FY 2020,2021,2022	(21)
Local governments that do not have a website, errors, or are in the repair period FY 2020,2021,2022	(9)
Number of Selected Samples	81

The data in this study consisted of 81 samples derived from the results of data processing using the purposive sampling method.

Descriptive Statistical Analysis

The descriptive statistical analysis test aims to display the amount of data, maximum and minimum values, average values, and standard deviations. The results of the descriptive statistical analysis test can be seen in Table 3 below:

Table 3 Descriptive Statistics

	N	*Min*	*Max*	*Mean*	*Deviation Std.*
Quality of *Internet Financial Reporting*	81	0,73	1,00	0,928	0,044
Debt Financing Ratio	81	0,0006	0,171	0,052	0,040
Government Size	81	23,26	34,16	30,134	1,656
Financial performance	81	0,1066	0,732	0,415	0,151
Audit Opinion	81	1	2	1,96	0,190
Valid N	81				

Source: Output IBM SPSS v. 22

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Table 3 provides data on various financial metrics based on a sample size of 81 observations. The quality of Internet Financial Reporting is measured on a scale from 0.73 to 1.00, with a mean score of 0.928 and a standard deviation of 0.044, indicating generally high-quality reporting. Debt Financing Ratio ranges from 0.0006 to 0.171, with a mean of 0.052 and a standard deviation of 0.040, suggesting moderate levels of debt financing. Government Size ranges from 23.26 to 34.16, with a mean of 30.134 and a standard deviation of 1.656. Financial performance has a mean value of 0.415 and a standard deviation of 0.151. The Audit opinion variable is proxied with a dummy variable with a maximum value of 2 (UNQUALIFED) and a minimum value of 1 (non-UNQUALIFED), with a mean of 1.96 and a standard deviation of 0.190, indicating generally positive audit opinions across the sample.

Classical assumption testing is used to provide certainty that the regression equation obtained is accurate in estimation, unbiased, and consistent. The results in Table 4 show that the data is normally distributed and does not experience heteroscedasticity or autocorrelation. However, multicollinearity occurs in the second equation. Hartono (2016) states that multicollinearity occurs because the interaction coefficient between the independent variable and the moderation variable is transformed to be centered based on the average value, so multicollinearity is not a problem when applied in moderation regression analysis. In this study, the symptoms of multicollinearity will be ignored.

Table 4 Classical Assumption test

Classical Assumption test	Normality		Heteroscedasticity		Multicollinearity						Autocorrelation	
Test Type	*One-Sample Kolmogorov-Smirnov-Test - Monte Carlo Sig. (2-tailed)*		Spearmans' rho correlation		*Variance Inflation Factor* (VIF) and *Tolerance*						*Durbin-Watson*	
Output	Equation 1	Equation 2	Equation 1	Equation 2	Equation 1			Equation 2			Equation 1	Equation 2
	Unstandardized Residual: 0.160	*Unstandardized Residual:* 0.120	Debt Financing Ratio: 0,896 Local Government Size: 0,486 Financial Performance: 0,133 Audit	Debt Financing Ratio: 0,831 Local Government Size: 0,434 Financial Performance: 0,115 Debt Financing Ratio*Audit	Var	tolerance	VIF	Var	tolerance	VIF	Durbin-watson score: 2,007 DU Score: 1,7164 DU<DW<4-DU 1,7164 < 2,007 < 2,2836	Durbin-watson score: 2,005 DU Score: 1,7164 DU<DW<4-DU 1,7164 < 2,005 < 2,2836
					Debt Financing Ratio	0,988	1,012	Debt Financing Ratio	0,001	961,199		
					Local Government Size	0,939	1,064	Local Government Size	0,131	7,663		
					Financial Performance	0,921	1,086	Financial Performance	0,001	1568,302		

		opinion : 0,603	Opinion: 0,878	Audit opinion	0,967	1,034	Debt Financing Ratio*Audit Opinion	0,001	966,812	
			Local Government Size*Audit Opinion: 0,502				Local Government Size*Audit Opinion	0,037	26,951	
			Financial Performance*Audit Opinion: 0,139				Financial Performance*Audit Opinion	0,001	1703,313	
Conclusion	Residual normally distribute	heteroscedasticity symptoms did not occur in equations 1 and 2		Multicollinearity symptoms did not occur in equation 1, but occurs in equation 2						Autocorrelation symptoms did not occur in equation 1 and equation 2

Source: Output IBM SPSS v.22

Result and Discussion

The regression analysis used in this study is multiple regression. Multiple regression analysis was used to examine the effect of Debt Financing Ratios, government measures, and financial performance on the quality of *Internet financial reporting* by using audit opinion variables as moderation variables.

Table 5 Regression tests

Equation 1					
Quality of Internet Financial Reporting = α + β1 Debt Financing Ratio + β2 Local Government Size + β3 Financial Performance + β4 Audit Opinion + e					
	Prediction of direction	Coefficient	Error	t-statistics	P-value
Constant		0,963	0,101	9,562	0,000
Debt Financing Ratio	+	-0,008	0,117	-0,065	0,949
Local Government Size	+	-0,003	0,003	-0,910	0,366
Financial Performance	+	0,114	0,032	3,510	0,001
Audit Opinion	+	-0,001	0,025	-0,029	0,977
R-Squared	0,144				
Adjusted R-Squared	0,099				
F-statistics	3,189				
Prob(F-statistic)	0,018				
Equation 2					
Quality of Internet Financial Reporting = α + β1 Debt Financing Ratio + β2 Local Government Size + β3 Financial Performance + β4 Debt Financing Ratio*Audit Opinion + β5 Local					

Government Size*Audit Opinion +	β6 Financial Performance*Audit Opinion + e				
	Prediction of direction	Coefficient	Error	t-statistics	P-value
Constant		0,959	0,083	11,532	,000
Debt Financing Ratio		8,762	3,482	2,516	,014
Local Government Size		0,015	0,008	1,970	,053
Financial Performance		-3,153	1,192	-2,646	,010
Debt Financing Ratio*Audit Opinion		-4,386	1,744	-2,515	,014
Local Government Size*Audit Opinion		-0,009	0,004	-2,457	,016
Financial Performance*Audit Opinion		1,635	0,596	2,742	,008
R-Squared	0,223				
Adjusted R-Squared	0,160				
F-statistics	3,538				
Prob(F-statistic)	0,004				

Source: Output SPSS v. 22

The first hypothesis states that the debt financing ratio has a positive effect on the quality of *Internet financial reporting*. The table above shows the results of the variable Debt Financing Ratio with a negative coefficient value of -0.008 and a p-value of 0.949. So, it can be concluded that the debt financing ratio does not affect the quality of *Internet financial reporting.* This indicates that (H1) is not supported. The smaller the leverage of local governments, the smaller the use of debt for local government operational purposes. However, this also cannot encourage the government to publish its financial statements to the public through government websites. Nufus et al. (2019) stated that in Indonesia, local governments with high leverage do not publish financial information via the Internet because local governments with high leverage are considered to have poor performance. This is not in line with *agency theory* where the government as an agent should provide accountability in the form of publications to the public as the principal. Local governments limit the information provided to external parties to avoid the spotlight of attention from creditors. The results of this study are in line with Wilopo (2017), Nufus et al. (2019).

The second hypothesis shows that the size of the local government has a positive effect on the quality of *Internet financial reporting*. Based on table 5, shows the result of a p-value of 0.366 and a negative coefficient value of -0.003. The p-value is greater than 0.05 (alpha). So, it can be concluded that the size of the local government does not affect the quality of Internet financial reporting. So, the second hypothesis (H2) is not supported. According to Kurniawati, Sarwono, & Sunarti (2020), local governments that have large assets are usually followed by difficult records and errors often occur, this will be a problem when auditing financial statements by auditors. This is not in line with agency theory where local governments as agents will voluntarily publish the results of their performance to the community as principals. This is in line with Wilopo (2017), Kurniawati et al. (2020). The results of this study are not in line with agency theory where the government is obliged to report financial statements to the public as a form of government responsibility to the community.

The third hypothesis states that financial performance has a positive effect on the quality of Internet financial reporting. Based on Table 5, it can be concluded that the financial performance variable has a p-value of 0.001 and a coefficient value of 0.114. So, it can be concluded that financial performance has a positive effect on the quality of Internet financial reporting. This indicates an H3 is supported. According to Hiola et al. (2015), the better the financial performance of a local government, the more compliant the local government is in disclosing financial information on its official website. This is in line with Hiola et al. (2015) research which says that financial performance affects compliance with financial information disclosure on local government websites, meaning that good financial performance can encourage local governments to disclose financial information on their official websites. Also, research conducted by Nufus et al. (2019) found that the performance of local governments affects the disclosure of financial information on websites, whereas local governments with good financial performance tend to do Internet Financial Reporting. This is in line with agency theory where local governments will voluntarily publish the results of their performance to the community as principals.

The results in Table 5 also explain Equation 2, which explains the rest of the hypotheses. The fourth hypothesis states that audit opinions moderate the ratio of debt to the quality of Internet financial reporting. The table above shows the results of the X1_X4 variable with a negative coefficient value of -4.386 and a p-value of 0.014. These results show that audit opinions have a significant negative effect in moderating the ratio of debt to the quality of Internet financial reporting. Then it can be concluded that the fourth hypothesis (H4) is supported. According to Naopal, Rahayu, & Yudowati (2017), the higher the value of audit opinions, the smaller the level of disclosure of financial and non-financial information. Nufus et al. (2019) in their research explained that local governments that have high debt financing ratios tend to limit their financial information so as not to be highlighted by creditors. This shows that the government has not fully provided transparency to creditors. Although the local government has a low Debt Financing Ratio and a good audit opinion does not guarantee the local government disclose its financial statements to the public, this is not in line with agency theory where the local government as an agent should be able to publish its financial statements to the public as an agent to cause transparency to the public. This research is in line with Naopal et al. (2017) which states that audit opinions have a significant negative effect on the relationship between debt financing ratios and LKPD disclosures. Research conducted by Nufus et al. (2019) also states that audit opinions have a significant negative effect on the relationship between Debt Financing Ratios and Internet Financial Reporting in local governments in Indonesia.

The fifth hypothesis states that audit opinions moderate local government measures of the quality of *Internet financial reporting*. The table above shows the results of X2_X4

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variables with negative coefficient values of -0.009 and p-values of 0.016. These results show that Audit Opinion has a significant negative effect in moderating local government measures on the quality of Internet financial reporting. Then it can be concluded that the fourth hypothesis (H5) is supported. Kurniawati et al. (2020) state that local governments that have large assets usually follow complicated records, so it is not uncommon for an error to occur in recording and become a problem during inspection by auditors. According to Nufus et al. (2019), the larger the assets owned by an area, the more complicated the recording of assets so that errors often occur, this will have an impact on the audit results issued by auditors on financial statements. The Audit Opinion here has a negative influence on the relationship of the independent variable with the dependent variable. There are still many variables that support the government in publishing its financial statements. The results of this study are in line with Nufus et al. (2019), Makmum & Rahayu (2018).

The sixth hypothesis states that audit opinions moderate financial performance to the quality of Internet financial reporting. The table above shows the results of X3_X4 variables with a coefficient value of 1.635 and a p-value of 0.008. These results show that Audit Opinion has a significant positive effect in moderating financial performance on the quality of Internet financial reporting. Then it can be concluded that the fourth hypothesis (H6) is supported. Local governments that have good financial performance will get an unqualified opinion from BPK, which can encourage local governments to publish their financial statements. This is in line with the hypothesis proposed (H6) where audit opinions can strengthen the relationship between financial performance and the quality of Internet financial reports so that H6 is supported. According to Hiola et al. (2015), audit opinions have a significant positive effect directly on compliance with financial information disclosure on the website, where the better the audit opinion obtained by a local government, the better its financial performance so that the local government is more encouraged to make disclosures. This is in line with Hiola et al. (2015) research, which says that audit opinions can affect financial performance on compliance with local government financial information disclosed on official government websites. The results of this study are in line with *agency theory*, where the government must report financial statements to the public because it is their responsibility as the government as an agent to the community.

CONCLUSIONS

This study aims to test and obtain empirical evidence of the effect of the Debt Financing Ratio, local government size, and financial performance on the quality of *internet financial reporting* with BPK audit opinion as a moderation variable. The object of this study is the provincial government in Indonesia. Based on the results of research examined by the provincial government which has financial statements for 2020-2022, samples were taken using purposive sampling, so this study used 81 samples. In this study, the following conclusions can be drawn, debt financing ratio does not affect the quality of *Internet financial reporting,* this is supported by research by Wilopo (2017) and Nufus et al. (2019). Size of the local government does not affect the quality of *Internet financial reporting,* this research supported research by Wilopo (2017) and Kurniawati et al. (2020). Financial performance has a significant effect on the quality of *Internet financial reporting,* this research supported research by Hiola et al. (2015) and Nufus et al. (2019). Audit Opinions moderate the relationship of Debt Financing Ratio to *internet-quality financial reporting* supported by research by Naopal et al. (2017) and Nufus et al. (2019). Audit opinions moderate the relationship between local government size to the quality of *Internet financial reporting* and supported by research by Makmum & Rahayu (2018) and Nufus et al. (2019). Audit opinions can moderate the relationship between financial performance to the quality of *Internet financial reporting* supported by the research of Hiola et al. (2015). Based on the results of this study, the author provides suggestions for further researchers expected to add other variables that have the potential to affect the quality of *Internet Financial Reporting.* The limitation of this study is that this study only uses 3 years of periods for its sample, namely 2020-2022, several provinces display financial statement data for only 2 periods, and this study has a coefficient of determination test results which can be seen in the Adjusted R Square value, which is 16%. This indicates that there are still many other variables that can affect the quality of *Internet financial reporting.*

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