



The quality of audit opinion does not affect the level of corruption in the East Java provincial government

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Abstract

Abstract

This study aims to analyze the role of the Audit Board of Indonesia (BPK) in reducing and preventing corruption in the local government. The focus of the research discussion is the case of corruption that occurred in the 2016-2018 period. The data came from the regional government of East Java Province, which consists of 9 cities and 29 regencies, based on the number of corruption cases and BPK audit results in each area. The independent variable used was the results of the BPK audit on the Regional Government of East Java Province, which consisted of audit findings and audit opinions. The dependent variable was the level of corruption in the East Java regional government handled by the Attorney General's Office. This study used a panel data regression analysis model. The results of the study showed that audit opinions and BPK audit findings had no significant effect on the level of corruption cases in the regional government of East Java Province.

Keywords: corruption, audit opinion, audit findings, local government

Abstrak

Penelitian ini bertujuan untuk menganalisis peran BPK dalam mengurangi dan mencegah terjadinya korupsi pada pemerintah daerah. Fokus pembahasan penelitian adalah kasus korupsi yang terjadi pada periode tahun 2016-2018. Data berasal pemerintah daerah Provinsi Jawa Timur yang terdiri dari 9 kota dan 29 kabupaten, berdasarkan jumlah kasus korupsi dan hasil audit BPK pada setiap masing-masing daerah. Variabel independen yang digunakan adalah laporan hasil audit BPK pada Pemerintah Daerah Provinsi Jawa Timur yang terdiri dari temuan audit dan opini audit. Variabel dependen adalah jumlah korupsi pemerintah daerah Jawa Timur yang ditangani oleh Kejaksaan. Penelitian menggunakan model analisis regresi data panel. Hasil penelitian menunjukkan bahwa opini audit dan temuan audit tidak berpengaruh signifikan terhadap tingkat kasus korupsi di pemerintah daerah Provinsi Jawa Timur.

Kata Kunci: Korupsi, opini audit, temuan audit, pemerintah daerah

INTRODUCTION

Corruption in Indonesia has become a national problem that is difficult to solve (Daniel, 2011). Corruption results in a decrease in the level of social welfare which then threatens national security because corruption harms economic, political, ideological, and socio-cultural aspects, as well as national resilience, security, and defence (Waluyo, 2016). The corruption perception index data from transparency international shows the number of corruption cases in Indonesia. The corruption perception index in Indonesia shows that over 5 years (2014-2018), there has been no significant improvement in corruption problems (transparency international, 2018). Meanwhile, data on corruption cases from the

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Indonesian corruption watch (ICW) shows that in 2015-2018 the number of corruption cases in Indonesia was still high and has not shown a downward trend every year.

The motivation for this research is the many corruption cases in the East Java regional government. For three years (2016-2018), East Java has always been the province with the highest number of corruption cases, with an average number of cases of 61 cases and causing an average loss of 108 billion each year. In addition, within two years (2017-2018) there were 11 regional heads in East Java who became suspects in corruption cases (Gabrillin, 2018). Furthermore, in mid-2018, the Corruption Eradication Commission (Komisi Pemberantasan Korupsi/KPK) handled corruption cases that ensnared 41 out of 45 members of the Malang Municipal Regional People's Representative Assembly/DPRD (Rachman, 2018).

How many corruption cases were previously undetected by the Supreme Audit Agency (BPK)? Article 23 E of the 1945 Constitution explains that the BPK is a free and independent body established to examine or oversee the responsibilities and merits of management related to state finances. Therefore, the role of BPK should be able to prevent or reduce the level of corruption committed by regional heads. This is in line with corporate governance, in which audit committee oversight can reduce the probability of management carrying out fraudulent financial reporting (Anggraini & Suryani, 2021). Therefore, this study wants to investigate the effect of BPK audit reports on the level of corruption in the East Java regional government.

The BPK Audit Report (Laporan Hasil Pemeriksaan/LHP BPK) consists of findings and opinions. Research on the effect of BPK audit findings on corruption was conducted by Liu & Lin (2012), Masyitoh, Wardhani, & Setyanigrum (2015), Pramesti & Haryanto (2019), and Suhardjanto *et al.*, (2018) which explains that audit findings have a positive effect on the level of corruption. These results are different from research from Abror & Haryanto (2014), which shows that audit findings have a negative effect on the level of corruption cases. In addition, research by Husna, Rahayu, & Triyanto (2017) and Rini & Damianti (2017) conclude that audit findings have no significant effect on the level of corruption in local governments. Meanwhile, research on the significant negative effect of BPK audit opinion on corruption was conducted by Suhardjanto *et al.*, (2018) and Masyitoh, Wardhani, & Setyanigrum (2015). These results differ from research by Husna, Rahayu, & Triyanto (2017), Pramesti & Haryanto (2019), and Rini & Damianti (2017), which proves that there is no significant effect of audit opinion on the level of corruption.

The difference in the results of several previous studies is due to, first, the level of quality of audit performance on government financial management carried out by the Supreme Audit Agency (BPK), especially in providing opinions/assessments of audit results and uncovering findings on discrepancies in government financial management. Second, there are various classifications of corruption cases, not all of which are directly related to government financial management and the limited scope of audit activities carried out by the BPK. Therefore, the novelty of this study further discusses the influence of the results of audit reports from the BPK on the level of corruption handled by the Attorney General's Office.

The difference with previous research is that the research object used a sample of 38 East Java Province regional governments, consisting of 9 cities and 29 locals, during 2016-2018. The urgency of this research is that during 2016-2018 East Java Province became the province with the most corruption cases among other provinces in Indonesia. In addition, during 2017-2018, 11 regional heads in East Java Province became suspects in corruption cases. This research is expected to provide a theoretical contribution to the influence of BPK audit results on the level of corruption handled by the Attorney General's Office.

Contribution to policymakers, encouraging work effectiveness by related institutions in preventing corruption.

Corruption and the Theory of Robert Klitgaard

Based on the explanation of Article 2 in Law No. 31 of 1999 as amended by Law No. 20 of 2001, corruption is an unlawful act to enrich oneself and others both from an individual and corporate perspective, which results in losses to the country's finances or economy. Therefore, an act can be said to be indicated as an act of corruption if it fulfils all three of these elements, namely including an act that is against the law, a category of action that enriches oneself or another person, and results in losses to the country's finances or economy. In this article, against the law is meant for actions that are considered disgraceful, not by justice and the norms of social life in society, or are said to be against material law, whose actions are not regulated in formal legal legislation, so that these actions can also be punished (KPK, 2015). Losses may arise to the state referred to in the article above, confirming if the matters formulated in the act have been affected, then it is considered that a criminal act of corruption has occurred (KPK, 2015).

This study used the CMDA theory of corruption by Robert Klitgaard, which states that corruption is C (Corruption) = M (Monopoly) + D (Discretion) - A (Accountability) (Klitgaard, 1998). Klitgaard stated if there is a monopoly on official power in making policies that are not accompanied by good accountability, this will motivate corrupt behavior (Pramesti & Haryanto, 2019). The more corruption cases occur, the lower the financial management accountability (Gupta, Davoodi, & Alonso-Terme, 2002). Furthermore, if the audit system, which is a measure of accountability, is inadequate, then government officials become vulnerable to corrupt behavior (Gong, 2009). If the government increasingly monopolizes power and policies on financial management, but accountability is weak, corrupt behaviour will continue to grow (Klitgaard, 1997). Thus, corruption is rooted in excessive power by public officials to manage finances and a lack of control. Therefore, it is necessary to strengthen accountability which functions as a system of checks and balances and fraud detection (Liu & Lin, 2012).

Audit Findings

Audit findings indicate a discrepancy between financial governance and regulations. The number of findings by the BPK reflects good or bad governance of government finances. Based on the results of audits conducted by the BPK, if indications of fraud are found, for example, acts of corruption or causing state losses, these findings will then be delegated to more authorized institutions such as the Police, High Court, and KPK (Zamzami, Mukhlis, & Pramesti, 2014). If the audit process by the BPK on local governments that have bad financial governance is carried out independently and professionally, there will be more audit findings on government institutions that have bad financial governance, for example, unfair financial transactions such as corruption (Saleh & Ratmono, 2017).

Robert Klitgaard's CMDA theory explains that increasing accountability through government audits can control monopolies by government authorities, which can minimize corruption. Many audit findings by the BPK may indicate that the area has also found many corruption cases (Abror & Haryanto, 2014). Based on previous research, corruption in the Chinese government in 2012 explained that the number of audit findings on non-compliance with regulations as well as audit findings on internal control system weaknesses was positively correlated with an increase in corrupt actors (Liu & Lin, 2012). These

findings are supported by the research of [Suhardjanto *et al.*, \(2018\)](#), [Masyitoh, Wardhani, & Setyanigrum \(2015\)](#), and [Pramessti & Haryanto \(2019\)](#) which shows that there is a significant positive effect of audit findings on the level of corruption. Based on the CMDA theory which places the function of the BPK as a controller of local government financial governance and the results of previous studies which proved that audit findings had a positive effect on the level of corruption, this study formulated the following hypothesis:

H1: Audit findings have a positive effect on the level of corruption

Audit Opinion

The audit opinion is the auditor's statement on the results of the auditing process. The auditor's opinion reflects the fairness of the financial statements presented ([Suhardjanto *et al.*, 2018](#)). In the context of an audit of local government financial reports, the fairness of financial reports includes compliance with government accounting standards and regulations. Corruption in local governments can occur due to weak internal controls and some transactions are not by generally accepted accounting principles and do not comply with regulations ([Saleh & Ratmono, 2017](#)). If there are indications of corruption in a local government, then the audit opinion from the BPK should not be unqualified. Many regional financial reports have received an unqualified opinion, but there is a lot of corruption, for example in East Java Province. This indicates an anomalous event.

According to Robert Klitgaard's CMDA theory, audit opinions reflect financial accountability in local governments, so the qualifications of audit opinions can also reflect the quality of government bureaucracy in financial governance. Previous research conducted by [Masyitoh, Wardhani, & Setyanigrum \(2015\)](#) and [Suhardjanto *et al.*, \(2018\)](#) shows that audit opinion has a significant negative effect on the level of corruption cases. The results of this study explain that, if the better the audit opinion on financial reports by the BPK, then lower the level of corruption cases in the local government. Based on this, the research hypothesis is as follows:

H2: The auditor's opinion has a negative effect on the level of corruption.

METHOD

This study examined the influence of independent variables on the dependent variable. The dependent variable was the corruption cases that occurred in the East Java regional government in 2016-2018, the data was taken from the East Java High Court. The independent variable was the number of audit findings and audit opinions taken from the 2015-2017 BPK East Java Audit Report or with a lag distribution because the BPK audit results were followed up and completed by the prosecutor's office the following year. This was based on Attorney General Regulation No. 29 of 2010, an investigation was carried out by the Attorney's Office no later than 28 days after receiving the report, then proceed with the first investigation no later than 30 days. If it had not been completed, a second investigation was continued for a maximum of 20 days and a third investigation for a maximum of 20 days. This study used panel data regression analysis for time series and cross-section data.

The audit opinion variable used a dummy model with two assessment categories based on the value of audit opinions that have been issued by the BPK, namely Unqualified Opinion (Wajar Tanpa Pengecualian/WTP) with number 1 and qualified Opinion (Wajar Dengan Pengecualian/WDP) with number 0. The research sample taken was municipal governments and regencies in East Java Province, with a total of 38 local and municipal

governments. The observation period was 3 years, with a total of 114 observations. The panel data regression model used was as follows:

$$\text{Common Effect Model (CEM)} : \text{corruption}_{it} = \alpha + \beta_1 \text{findings}_{it-1} + \beta_2 \text{opinion}_{it-1} + \varepsilon_{it} \quad (1)$$

$$\text{Fixed Effect Model (FEM)} : \text{corruption}_{it} = \alpha_i + \beta_1 \text{findings}_{it-1} + \beta_2 \text{opinion}_{it-1} + \varepsilon_{it} \quad (2)$$

$$\text{Random Effect Model (REM)} : \text{corruption}_{it} = \alpha_i + \beta_1 \text{findings}_{it-1} + \beta_2 \text{opinion}_{it-1} + \varepsilon_{it} \quad (3)$$

$$(\varepsilon_{it} = u_i + v_t + w_{it})$$

RESULT AND DISCUSSION

Classic Assumption Test

The normality test in this study used Jarque Bera (JB) to obtain a P-value of 0.3329 or more than 0.05 (JB > 0.05%) so that the research data was normally distributed after data transformation. The multicollinearity test in this study using the Variance Inflation Factor (VIF) showed that the independent variable used obtained a VIF value of 1.000011 (VIF < 10) so it can be said that this study the regression model used did not find multicollinearity problems or there was no correlation between the independent variables. The results of the autocorrelation test analysis in this study used Durbin Watson obtained a value of 1.8636, while the DU value obtained was 1.7252. This figure is based on indicators $(4 - 1.7252) > 1.8636 > 1.7252$, so the data in this study were free from autocorrelation problems. The results of the analysis of the heteroscedasticity test in this study used the Glejser test obtained a P-value Obs*R-squared of 0.3725 (P-value > 0.05), so the data in this study found no heteroscedasticity problems.

Descriptive Statistics

The output of the descriptive statistical analysis in this study is presented in Table 1 and Table 2 as follows:

Table 1. Descriptive Statistics

Variable	Min.	Max	Mean	Std. Deviation
Corruption (Y)	0	21	3.39	3.39
Findings (X1)	6	35	17.08	6.36

Table 2. Dummy Variable Descriptive Statistics

Variable	Dummy 1 (WTP)		Dummy 0 (WDP)		Total	
	N	%	N	%	N	%
Audit opinion						
2015	29	76.3	9	23.7	38	33.3
2016	30	78.9	8	21.1	38	33.3
2017	36	94.7	2	5.3	38	33.3
Total					114	100%

In Table 1, the results of the descriptive statistics showed that the corruption variable obtained an average of 3 cases per year, so, it can be presumed that there are always corruption cases in each East Java regional government each year. This showed that efforts to prevent corruption in regional governments in East Java had not been effective. As was the case with the regional government of Sidoarjo Regency, which discovered the most

corruption cases cases of corruption in 2016-2018, it was also an evidence of the regional government's failure to prevent corruption. Meanwhile, Madiun Regency is an example of a regional administration that had been successful in avoiding corruption because there were no corruption charges from 2016 to 2018.

Table 1 also shows that each local government in East Java had an average of 17 BPK audit findings each year. Audit findings generated in the BPK audit process can indicate weaknesses in the internal control system as well as non-compliance with laws and regulations (Masyitoh, Wardhani, & Setyanigrum, 2015). The large number of audit findings reflects that some are inconsistent with financial management and records (Abror & Haryanto, 2014). This means that good local government financial management is when there are few audit findings because it is free from SPI problems and regulatory violations. An example of research data is that the local government of Situbondo Regency found the highest number of audit findings in 2017, with a total of 35, while Tulungagung Regency had the least audit findings in 2017, with a total of 6.

Table 2 shows that the dominance of the audit opinion scores obtained by local governments in East Java in 2015-2017 was unqualified (WTP), while the worst audit opinion scores obtained were unqualified (WDP). The audit opinion is a manifestation of the level of accountability of financial reports prepared by the government and is considered a reflection of the fairness of disclosed financial reports (Suhardjanto *et al.*, 2018). The value of the WTP and WDP audit opinion shows that the fairness of the presented financial statements has been fulfilled (Zamzami, Mukhlis, & Pramesti, 2014). This showed that each local government in East Java was already good in terms of financial management because no local government had received an audit opinion score under the WDP.

Panel Data Regression Test

In Table 3, the results of the LM test in this study showed that the P-value was > 0.05 , so the common effect model was chosen, and a Chow test was necessary. The results of the Chow test obtained a P-value < 0.05 , which means that the Fixed Effect Model was selected. Therefore, the conclusion from the selection of the panel data regression estimation model after the LM test and Chow test were done to use a fixed effect for the selected panel data regression estimation model and was used as the basis for concluding this study.

Table 3. Panel Data Regression Model Selection

Regression Model Test	P-value
<i>LM test</i>	0.1596
<i>Chow test</i>	0.0009
Selected Regression Model	<i>Fixed Effect</i>

The results of the random effect model regression analysis used to conclude hypothesis testing can be seen in Table 4 as follows:

Table 4. Estimated Random Effect Model

	t-Statistic	Prob.
<i>Constant</i>	0.766627	0.4459
Findings	0.571320	0.5696
Opinion	1.042263	0.3009
R ²		0.4774
Sig. F test		0.0406

Table 4 explains the results of the F test obtained a P-value of 0.0406 (P-value > 0.05) so that it can be stated that all the independent variables jointly influenced the dependent variable. This means that the audit findings and audit opinions issued by the BPK simultaneously affected the number of corruption cases in municipal and regency regional governments in East Java Province for the 2016-2018 period. In addition, the regression test results in this study obtained a coefficient of determination R² of 0.4774 or 47%. Thus, in this study, it can be stated that audit findings and audit opinions can explain 47% of variations in corruption.

Testing the first hypothesis in Table 4, the t-test results of the audit findings variable obtained a P-value of 0.5696 (P-value > 0.05), so the t-test results rejected the first hypothesis in the study. This means that audit findings did not affect the level of corruption cases in East Java municipal and local governments in 2016-2018. There was no influence from the audit findings on the level of corruption because research data showed that local governments with many audit findings cannot be ascertained that there were also many corruption cases. Conversely, there were local governments with a small number of audit findings, but corruption cases still occurred.

Testing the second hypothesis in Table 4, the results of the t-test analysis of the audit opinion variable obtained a P-value of 0.3009 (P-value > 0.05), so the t-test results rejected the second hypothesis in the study. This showed that the audit opinion issued by the BPK did not influence the level of corruption cases in East Java municipal and local governments in 2016-2018. There was no effect of audit opinion on the level of corruption because research data showed that local governments that got good audit opinions were not necessarily free from corruption cases.

The Effect of Audit Findings on the Level of Corruption

The research analysis results showed that the first hypothesis in this study was rejected, so the audit findings were stated to have no effect on the level of corruption. This means that the data on the number of audit findings produced by BPK auditors representing East Java Province did not significantly affect the level of corruption cases in municipal and local governments in East Java Province in 2016-2018. Many or at least audit findings produced by the BPK cannot be used as a benchmark for the level of corruption in regional governments.

There are differences between the results of this study with the results of previous studies conducted by [Abror & Haryanto \(2014\)](#), [Liu & Lin \(2012\)](#), [Pramesti & Haryanto \(2019\)](#), and [Suhardjanto *et al.*, \(2018\)](#). The previous study found that BPK audit findings had a significant effect on the level of corruption cases. The difference in the results of this study was because most of the research objects were taken from previous research, and the BPK audit process was able to find audit findings that could represent the level of corruption cases. The number of audit findings obtained during the audit process carried out by the BPK auditors reflected the level of corruption cases in the area. In the internal control system, audit findings indicated that there were weaknesses in the internal control system that is implemented, which can bring potential opportunities for fraud to arise ([Suhardjanto *et al.*, 2018](#)). In addition, for municipal and local governments that often violate regulations, there is also a significant influence of audit findings on non-compliance with laws and regulations on the level of corruption cases ([Pramesti & Haryanto, 2019](#)).

There were similarities in the results of this study with the results of previous studies by [Husna, Rahayu, & Triyanto \(2017\)](#) and [Rini & Damiani \(2017\)](#), who found that audit findings did not significantly affect the level of corruption cases in the government sector.

This happened because during the BPK audit process, there were time and cost constraints, so what was examined was not the whole but only a sample of parts of the financial statements (Rini & Damianti, 2017). The category of findings on weaknesses in the internal control system from BPK audit findings cannot always be considered a violation and can cause losses to local government finances (Rini & Damianti, 2017). In addition, violations that become audit findings are not necessarily material in nature and do not necessarily indicate allegations of corruption (Husna, Rahayu, & Triyanto, 2017). Corruption occurs when audit findings of financial management violations can result in losses (Masyitoh, Wardhani, & Setyanigrum, 2015).

The results of the study, which found no effect on audit findings on the level of corruption cases, were not by CMDA's theory of corruption, which states that accountability for government financial management via BPK audits can be used to gain authority and a monopoly on financial management to reduce corruption. According to this theory, audit findings, which were indicators of BPK audit quality in the process of implementing accountability for government financial management, should influence the level of corruption. This difference could have occurred because, during the audit process at the regional government of East Java Province, indications of corruption were not covered by audit activities conducted by the BPK. In addition, the implementation of the audit process by the BPK in producing audit findings had not been effective in simultaneously finding or disclosing corrupt practices in the regional government of East Java Province.

The results of the analysis also showed that BPK audit findings cannot be used as a benchmark for the level of corruption in a regional government. This is because this study only used data with a lag period of 1 year, whereas it could be that the process of disclosing a large corruption case involving many parties takes longer after the BPK had found indications of it. In addition, there might be cases of corruption outside the BPK's scope of investigation whose indications cannot be detected. The audit findings resulting from the BPK audit were not findings from a specific type of forensic audit to uncover errors or fraud in local government finances, so the large number of BPK audit findings did not necessarily indicate fraud such as corruption. An example of a significant case was Situbondo Regency in 2017, where the regional government with the most audit findings was 35, but there were only 2 corruption cases. In addition, in the Municipal of Madiun in 2017, there were audit findings of 29 cases, but there were no corruption cases at all.

The Effect of Audit Opinion on the Level of Corruption

The results of the research analysis showed that the second hypothesis in this study was rejected, so it was stated that the audit opinion had no significant effect on the level of corruption. This means that there was no influence from the audit opinion issued by the BPK auditors representing East Java Province on the level of corruption cases in municipal and local governments in East Java Province in the 2016-2018 period. A good or bad BPK audit opinion cannot indicate a regional government's level of corruption.

There were differences between the results of this study with the results of previous studies by Suhardjanto *et al.*, (2018) and Masyitoh, Wardhani, & Setyanigrum (2015) who found that the audit opinion issued by the BPK had a negative effect on the level of corruption cases. There was a difference in the results because in previous research the audit opinion issued by the BPK was by the conditions of government financial management, so that audit opinion can be an indicator of good and bad financial management in government while at the same time reflecting the number of corruption cases that have occurred. The better the audit opinion given by BPK, the lower the level of

corruption in the local government. Conversely, if the audit opinion is worse, it reflects a high level of corruption in the local government (Masyitoh, Wardhani, & Setyanigrum, 2015). In addition, local governments that receive disclaimer opinions from BPK auditors have higher perceptions of corruption than governments that receive fair audit opinion scores (Masyitoh, Wardhani, & Setyanigrum, 2015). Thus, it can be said that audit opinion is one of the benchmarks for assessing the accountability of the government in carrying out government activities, especially in terms of financial management (Suhardjanto *et al.*, 2018).

The results of this study are the same as the results of previous studies by Husna, Rahayu, & Triyanto (2017), Pramesti & Haryanto (2019), and Rini & Damianti (2017) who found that there was no significant effect of the BPK's audit opinion on the level of corruption. This is because BPK's audit efforts in issuing audit opinions on the government sector have not effectively represented the level of corruption cases in a government. Audit opinion cannot be used as an indicator of high or low levels of corruption in the government sector. The main basis for consideration of the audit opinion issued by BPK is the level of fairness of the financial statements presented and their conformity with Government Accounting Standards (SAP), but fairness here does not mean the truth of a transaction that occurs (Husna, Rahayu & Triyanto, 2017). In addition, a good audit opinion cannot guarantee that the government will be free from corruption cases (Rini & Damianti, 2017).

The lack of effect of audit opinion on the level of corruption cases in this study was not by CMDA's theory of corruption which states that accountability for government financial management through BPK audits can be control overpower and a monopoly on financial management to minimize corruption. The audit opinion is a part of the audit process conducted by the BPK, which is also a form of accountability for local government financial management. Based on this theory, audit opinion should be an indicator of the good and inadequate management of local government finances. However, the results of this study found that BPK's audit opinion did not affect the level of corruption cases in the local government. This was because BPK's audit efforts in issuing audit opinions had not been effective as an indicator of the level of corruption cases in a local government. In measuring the performance of regional government management, BPK's audit opinion is often used as an indicator, so opinions with unqualified opinions (WTP) seem to always want to be hunted by local governments (Husna, Rahayu, & Triyanto, 2017).

The results of this study also showed that regional governments that obtained good audit opinion ratings from the BPK did not guarantee that they were free from corruption cases. Based on the research data that had been obtained, an example was the case of Sidoarjo Regency, which for 2 consecutive years received an unqualified opinion, but at that time became the regional government with the highest amount of corruption. In Sampang Regency, for 3 years, they always received qualified opinions, but the accumulation of corruption cases was only 7 cases. This was because the BPK audit only assessed the fairness of the presentation of financial statements based on Government Accounting Standards, so the realization of giving only two categories of audit opinions (WTP & WDP) cannot be used as a benchmark for the level of corruption in a regional government. In addition, the fairness value in Government Accounting Standards does not mean the truth of a transaction that occurs (Husna, Rahayu, & Triyanto, 2017).

CONCLUSION

The study aimed to investigate the effect of the audit findings and audit opinions of the BPK on the level of corruption cases that occurred in the regional administrations of

cities and locals of East Java Province in the 2016-2018 period. The research data analysis showed that the audit opinion and audit findings had no significant effect on the level of corruption cases in the local government of East Java Province. The results of testing the two hypotheses in this study were not by CMDA's theory of corruption which states that the existence of power and monopoly factors that are not accompanied by the implementation of accountability can lead to acts of corruption.

The limitation of this study is that researchers only acquire accumulative data on audit findings. Audit findings can be classified into two parts, namely audit findings on non-compliance with regulations and audit findings on weaknesses in the internal control system. In addition, the corruption cases in this study were based on acts of corruption in general by ignoring the existence of classifications of types of corruption based on applicable regulations. The results of this study can be used as an evaluation for BPK to be able to further improve the quality of its performance in auditing. Consequently, BPK can play a greater role in reducing the occurrence of corruption in the local government.

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