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# THE AUDIT BOARD OF REPUBLIC OF INDONESIA'S OPINION AND BRIBERY IN LOCAL GOVERNMENTS IN INDONESIA

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## ABSTRACT

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This study is motivated by the trend of corruption cases which increase from year to year, where bribery is the first number in corruption cases. As many as 128 cases of bribery with *in kracht* status occurred in the local government that received an unqualified opinion from the Audit Board of the Republic of Indonesia (BPK RI). Using the Zero Inflated Poisson (ZIP) Panel Regression, this study examines the correlation between financial statement opinion and the number of bribery corruption cases based on 258 bribery cases that have been handled by the Corruption Eradication Commission (KPK) in the period 2008-2017. The estimation result shows that there was no correlation between financial statement opinion and the number of bribery cases. However, the increase in the amount of capital expenditure also goods and services expenditure is related to the increase in the number of bribery cases. This study recommends BPK to consider improving the quality of fraud detection through audit procedures on financial statements, especially in regions that have a relatively high value of capital expenditure and service goods expenditure.

## KEYWORDS:

Corruption; bribery; audit; BPK's opinion; capital expenditure; goods and services expenditure

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## INTRODUCTION

Countries view corruption as the main obstacle to economic and political development. Corruption distorts economic incentives to invest, damages public institutions, distributes wealth and power to unauthorized parties, uses public assets illegally and creates distrust in society (Neu, Everett, Shiraz, & Martinez, 2013). The World Economic Forum 1 estimates that the cost of corruption is the US \$2.6 trillion, equivalent to 5% of global GDP. While the costs for bribery corruption is estimated at around 2% of global GDP (Gaspar & Hagan, 2016).

Corruption is one form of violation or economic crime, corruption also often interpreted as an abuse of power for personal gain (Bardhan, 1997; Rose-Ackerman, 1999). According to Becker (1968), this crime/corruption behavior is motivated by rational choice that the expected benefits of committing a violation/crime outweigh the benefits received by using time and other resources on other activities. Therefore, the violation is based on differences in benefits to be received and costs to be incurred by someone, not because of differences in basic motivation with others. Violations/crimes are committed through illegal actions based on rational decisions on an assessment of risk-seeking. The benefits of illegal actions will provide a return that is greater than the costs incurred, such as the possibility of arrest, the length of prison sentences and opportunities available including the results which are legally accepted namely income.

An effort to reduce corruption rates, especially in the public sector, is to conduct an audit to the governance of the government's finance. Blume and Voigt (2011) state that if government audit institutions function effectively, the monitoring of government expenditure through audits can reduce the level of corruption and increase the effective-

ness of government at more general level. In the audit process, the auditor is seen as an expert in detecting fraud in financial statements, making it effective in investigating corruption. One of the law enforcement efforts in the context of eradicating corruption is by auditing state financial management (Avis, Ferraz, & Finan, 2018).

The audit results of government financial statements are in the form of opinions. According to Law Number 15 Year 2004, opinions is the professional statement regarding the fairness of financial information presented in the financial statements. The opinion is based on four criteria namely conformity with government accounting standards, adequate disclosure, compliance with legislation, and an effective internal control system. Disclosure of weaknesses in the internal control system in the audit process causes the audit to be relevant in preventing corruption.

In fact, in the annual report published by the Corruption Eradication Commission (KPK) in 2018, corruption cases tended to increase from year to year. From the beginning of the establishment of the KPK until 2018, the KPK investigated 887 cases of corruption in which 578 cases had permanent legal power (*in kracht*). KPK divides the mode of corruption into seven categories, namely: (1) procurement of goods and service; (2) licensing; (3) bribery; (4) levies/extortion; (5) misuse of the budget; (6) money laundering crime; (7) impede the KPK process. The bribery mode ranks first in the number of corruption cases that occur and unfortunately, as many as 128 *in kracht* bribery cases occur in local governments that receive an unqualified opinion from the Audit Board of the Republic of Indonesia (BPK RI). In this case, if the audit is seen as one of the policies that can detect fraud in the financial statements, such conditions should not occur. Unfortunately, the reality is the opposite, so the question arises about how the relationship between

the BPK's opinion on financial statement and the amount of corruption, especially corruption with bribery mode.

This study attempts to answer the question about the correlation between BPK's opinion on financial statement with bribery cases in local governments because so far, studies on the relationship between audit opinion and the amount of bribery in Indonesia are still very limited. Up to this study was conducted, there has been no research that discuss the correlation of BPK's opinion on financial statement with the number of corruption cases of *in kracht* bribery.

The audit of government financial statements aims to provide reasonable assurance on whether the financial statements have been presented fairly, in all material respects, in accordance with generally accepted accounting principles (BPK RI, 2017). Wei, Qin, and Tang (2010) state that correction efforts or improvement carried out by the audit institutions and related parties after disclosure of audit findings is the most important factor in determining the extent to which government audits can act as a tool that encourages transparency and accountability of the government.

Klitgaard (1988) states that one component of the strategy to eradicate corruption is by audit. Shihata (1997) states that effective financial management systems, including serious and timely recording, auditing, and performance monitoring are steps to curb corruption. A recent study showed that companies with audited financial statements pay a much lower bribe amount than unaudited companies (Farooq & Shehata, 2018). Backman (1999) in Osifo (2012) states that bribery can be reduced through effective financial government standards, high levels of transparency and external audit; efficient and transparent legal framework; transparent and competitive independent financial

systems and well-sourced media.

On the other hand, Porter (1993) argues that the role of auditing in fighting corruption has been doubted and there is a "hope gap" regarding audit responsibilities in detecting corruption. In some audit works of literatures, such as Gray and Manson (2008), Hayes, Dassen, Schilder and Wallage (2005) also Soltani (2007), the problem of corruption is not discussed in detail and explicitly. This is possible because several authors consider fraud and corruption as two different violations (Labuschagne & Els, 2006). Fraud is interpreted as a form of injustice, including deliberate fraud, office asset taking, account forgery, abuse, etc (Lanham, 1987).

ISA 240 defines fraud as a "fraudulent act that is intentionally done to gain an unlawful or illegal profit", a definition that may include corruption. Nonetheless, corruption is excluded from ISA 240 as shown by Kassem and Higson (2016) who categorize fraud into two types: misuse of assets and fraudulent financial statements; without discussing corruption in-depth except in part A5, where bribery is briefly mentioned as an example of misuse of assets. The consequence of excluding corruption from the definition of fraud is that private-sector financial auditors are not expected to assess corruption risk when planning and conducting their audits. Some literature also states that audits cannot be used to detect corruption. Khan (2006) argues that auditors "almost cannot detect or investigate the actual corruption events, because the perpetrators, generally, do not leave documented evidence". The possibility that transactions are not recorded causes Khan (2006) to conclude: "Auditors cannot play a role in detecting corruption".

Accountability assessments through the auditing of government financial statements in Indonesia are carried out annually by the BPK. The result of the audit is opinions on

the fairness of financial information presented in the financial statements. Opinions on financial statements are divided into four types, namely Unqualified Opinion (WTP), Qualified Opinion (WDP), Disclaimer Opinion (TMP), and Adverse Opinion (TW). WTP opinion is the highest-ranking audit opinion where the auditor believes that the financial statements have fairly presented all material components/financial transactions. While for the three other opinions, each opinion reflects that there are still material weaknesses in the presentation of the financial statements of the governments.

Besides financial audit, BPK also conducts performance audits and special purpose audits (PDTT). The performance audit aims to assess the performance of the government including the economy, efficiency, and effectiveness aspect of the program or activity. The results of the performance audit focused on improving government policy. Whereas for special purpose audits include compliance audits and investigative audits. Unlike the financial audit, performance audit, and special purpose audit are not carried out annually, but those audits are in accordance with BPK's risk assessment and strategic plan.

In conducting audits, both financial audit and other types of audits, BPK's auditors are required to adhere to the State Financial Audit Standards (SPKN). SPKN itself contains Statement of Audit Standards 200 (PSP 200) concerning the standards for conducting audits, which mandates that auditors must design and carry out appropriate audit procedures to obtain sufficient and appropriate audit evidence. Auditors must consider the adequacy and accuracy of the evidence in identifying potential data sources of the agency audited, the results of the auditor's analysis, or other parties. The auditor must also deepen the audit if in obtaining evidence, the auditor suspects that the docu-

ment is not authentic or the contents of the document have been modified but not informed to the auditors (BPK RI, 2017). Based on this, it can be concluded that the audit process requires accurate and adequate evidence in the conclusions of the audit results. In addition to support the audit process, the provision of obtaining evidence or documents could be a limitation if the fraud committed by the auditee is in the form of undocumented fraud, such as bribery mode. This assumption is in line with the findings of Porter (1993) who suggest that the role of audit in combating corruption so far is still in doubt and there is a "gap in expectations" regarding the role of audits in detecting corruption.

Referring to the theory of the economics of crime developed by Becker (1968), this study covers a number of bribery corruption cases which are forms of violation/crime committed by individuals or groups for their personal interests. Economic violations/crimes occurred are corruption influenced by financial benefits/returns received through illegal actions greater than the financial benefits/returns received through legal actions (legitimate income).

In this study, opinion as a result of an audit of financial statements is seen as a "cost" of the illegal act, where audit procedures are a means of realizing transparency and good accountability in governance. Thus, in this study, opinion as a proxy of an audit is seen as a "cost" of an illegal act. Due to the increase in "costs" as a result of detection risk through audit procedures, it is assumed that auditing is one of the factors related to a person's incentive to commit corruption. In addition, audits can also increase the credibility and relevance of the value of financial information so that it is considered to be able to limit the level of manipulation of financial information (Ball, 2001).

According to Law Number 11 Year 1980, bribery is defined as “giving or promising something to a person with the intention of persuading that person to do something or not do something in his duty, which is contrary to his authority or obligations concerning the public interest”; also “accept something or promise, whereas he knows or deserves to be able to guess that giving something or an appointment is intended so that he does something or does not do something in his duty, which is contrary to his authority or obligations concerning the public interest”. In this study, bribery corruption covers both of the above explanations, that bribery corruption can take the form of giving, or receiving gifts related to his position, both related to the process of procurement of goods and services also non-procurement.

Up to now, there has not been much research on the influence of financial statement opinion on the number of bribery corruption cases. Some studies using a similar approach include Avis et al. (2018) stating that the area audited in the previous year had a corruption rate of 8% lower than unaudited areas. Bobonis, Fuertes, and Schwabe (2015) using longitudinal data on city government audit in Puerto Rico showed that corruption was much lower in cities with timely audit – before the elections. However, these cities did not show a decrease in the level of corruption in the next audit. The results of the study indicate that audits allow voters to choose responsive but corrupt politicians to take office. According to Cuervo-Cazurra (2008), auditors play an important role in detecting and disclosing fraudulent actions, including illegal actions such as paying bribes.

Khalil, Saffar and Trabelsi's (2015) study of the impact of disclosure standards in infrastructure audit and audit on bribery of public officials revealed that companies tend to give

prizes for securing government contracts in countries that have adequate financial reporting. Another finding in the same study is that companies tend to bribe bureaucrats if the state's financial accountability is audited by an external audit. In addition to audits, several studies suggest determinants that affect the amount of corruption, including the amount of government expenditure. Goel and Nelson (1998) also Scully (1991) find that the higher government expenditure, the more opportunities for rent-seeking activity. Djankov, La Porta, Lopez-de-Silanes and Shleifer (2002) also found that corruption occurs a lot in public procurement expenditure. The greater the value of procurement expenditure, the potential for corruption is also greater (Hopkin & Rodríguez-Pose, 2007).

Based on Becker's model of “crime and punishment”, the benefits of legal activities are explicitly defined as government wages, promotions, and pensions. Potential gains from corrupt behavior are assumed to be a function of the public sector expenditure variable (Becker, 1968) so that in this study legal benefits are proxied by the average government employee (ASN) income/salary. Kracke (1958) in Quah (2016) states that the low salary/income of government employees in China is one of the causes of corruption during the Song, Ming, and Qing dynasties. Research conducted by Tavits (2010) which examines incentive theory suggests the influence of salary levels and satisfaction with the workplace can affect the corrupt behavior of public officials. Some studies show significant and negative results between salary and corruption (Finan & Mazzocco, 2016; Lassen & Alt, 2003), while Seldadyo and Haan (2006) conclude the opposite effect where the increase of civil servants' salary cause more corruption. Even in other studies, it was not found a statistically significant relationship between salary variables and corruption (Gurgur & Shah, 2005).

## RESEARCH METHOD

This study uses panel data sourced from reports handling corruption bribery cases that have the permanent legal force (*in kracht*) of the KPK from 2008 to 2017. There were 258 cases of bribery in local governments that had been *in kracht* at the KPK. This study also uses data of BPK's opinion on financial statements of local governments from 2008 to 2017. Furthermore, this study also uses the financial statements of regency/city and provincial government in 2008-2017 from the Ministry of Finance including data of employee expenditure budget, goods, and services expenditure budget and capital expenditure budget.

The budget for goods and services and the capital expenditure is the main component in determining the amount of government expenditure that is used for expenditure in the form of assets and consumables, through an auction mechanism that is prone to fraud. The employee expenditure budget is used to find the average income value of civil servants through the ratio of the number of civil servants in each regency/city and province in 2008-2017 which is obtained from the National Civil Service Agency (BKN). The average income/salary is one of the explanatory variables towards corruption behavior in the local government. In addition, this study also uses data on expenditure audits in local governments as a control variable towards goods and services, also capital expenditures.

To obtain data compatibility, namely the suitability of corruption cases reported by the KPK with the financial reporting year at the time of the corruption, the codification is based on the relevant financial year. The selection of data on *in kracht* corruption cases by the KPK is due to the completeness and ease of data access compared to data from

other law enforcers. As noted, the number of bribery cases has not specifically described the conditions of bribery cases throughout Indonesia. The variable number of corruption is a discrete variable that has non-negative integers (0, one case, two cases, and so on).

Based on the research objectives, the main explanatory variable (variable of interest) used in this study is the opinion of financial statements, which is one of the factors that correlate with the amount of bribery corruption. Assuming that the better the opinion received by a region, the more reliable the internal control system and compliance with the law and administrative procedures (financial reporting). It means that the gap for the administration of corruption is reduced. Opinion as a result of an audit of financial statements is seen as a "cost" of an illegal act that is considered capable of limiting the level of manipulation of financial information (Ball, 2001). This can open opportunities for other modes of corruption with lower "costs"/lower detection by BPK, such as bribery mode. Opinion variables are categorical variables, namely category 1 for Adverse Opinion; 2 for Disclaimer Opinion; 3 for Qualified Opinion; and 4 for Unqualified Opinion.

The second explanatory variable is the total expenditure of the local government in the procurement of goods and services which is the sum of the realization of goods and services expenditure and the realization of capital expenditure. The data used is APBD data in the corrupted fiscal year. The use of this variable assumes that the greater the procurement of goods and services, especially capital expenditures, the greater the benefits that can be enjoyed by actors (Becker, 1968; Scully, 1991).

The next explanatory variable is the average salary of civil servants (ASN) obtained from

the division of realization of the direct expenditure of regency/city and provincial employees with the number of ASNs of the local government. The data used are from the realization of employee expenditure for the corrupted annual budget, and data on the number of employees from the National Civil Service Agency.

The following explanatory variable is the expenditure audit dummy, the determination of this dummy is based on the presence or absence of expenditure audit in a local government agency. An expenditure audit is one type of special-purpose audit which is not carried out every year. If the financial audit is carried out every year and for all local government agencies, then the expenditure audit is not carried out every year for each agency as the entity's compliance with legislation related to the implementation of its expenditure budget. Therefore, this expenditure audit dummy has a value of 1 (one) for the year if there is an expenditure audit, and 0 (zero) if there is no expenditure audit.

The control variable is the number of civil servants in each local government agency. Because this study discusses bribery that occurs in a government environment, civil servants are seen as subjects/perpetrators of corruption. So that the initial hypothesis in this study was, the addition or reduction of the number of civil servants would affect the amount of bribery corruption. The greater number of subjects must be monitored, there will be looser behavior's supervision. The

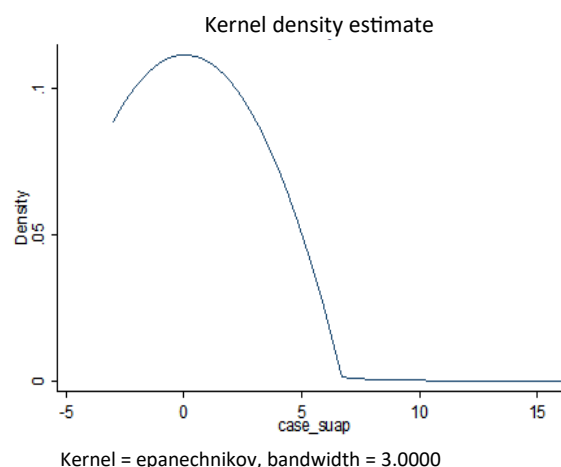
$$Corruption_{it} = \beta_0 + \beta_1 opini_{it} + \beta_2 salary_{it} + \beta_3 total\ goods\ and\ services\ expenditure_{it} + \beta_4 expenditure\ audit_{it} + \gamma_i + \delta_t + \epsilon_{it}$$

panel regression basic model equation in this study is:

Where  $Corruption_{it}$  is the number of bribery corruption cases based on the financial year that was corrupted for the local government

agency I in period t;  $opini_{it}$  is the BPK's opinion category in local government agencies I in period t with 1 representing TW opinion, 2 representing TMP opinion, 3 representing WDP opinion and 4 representing WTP opinion;  $salary_{it}$  is the average salary of civil servants based on the financial year that was corrupted in the local government agency I in period t;  $total\ goods\ and\ services\ expenditure_{it}$  is the total expenditure of goods and services and capital expenditure (Rp) in the log based on the corrupt budget year for local government agencies I in period t;  $expenditure\ audit_{it}$  is a dummy expenditure audit for local government agencies I in period t with 1 presenting an expenditure audit, and 0 if there is no expenditure audit;  $\gamma_i$  is fixed effects;  $\delta_t$  is the year effects and  $\epsilon_{it}$  is the error term for each number of *in kracht* bribery corruption cases based on the corrupt budget year for the local government agency I in period t.

In conducting a regression to answer the alleged effect of the main explanatory variables on the dependent variable, it is necessary to understand the type of dependent variable data. The dependent variable studied is the number of *in kracht* bribery corruption cases, which are data count that contains non-negative integers. Statistically, the distribution of data on the number of *in*



**Figure 1.** Dependent Variable Data Distribution  
**Source:** KPK (2019)

*kracht* bribery corruption cases can be seen in Figure 1.

Data on the number of bribery corruption cases are not normally distributed, the majority is zero. Based on this matter, this study cannot use linear regression analysis which assumes that the dependent variable data is normally distributed. The dependent variable in this study is also a count of data, so for the analysis, this study is using the Poisson regression model (Greene, 1994). The Poisson Regression Model needs several assumptions to be met. One of them is the variance values of the dependent variable must be equal to the mean value or called equidispersion (Simarmata & Ispriyanti, 2011). Testing the equidispersion assumption on the dependent variable is shown in Table 1, where the dependent variable is overdispersed. The dependent variable is overdispersion where the variance value is greater than the mean value. To overcome the problem of overdispersion and the excess of zero values in the dependent variable, zero-inflated Poisson regression can be used for data count (Lambert, 1992).

The Zero-inflated Poisson Regression is used to model the data that excess zero. Furthermore, the theory states that excess zero is produced by a separate process from calculated values and that excess of zero can be modeled independently. Thus, the Zip Model has two parts, the Poisson Counting Model and the Logit Model to predict an excess of

zero. In this study, the number of civil servants was used as a predictor which caused an excess of zero in the dependent variable.

## RESULT AND DISCUSSION

In the period 2008 to 2017, a total of 616 corruption cases were investigated by the KPK. Of these, as many as 434 cases have been decided and have permanent legal force (*in kracht*). Based on the type of case (mode) *in kracht* corruption cases are categorized into several types including procurement of goods/services, licensing, bribery, levies/extortion, budget misuse, money laundering crimes, and impeding the KPK process. The bribery mode was ranked the most corruption mode of the seven modes, in which 258 cases had been terminated with *in kracht* and spread across 478 local government agencies with a tendency to increase from year to year, seen in Table 2.

Based on the BPK's Summary of Semester Audit Results (IHPS), which are published annually, shows that the number of government agencies receiving an unqualified opinion on financial statements has increased from year to year as shown in Figure 2. This indicates an increase or improvement in the financial recording system, internal control system and compliance with laws by local governments, which can be "captured" in the financial audit process by the BPK. However, if we compare it with the data on the number of corruption cases from the KPK, an upward

**Table 1.** Descriptive and Independent Variable Statistics

Variables	Observation	Minimum	Maximum	Mean	Standard Deviation
Number of <i>in kracht</i> Bribery	4.780	0	13	0.0540	0.4910
Opinion	4.780	1	4	3.1778	0.7317
Expenditure Audit	4.780	0	1	0.2506	0.4335
Capital Expenditure	4.780	24.4203	31.1120	26.7098	0.7358
ASN Income	4.780	11.9474	20.8204	15.7037	0.3600
<b>ASN Total</b>	4.780	5.8290	11.1735	8.5400	0.5481



**Table 2.** Number of Corruption Cases Investigated by KPK in 2008-2017

TYPE OF CASES	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
Goods/Services Procurement	18	16	16	10	8	9	15	14	14	15	135
Licensing	3	1				3	5	1	1	2	16
<b>Bribery</b>	<b>13</b>	<b>12</b>	<b>19</b>	<b>25</b>	<b>34</b>	<b>50</b>	<b>20</b>	<b>38</b>	<b>79</b>	<b>93</b>	<b>383</b>
Levies/Extortion	3			0		1	6	1	1		12
Budget Misuse	10	8	5	4	3		4	2	1	1	38
Money Laundering					1	7	5	1	3	8	25
Impeding the KPK Process					2		3			2	7
<b>TOTAL</b>	<b>47</b>	<b>37</b>	<b>40</b>	<b>39</b>	<b>48</b>	<b>70</b>	<b>58</b>	<b>57</b>	<b>99</b>	<b>121</b>	<b>616</b>

Source: KPK (2019)

trend is also seen in the bribery corruption mode. The upward trend in the bribery corruption mode indicates that the possibility of corrupt behavior tends to shift to a personal corruption mode that cannot be detected through audit procedures on financial.

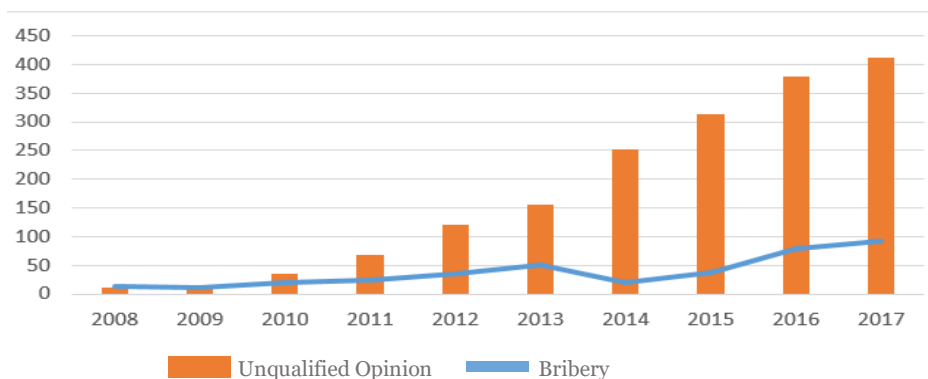
### The Correlation Test

Empirical tests are carried out by estimating several model specifications in Table 3. The correlation between BPK's opinion and bribery using OLS panel regression is shown in column (1) using OLS panel regression, meanwhile using Zero-inflated Poisson Panel Regression is shown in columns (2) through (5).

Based on the estimation of the equations in columns (1) through (5), namely in the OLS equation and the Zero-inflated Poisson Equation, it is seen that in both regression models, opinions do not have a significant relationship with the number of bribery cases. Only capital and goods and services expenditure have a

significant and consistent effect on the amount of bribery corruption. So that in this study, the equation chosen is an equation that uses a regression method that matches the characteristics of the dependent variable data and has the most control variables to minimize the risk of omitted variable bias, i.e. the equation in column (5).

This indicates that the BPK's audit is still not able to reveal bribery that occurs because the audit conducted is limited to the presentation of financial statements, internal control systems and compliance with administrative laws. Requirements for the adequacy of evidence in audit procedures for financial audit are considered to limit detection on fraud that is personal and not documented by the auditors. Since bribery is a mode of corruption that acts privately and is not documented, the disclosure of fraud with bribery mode cannot be done through financial audit. Disclosure can be done if the process of financial audit found indications of cor-



**Figure 2.** Trends in The Number of Bribery Cases and The Number of Unqualified Opinion

Source: KPK (2019), BPK (2019) (processed)

**Table 3.** Correlation between BPK's Opinion and Bribery

Dependent Variable: Bribery Cases	OLS	Zero Inflated Poisson Coefficient			
	Coefficient				
	(1)	(2)	(3)	(4)	(5)
Main Model					
<i>Opinion<sub>it</sub></i>	-0.00663 (0.0104)	0.278** (0.112)	0.200* (0.116)	0.125 (0.120)	0.0609 (0.131)
<i>Salary<sub>it</sub></i>	-0.00669 (0.0174)		0.497*** (0.172)	0.254 (0.190)	0.150 (0.250)
<i>Capital Expenditure<sub>it</sub></i>	0.0894*** (0.0195)			0.173** (0.0738)	0.166** (0.0823)
<i>Expenditure Audit<sub>it</sub></i>	-0.00875 (0.0178)				-0.0355 (0.186)
Constant	-2.207*** (0.524)	-0.0471 (0.394)	-7.670*** (2.672)	-8.316*** (2.494)	-9.220*** (3.248)
Inflate					
<i>Number of Govt. Officer<sub>it</sub></i>		-1.193*** (0.166)	-1.180*** (0.165)	-1.148*** (0.165)	-1.123*** (0.167)
Constant		14.19*** (1.488)	14.05*** (1.480)	13.76*** (1.477)	13.41*** (1.499)
N	4780	4780	4780	4780	4780
r2	0.0166				
wald					
chi2		6.420	15.25	20.55	63.17

Note: 99% (\*\*\*), 95% (\*\*), 90% (\*) confidence level. Robust error standard in parentheses

ruption. The auditor can propose a special purpose audit in the form of an investigative audit under the audit implementation standard in the State Financial Audit Standards (SPKN). It to be considered in this finding that the direction of the correlation of opinion and the amount of bribery corruption is positive. That indicates the possibility of an increase in incentive to commit bribery along with the increase of received opinion. However, it can occur if the possibility of detection through audit decreases. This finding is in line with the results of Quah's (2016) study which states that corruption can be linked to the low probability of detection and punishment for perpetrators.

The test results show the consistency where only the increase of capital also goods and services expenditure variables are correlating with the increase of bribery corruption, which is equal to 16.6% at the 5% significance level. This result is as expected previously where the greater the budget/government expenditure in the procurement

of goods and services, the potential for corruption will increase. Whereas the BPK's opinion on local government financial statements and audits of local government expenditures remain unrelated significantly to the number of bribery corruption cases. This result is in line with the opinion of Khan (2006) which states that auditors "almost cannot detect or investigate the actual corruption events, because the perpetrators, generally, do not leave documented evidence".

In addition to opinions and expenditure audits, the amount of salary received by civil servants also does not significantly affect bribery corruption cases. This finding is in line with the findings of Gurgur and Shah (2005) who did not find a statistically significant relationship between salary variables and corruption. This indicates that the size of the legal income received does not affect the incentive for someone to commit bribery corruption. Only the increase in expenditure budget, both capital and goods and services

that correlate with incentives to commit corruption. This is consistent with the opinion of Djankov et al., (2002) who found that corruption occurs in public procurement expenditure if the value of procurement expenditure is larger, the potential for corruption is also greater (Hopkin & Rodríguez-Pose, 2007). In the Zero-inflated Poisson Regression Model, there is one additional model with an additional variable that predicts the cause of excess zero (value 0) in the dependent variable (bribery case). In Table 4, the inflate variable, namely the number of civil servants show the results of the addition of the number of civil servants. It will reduce the possibility of the occurrence of a value of 0 (no corruption) or in other words, the increase in the number of civil servants will increase the number of corruption cases.

## Robustness Check

Robustness check is used to get a conviction in the model that this research is consistent in describing the actual conditions. In this study, a robustness check is done by providing an alternative relationship between opinions obtained in the previous year and the number of bribery corruption cases, as presented in Table 4.

The estimation results for robustness check show that the estimation is consistent with the main model, which is equation (1) where BPK's opinion does not correlate with the number of bribery corruption cases and only increases in goods and capital expenditure budgets that are positively and significantly correlated. Whereas the BPK's opinion received by the local government agency in the

**Table 4.** Robustness Check

Dependent Variable: Bribery Cases	Zero Inflated Poisson Coefficient	
	(1)	(2)
<b>Main Model</b>		
<i>Opinion<sub>it</sub></i>	0.0609 (0.162)	-0.00285 (0.193)
<i>Expenditure Audit<sub>it</sub></i>	-0.0355 (0.301)	-0.0228 (0.293)
<i>Salary<sub>it</sub></i>	0.150 (0.295)	0.113 (0.313)
<i>Capital Expenditure<sub>it</sub></i>	0.166* (0.0983)	0.175* (0.0971)
<i>Opinion<sub>it(t-1)</sub></i>		0.104 (0.201)
<i>Constant</i>	-9.220** (4.590)	-8.965* (4.685)
<b>Inflate</b>		
<i>Number of Govt. Officers<sub>it</sub></i>	-1.123*** (0.174)	-1.118*** (0.174)
<i>Constant</i>	13.41*** (1.576)	13.37*** (1.568)
N	4780	4780
r <sup>2</sup>		
wald		
chi <sup>2</sup>	42.16	42.01

Note: 99% (\*\*\*), 95% (\*\*), 90% (\*) confidence level. Robust error standard in parentheses  
Information :

- 1) The basic equation of the Zero inflated Poisson with the explanatory variable of BPK's opinion in the same fiscal year as the corrupt fiscal year.
- 2) The basic equation of the Zero inflated Poisson with the explanatory variables of the previous year's BPK's opinion.

previous year has no relationship or correlation with the incentive of someone to commit bribery corruption, as seen in equation (2).

## CONCLUSION

This study shows that the BPK's opinion on the Local Government Financial Statements does not correlate with the number of bribery corruption cases in Indonesia. This is because bribery corruption is a personal mode of corruption and not documented. Therefore the disclosure of bribery cases cannot be done through audit procedures on financial audit by the BPK.

The research findings also show that only the increase of capital and goods and services expenditures were significantly correlated with the number of corruption cases, namely 16.6% and at the 5% level. This shows that incentives for bribery corruption are only based on the amount of financial benefits/returns received through illegal actions. The greater the capital and goods and services expenditure used through an auction mechanism, therefore the greater the opportunity for fraud/bribery and the greater the financial return value expected by the perpetrator.

Based on these findings, the author recommends that the BPK consider improving the quality of fraud detection through auditing procedures on financial statements, especially in regions that have a relatively high value of capital also goods and services expenditures. This study is limited to an analysis that only uses data on corruption cases of bribery from the KPK. So that it has not fully captured the condition of the actual amount of bribery corruption in Indonesia. For this reason, further research is needed by including a larger sample of research which is the data on bribery corruption handled by law enforcement officers other than KPK throughout Indonesia. In addition, there are still

many factors that correlate with bribery corruption cases that have not been revealed in this study either. One of them is the effect of penalties for perpetrators of corruption. This is according to Liu and Lin's (2012) research in China which states that improvement efforts after the audit are to ensure that legal sanctions imposed by government auditors. Also, institutional problems found in audits are completed on time and can effectively reduce corruption.

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