

Client's Effort in Intervening State's Financial Audit Result: Grounded-Theory Approach

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Abstract: This paper draws its conclusions using an inductive approach. We find interesting symptoms in the field related to clients' efforts to influence audit opinion in the public financial audit process in various regions in Indonesia. For the purpose of inductive reasoning, we use a grounded theory approach as a tool for analysis and for drawing conclusions. Our findings are that there are at least seven ways and efforts taken by clients to intervene with the audit decisions made by BPK, and thus we eventually formulate a theory that the audit system in the government requiring interaction between the auditee, in this case the financial management apparatus and the BPK auditor, gives birth to a communication. This communication is used by the auditee to influence the results of the audit. The research implication is that there are ways for auditors to prevent clients from misusing the opportunities to influence audit result.

Keywords: Effort of client, audit opinion, grounded theory, coding, concept, theorizing.

INTRODUCTION

As some other sectors, the public sector is also a target of accusation as the den of corruption, collusion, nepotism, inefficiency and source of the state's improvidence (Potrafke, 2019; Sinha et al., 2019). The government as one of public sector organizations is not excepted from the list. It is ironic considering that the government public sector organization is an institution running the state administration whose legitimacy comes from the society (Bobonis et al., 2019; B. Zhang et al., 2017). The government administration cannot be separated from the management of state's finance, which actually is an accumulation of assets owned by the state and for which they have to be held responsible to the people (Hyndman & Lapsley, 2016; Jacobs, 2016). Audit to the management and responsibility of the state's finance is an important element to create a public accountability (Axelsen et al., 2017; Hay & Cordery, 2018).

In Indonesia, in performing the financial statements audit, auditors must refer to State Financial Audit Standards and Audit Management Guidelines and other implementing regulations (Reni & Anggraini, 2016), which refer to SPKN such as: Implementation Guidelines, Technical Guidelines and Red Book (set forth in the Regulation of BPK RI Number 01 year 2007 particles 5 and 8). In addition, in performing their duties, every auditor and other BPK implementers must comply with the code of ethics as set forth in the Regulation of BPK Number 02 Year 2011 concerning BPK Code of Ethics (Paeh, 2017). Integrity, objectivity and independence are highly important in the professional world of an auditor (Khalil & Ozkan, 2016; Saxena & Dey, 2016).

Integrity is a character element which shows an individual's ability to realize what they have guaranteed they are capable of and what they believe (Kleboth et al., 2016). Objectivity means honesty in considering facts, free of personal interests inherent to the facts they are dealing with (Naslmosavi & Jahanzeb, 2017; B. Zhang et al., 2017). Meanwhile, independence means being free from any influence, neither controlled by nor dependent on others (Putri et al., 2017; Y. (Elli) Zhang et al., 2016). Auditor is demanded to keep on improving and controlling themselves when dealing with any auditee. Also, auditor is expected to be able to understand the auditee's behavior and build communication and cooperation with the auditee (Ma'ayan & Carmeli, 2016).

There have been many cases in Indonesia where the auditee tried many ways to influence the auditor to make the audit result look as they wished it would (Asmara, 2016; Latan et al., 2018; Putri et al., 2017). One of these methods they employed was bribery. The attempts made by those auditees, including the government apparatus, were influenced by various motives, and one of them was their wish to evade the suspicion of abusing the finance (Asmara, 2016; Farooq & Shehata, 2018) or to obtain a reasonable opinion without exception (Pamungkas et al., 2018). The various factors which could influence the client's expectation of audit judgment include auditor's education and experience, auditee's experience, good relationship with auditor, presence of non-audit reward given by the auditor, and these variables could have both positive and negative effects (Koch & Salterio, 2017; Latan et al., 2018). However, this study focused more on the audit process by KAP (public accounting firm) and used only one measurement, i.e. client's attempt to influence certain accounts.

An audit process involves at least two parties, namely the auditee and the auditor. In performing the audit, relationship and communication will arise and it is possible that negotiation emerges (Cipriano et al., 2017; Kulset & Stuart, 2018). It is in this negotiation that the auditee or client's wish might occur to influence the decision made by the auditor in their audit (He et al., 2017). The relative power in auditor-client relationship is an important topic in accounting research it is this relative power of the two parties which determine the negotiation result (Kulset & Stuart, 2018). Some previous studies have investigated the negotiation process between auditor and clients from the auditor's point of view (Cipriano et al., 2017; Hua & Sun, 2016; Kulset & Stuart, 2018; Svanberg et al., 2018).

In Indonesia, not many studies on negotiation process between BPK auditor and government apparatus as an auditee in determining audit judgment from the auditee's perspective have been conducted. Therefore, it is important to conduct research on negotiation process between BPK auditor and government apparatus as the auditee in determining the audit judgment from the auditee's perspective in Indonesia. This research would explore information to draw conclusions on how the wish of government apparatus as an auditee in influencing audit judgment made by BPK auditor using Grounded-Theory. The main issue in this case was that no previous study has investigated the wish of government apparatus as an auditee to influence the audit judgment by BPK auditor, hence a sturdy theoretical framework is needed through information exploration from the existing phenomena. This research structure will then present a theoretical framework and grounded theory concept, followed by research methodology, and result and discussion and eventually some conclusions will be drawn.

LITERATURE REVIEW

Grounded-Theory

Grounded research pioneered by Glaser and Strauss in 1967 in the United States and then introduced in Indonesia by Schiegel, is a study which departs not from a theory, but rather from the field factual data. These data are processed into a theory based on a deductive method of thinking. Grounded research is from an empirical world, rather than from a conceptual or abstract one. This is because grounded study emphasizes on the birth of a theory based on empirical data and social reality. Grounded theory is a systematic qualitative research procedure, where researchers build a theory which explains the concept, process, action, or interaction regarding a topic at a wide conceptual level. As its name suggests, the goal of Grounded Theory is theoritizing social data and phenomena. Theoritization is a method of creating an action/interaction-oriented theory; hence it is suitable to be used for research on behavior.

Glaser and Strauss (Carmichael & Cunningham, 2017; Charmaz, 2017) suggests that the grounded theory method under the post-positivistic-naturalistic paradigm umbrella is a qualitative research method which employs a number of systematic procedures to inductively build a substantive theory regarding a phenomenon. The findings of such a study constitute the formulation of theory on the reality under study, rather than a number of less relevant themes. This research neither derives from nor tests a theory (such as the case of quantitative research), rather it departs from data towards a theory. For that purpose, what it takes for this process towards a theory is a well-planned and organized (systematic) procedure. The grounded theory approach builds a theory based on field (empirical) data, for the following reasons: no one apriori theory can cover the varied facts in human life; the researcher as the research instrument knows exactly what happen in the field and they believe in what they see, therefore, the researcher tries their best to have a neutral stand; and the basic theory can be more responsive or more suitable with the contextual values.

The inductively obtained data are not intended to test a hypothesis, rather to be abstracted and sorted for their relevance. Thus, if the researcher builds a basic theory (bottom-up), then this theory will be clearer, after the data have been analyzed, since in its process an adjustment will be made as the collected data increase (Carmichael & Cunningham, 2017; Urquhart & Fernández, 2013).

METHODS

This is a combined study between qualitative studies which uses Grounded Theory as its instrument. Grounded Theory is used to build a theory from a phenomenon, i.e. the client's effort to influence the audit result. No previous studies have been conducted on this concept, hence a theory needs to be built, through the Grounded Theory instrument. The closest variable is the auditor's independence, yet it has not given the overall picture of client's attempt in influencing the audit result, particularly at public sector audit realm. Furthermore, after a theory is built, the next step is to try to build a proposition. As our source of information, we use informants from regional governments in Indonesia. We deliberately hide our informants' biography since it will give a less favorable impact on the informant. The data are explored through interview only for the research purpose

RESULTS AND DISCUSSION

Grounded-Theory Method

In grounded theory, the term "coding" generally means making description and interpretation. Coding has four activities, namely: labelling, selection, recording and in general the coding process begins with labelling the discrete phenomenon according to its "content and meaning" or giving a "notation" based on its "conotation" (Muller et al., 2016; Urquhart & Fernández, 2013). This initial stage is then followed by sorting activities which refers to the comparison of label characteristics against other labels to determine the classification based on the characteristic combination and sequence (Dixon et al., 2017; Urquhart & Fernández, 2013).

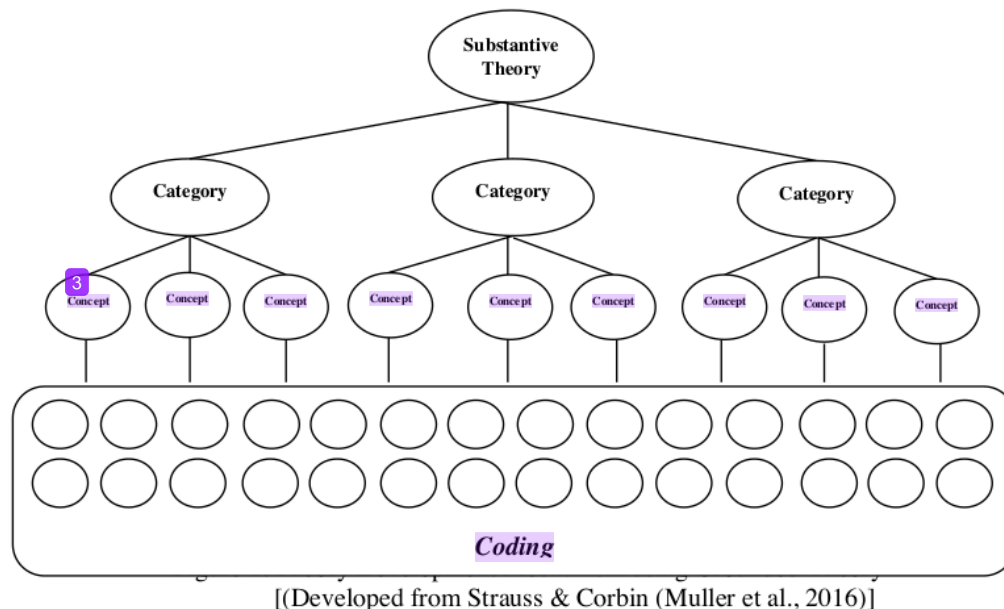
The recording activity is an open coding writing product as a material for reflection and abstraction. The scanning activity refers to the abstraction of relationship characteristics in unique labels in order to understand their systemic dimensions. This stage is called open coding which means the process of breaking down, checking, comparing, conceptualizing, and categorizing data (Carmichael & Cunningham, 2017). Following this is an axial coding which refers to the activity of seizing and mapping data based on the results of breaking the open coding, by making links between categories (Muller et al., 2016). The axial coding is done by utilizing a "coding paradigm." Based on the axial coding results, the next stage is selective coding, which means the process of selecting core categories, link them with other categories systemically (Charmaz, 2017).

Theory Development Process

During the induction process, there are four main stages in building local knowledge from the field, they are [1] coding, [2] concept, [3] category, [4] theory.

Coding

Coding is the process finding, naming and preparing theoretical sample in the form of social situation in the research locus, based on the nature and size in its dimensional range. The coding stage is the most boring one since it deals with such a large amount of discrete phenomena found in the field and associated and compared each other on an ongoing basis to be abstracted into a meaning-intensive concept. This procedure is highly helpful in providing accuracy and specificity of a concept in data theoritization (Carmichael & Cunningham, 2017; Dixon et al., 2017).



Numerous social situations encountered in the field will be explained in discussion related to the development of theory of client or auditee's (in this case the government apparatus) attempts and desire to influence the BPK audit result. As preliminary information in order to collect numerous social situations, we interviewed some informants from the regional Government in this research site:

"...formally we are communicative and cooperative with the auditor, and well this means we publicly support the audit process, yet technically, honestly we mostly give something in the form of cash, and we do it secretly, it was actually the most..... our colleges in some offices even invite them to a karaoke or to zona or muse (night clubs in one town).... some even give travel tickets for lebaran holiday, some other goes further to stop them at the airport and even showing a machete, saying "money or machete, you choose", this is just a kind of terror.... yesterday the public work building there (indicating a regency) was burned, when that building contained archives, all project archives were burned..."

To figure out what exactly the client or government apparatus did these for, the researcher interviewed some informants:

“...basically, they want a good audit result, and we know exactly what we did wrong, thus it's better that our mistakes are not exposed disclosed, then (our) main goal is to obtain WTP, because the Mayor keeps on demanding us to get WTP...”

Based on this interview, some efforts made by the apparatus to influence the audit result can be implicitly. The next section will discuss in more detail these various social phenomena using interview with some other informants.

Attempts of giving money or goods to auditor

Many vocabularies could indicate a bribery practice. In English, such terms as bribe, graft, embezzlement, or fraud are available (Farooq & Shehata, 2018). Judging from this fact, it is safe to say that bribery is not only an issue in Indonesia nor in developing countries, rather it also exists in developed countries. The problem is that bribery has been culturally deeply rooted in Indonesia. In Indonesian language, the vocabularies to mean bribery other than suap are so many. However, the one culturally having the deepest root is upeti (tribute), which comes from the Sanskrit utpatti which means more or less a proof of loyalty. According to history, upeti is a form of offerings from adipati (duke) or lesser kings to the conquering king (De Haan, 2017).

Many cases in the world and even in Indonesia which could depict the attempts to bribe for varied purposes. The SKK Migas bribery case, for example, was done since the briber expected that the ESDM ministry's production target would be approved by DPR (House of Representatives). Another case was the bribery done by Artalita Suryani in which she bribed the Prosecutor Urip Gunawan to set the BLBI case suspects. Still another example of bribery case was Hambit Bintih's bribery to the Judge of Constitutional Court Akil Mochtar in an attempt to influence the court verdict on Pilkada (Regional Head Election) dispute of Gunung Mas Regency. The beef import bribery case was also worrisome amidst the government's effort to promote food resilience campaign. The alleged corruption case in the provision of beef import quota emerged as the Corruption Eradication Committee (KPK) arrested Ahmad Fathanah with some money amounting to one billion rupiah as the evidence.

One of the many forms of bribery or graft was the bribing of BPK auditor in an attempt to influence the audit result in favor of the client in this case the regional government apparatus. The following was the researcher's interview with an employee of X Regency's finance department using the local language.

".... actually it was habit, there were also person of the BPK who are willing to accept money, usually we give it in the car, put it under the seat, in time the driver will tell them, ... We rarely give directly, we gave more often gifts, like typical food, we put money in the food box"

Such phenomena frequently happened, particularly in some regions with many faults in terms of their Regional Budget usage, that it forced their apparatus to do whatever it took to influence the audit result in favor of the auditee's expectation. The informant above explained that it had commonly occurred, i.e. some auditors were willing to accept money. Usually, the apparatus gave the money within a car, placed it under the seat, and after that the driver would tell them that somebody asked them to accept something. Very rarely did they give the money in person. In some cases, the briber put the money into a box of local souvenirs, allowing the recipient to receive the money without having the time to refuse it. Nevertheless, not all BPK auditors could be intervened, most of them refused to accept the money or to be bribed.

“...well it's hard, can't do nothing... we once try it and they won't receive it, they even refuse our invitation to have lunch together, let alone receiving money, even communicating with them is a struggle...”

It could be concluded that some clients tried to influence the audit result by bribing the auditor. Some succeeded and many of them failed, depending on the auditor's integrity.

Efforts of intervening the Auditor by giving opinions on certain accounts

Usually, the client had been fully aware of where they made mistakes or faults at. Hence, the client tried to intervene the audit result. Various accounts in regional government's financials statements were misrepresented by their financial managers. Below was a summary of an interview with an informant who was an official of financial department at a regency in East Java province.

"...what has been a problem now is the recording of government assets,... sometimes it is difficult for us to acknowledge the right of a local government-owned property, when the land was actually owned by the province government, yet a local government's building is constructed on it, hence we try to tell our BPK folks that it is hard to record asset ownership, since no official grant has been made from Suroboyo (East Java government), hence we teach them that this and that are how we record it..., to allow them to help us..."

In this case, the apparatus tried to explain how to outwit the record of assets whose ownership remained unclear; sometimes they were recorded not using the generally accepted accounting procedure. The regional government sometimes had acknowledged that the land was their asset, yet they have no ownership right over the land. The same applied to the findings related to the amount of direct and indirect spending honorarium. Sometimes, the apparatus tried to convince the auditor to skip the audit of direct and indirect spending realization report, by stating that the honorarium standard had been in accordance with the Regional Government Decision Letter and some even had Decision Letter of SKPD Chief, while other supporting regulations were concealed.

"...the difficult part is about honorarium issue, it's impossible for us to give an agency chief a small honorarium, the cost standard was not at that amount, thus we making a maneuver by making a Regional Head Decision Letter of Agency Chief Decision Letter to make a legal basis to give a honorarium at slightly higher rate..."

Another way they could do was making a spending whose account was inexistent. This was also usually done by making a new account, which did not comply with the government accounting standards.

Effort of providing travel facility for auditor's personal interest

Such factor as reward in the form of gift and sanction or punishment received by the auditor in performing the audit might also influence their independence in giving opinions of the audit result (Naslmosavi & Jahanzeb, 2017). The reward received by a BPK auditor sometimes could not meet their needs, thus in their attempt to fulfill these needs, the auditor sometimes did unethical conducts. Below was an interview with one informant from a municipality government in East Kalimantan.

"...explicitly they did not tell anything, yet implicitly they told me like this - My family and I have to go to my hometown, next week happens to be the start of fasting month, it makes me dizzy when it hasn't been the date for my salary payment, and the flight ticket is crazy high-....that's it, talking that way makes us understand what they actually want, and well we have no choice but to prepare for them 4 shuttle flight tickets for the whole family, most importantly is the audit result is ok..."

This was one of form of implicit request of facility from the auditor; it was real and actually happened. The provision of travel facility to the auditor constituted a form of client's efforts to influence the audit result. Sometimes, such a request came from the clients themselves, and they usually asked all tickets of the auditor to be refunded, some auditors gave them, yet some others did not give them, since they thought it was a violence of their independence, particularly :47 BPK auditor. According to Dridi & Boubaker (2015) independence was an unbiased and impartial view in performing audit tests, evaluation and its results, and issuance of report, and was the main reason for the society to put their trust on them.

Procurement certain staff to help auditor

Procuring certain staff was usually done in an attempt of assisting the auditor in performing the audit process. Many goals could be involved when this *modus operandi* was employed, in this case it was to influence the audit result through the staff they procured to help the auditor, or to even give personal gratification through a staff of the opposite sex. For example, a pretty female staff was procured to help the male auditor in their attempt to distract the auditor's concentration. The following was an interview with one informant from a financial management division of a regency in North Sulawesi.

"...so, an auditor is also a human, sometimes they will be conquered if they are facing a pretty girl, that's just what we need to use, they might even invite the girl to have lunch together, at least this is what we can do to make him give us a good opinion for our audit result..."

This procurement of staff assistance to some extent will have an ¹² impact on the auditor's independence, either positively since the audit process would be accelerated or negatively as it could also distract the auditor, while being enjoyed by the auditor since he was human after all.

Providing entertainment facility for auditor

The entertainment facility or even night entertainment was one of hedonic needs of the society, particularly the urban society. The same applied to the auditor. It was possible for them to accept or even request to be provided with night entertainment facility as the requirement to make their personal decision. Below was an interview with one financial staff of a municipality government in West Java.

"...of course I have (that experience), we opened a room, and they followed us.... turned out they also liked it, maybe because it happened to be out of town and they were auditor from the central..."

Only a few accepted this facility provision, most of them rejected it, since it would be extremely difficult to influence the auditor if what they gave was not proportional to the additional audit fee. Entertainment was merely an entertainment; it did not influence the audit result too much. Below was an interview with one informant from Sulawesi Island.

"...even if they followed us to enjoy the entertainment, it's hard to make them follow our rule, they still used the actual audit instruments and their independence was not compromised..."

Providing the best and selected audit samples

The proof of a competent audit should be obtained from inspection, observation, asking questions, and confirmation as the adequate bases to declare an opinion of the audited financial statements. Whether or not the audit evidences were sufficient had something to do with, among other things, the audit sample design and size. The sample size needed to produce adequate audit evidence depended on the sample objective and efficiency.

For certain purposes, the sample efficiency was associated with its design. A sample would be more efficient than other samples if it could achieve the same objective with a smaller sample size. Generally, a careful design would produce a more efficient sample. An auditor should use a more efficient sample in performing their job, yet sometimes the client provided the best sample, thus it failed to describe the actual evidences (Asmara, 2016). Below was an interview with one client from a municipality government's financial management staff in one province in Sumatera.

"...we are usually asked to provide only the best evidences, and the poor ones were kept, yet sometimes the auditor asked them randomly, and this is what confused us..."

One of these attempts did not fully succeed, since the auditor used a random sample. Audit sampling could be applied to both control and substantive tests. Nevertheless, usually auditor did not apply the audit sampling in the testing procedure in the form of asking questions or question and answer, observation, and analytical procedure. The audit sampling was commonly applied by the auditor in the form of vouching, tracing, and confirmation. When applied appropriately, the audit sampling would produce a fairly adequate audit evidence (Dridi & Boubaker, 2015), as what was expected by the third field job standard.

Client getting rid of audit evidences

Most of the independent auditor's jobs in their attempt of giving opinion to financial statements consisted of those efforts to obtain and evaluate audit evidences (Sirois, Bedard & Bera, 2018). The validity measurement of this evidence for audit purpose depended on the independent auditor's consideration; in this case the audit evidence was different from legal evidence as set forth explicitly by tight regulations. Audit evidences had varied effects on the conclusion drawn by the independent auditor in order to give an opinion to an audited financial statements (Ma'ayan & Carmeli, 2016). The relevance, objectivity, timeliness, and existence of other audit evidences which confirmed the conclusion all had an influence on the evidence competence. Sometimes, to influence the audit result, the client tried to get rid of the audit evidences or direct the audit evidence. Below was an interview with an informant from Finance Department of a regency government in Central Java.

"...well it is indeed rarely, but there was once.... I don't know if it's deliberate or not, once a public works archive warehouse was burned down, when every audit evidence was kept there, of course no audit was made.... but it's too risky, very rarely done, the most we could do is to make as if there is a theft, hence some of the files or laptop are gone..."

The effort of getting rid of audit evidence was also once done by the state's higher institution the Supreme Court, over the costs of suit case report in SC. The BPK audit of the costs of suit in SC was only carried out at the beginning of 2008. Some thought this delay could be a means of getting rid of evidences and manipulating financial statements. The Coordinator of Political Corruption Division of Indonesia Corruption Watch, Fahmi Badoh once stated: (www.detik.com).

"It is actually obvious that the SC tries to evade it. There might be an attempt of getting rid of evidences. Manipulation of financial statements is a possibility, the reconciliation between the two state institutions haven't solved the problem. Even worse if the SC keeps on postponing the audit, well only reconciliating does nothing if no audit is carried out. They have to distinguish public and elite issues..."

ICW was concerned about the substance of GR on Procedure of Managing Costs of Suit in a Court issued by the SC. This GR the SC claimed to be a legal umbrella for managing the costs of suit was deemed to benefit only the SC. Fahmi Badoh continued:

"I'm afraid this GR would be a tool to justify those practices in contradiction with the budget management rule. It's possible that this GR would be misused"

Giving a terror effect to the auditor

The pressure from the client's management often occurred during a conflict situation between the auditor and the client. This conflict situation emerged when the auditor and the client were on the opposing sides, i.e. they disagreed on the financial statements evaluation (Asmara, 2016). This, in turn, made the client influence and even forces the auditor to do an action which violated the audit standards to their favor, including in giving an opinion which failed to describe the real condition. In the face of such condition, argumentation usually occurred and it was not entirely rare to see one party resorted to intimidation and violence.

“...this a friend’s story, they went so far as to stop the auditor at the airport, and even threatened him with a machete, money or machete, choose, and eventually the auditor conceded and changed the audit result...”

The auditor’s independence crumbled under a conflict situation. This conflict situation got even worse when the client began to intervene the audit process that it might influence the auditor’s opinion of their historical financial statements. From the private sector perspective, Khalil & Ozkan (2016) suggested that major KAP auditors (big four) tended to be more infrequently conceded to the management’s pressure when the auditee’s financial statements should be published, or the auditee had a problematic financial condition, and there was a high risk of auditee take over. This was because if the auditor conceded to the client’s intervention and followed what the client wanted, then the litigation risk of improper audit would be very high (Khalil & Ozkan, 2016; Y. (Elli) Zhang et al., 2016).

Concept and Category

The next step was to build a concept. Concept was the main components to shape a theory. Concept was abstract, a universal mental entity referring to a category or class of an entity, event or relationship (Jacobs, 2016). The term concept came from the Latin word *conceptum*, meaning something understood. Aristoteles in "The classical theory of concepts" suggested that a concept was the main constituent of scientific knowledge formation and human thought philosophy. Concept was an abstraction of an idea or mental depiction, expressed in a word or symbol. Concept was also expressed as a part of knowledge built from various kinds of characteristics (Holton & Walsh, 2016). A concept emerged since it was built, rather than spontaneously emerge. It occurred from various sets of phenomena built from coding stage (Gibbins et al., 2001). Based on the numerous codings describing the many social realities and phenomena in the field, a concept which relates to the efforts of influencing the audit result could be built:

- a) The effort of providing money or goods to the Auditor. The provision of money or goods or other forms of materials, would encourage the BPK auditor to take actions which violate their independence. Conceptually, it was possible for any auditor receiving small or cheap audit fee from the BPK to accept what the auditee was about to give in order to meet their needs.
- b) The attempt to intervene the Auditor by giving opinions on certain accounts. Giving opinion on certain accounts to some extent would influence the auditor’s opinion. It was worsen by the fact that some auditors were less aware of certain cases or transactions related to spending and income in the regional government.
- c) The effort of providing travel facility for the auditor personal benefit. Not too much different from providing money or goods, providing travel facility to the auditor could influence the audit result. The influence got even more significant if the auditor was in desperate need of official travel costs and the efforts was more likely to successfully influence the audit result.
- d) Providing entertainment facility for the Auditor. The provision of entertainment facility had been one of the attempts made to influence the audit result. While, based on the interview, this method had no significant influence on the audit result, it remained a fact that this was one of the attempts made by the auditee.
- e) Providing the best and selected sample audit. It had been something common to provide only the best audit sample, since it would influence the audit result. Yet, the result could still be dealt with by the auditor using audit sampling to allow them to randomly use audit evidences.
- f) Getting rid of audit evidences. This was an extreme way in dealing with an auditor, yet if this was found out, it was possible to lead the perpetrator to criminal realm. Getting rid of audit evidences would influence the audit result and the influence was even worse if the evidences gotten rid of were those of problematic transactions.
- g) Giving terror effect to auditor. Giving the terror effect was also an extreme way of influencing the audit result. However, such an attempt was rarely done, except for major cases and the auditor was also in conflict with the auditee.

Theory

To make it credible, a theory should have an “explanatory power”, by associating concepts and categories, as well as the specificity; categories should be related to each other and tightly related with the data. In Grounded Theory research, the term theory meant an explanation or abstract understanding of a process regarding a substantive topic based on the data. There were types of theory produced in grounded research, namely substantive and formal theories (Carmichael & Cunningham, 2017; Muller et al., 2016).

- (a) Substantive theory emerged from studies of real social conditions such as customer relations management, professional practices, gender relationship, leadership, or internet communication. Since this theory presented a relationship which is nearly similar to its empirical reality, this theory is quite helpful for researchers in business or professional realm.
- (b) Formal theory was developed from substantive theory. This theory was produced from various situations and varied backgrounds, was conceptual in nature and had a high generality.

Based on the collected coding according to various social phenomena, a concept was then prepared and a category was made and eventually a theory was formulated, in this case it was related to the attempts to influence the BPK audit result. The theory was as follows:

“The audit system in the government requires an interaction between auditee, in this case the financial management apparatus and the BPK auditor, and such interaction gives birth to a communication. This communication space is used by the auditee to influence the audit result, aiming to evade legal actions and obtain achievement in their state and regional financial management”.

The attempts to influence the audit result had various measuring dimensions and numerous kinds of way, including: attempt to provide money or goods to the Auditor; attempt to intervene the Auditor by giving opinions on certain accounts; attempts to provide travel facility for the auditor’s personal benefit; providing entertainment facility for the Auditor; providing the best and selected audit samples; getting rid of audit evidences and giving terror effect to the auditor.

CONCLUSION

The grounded theory’s approach constituted a qualitative study which employed a number of systematic procedure in order to develop a bottom-up theory or a set of separate data. As the name implies, the goal of Grounded Theory was data theoritization. Theoritization was a method of building an action/interaction-oriented theory, hence it is suitable for use in research on behavior. This research wanted to draw a conclusion from a social phenomenon that there was an interaction between the client and the auditor. Based on the collected coding according to various social phenomena, a concept was then prepared and a category was made and eventually a theory was formulated, in this case it was related to the attempts to influence the BPK audit result. The theory was as follows: The audit system in the government requires an interaction between auditee, in this case the financial management apparatus and the BPK auditor, and such interaction gives birth to a communication. This communication space is used by the auditee to influence the audit result, aiming to evade legal actions and obtain achievement in their state and regional financial management. The limitation of this research was that due to its subjective nature, this research result was not intended for generalization, thus it had limitation in external validity in scientific research. For future research, it was suggested to expand the scope of informants to include various SKPD levels with more complex job concentrations and to consider the culture of each region in Indonesia.

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