UNQUALIFIED OPINION AND LEVEL OF CORRUPTION: THE TRIANGULATION APPROACH

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ABSTRACT

Corruption cases that occur in almost all provinces throughout Indonesia potentially bring financial harm to the government, drawing public attention in the last few years. A large number of provinces where such cases occur have received Unqualified Opinion. As a result there is a discrepancy between the public's perception and the findings of the BPK, Indonesia's supreme audit institution. The public is assured that government institutions or agencies that have received unqualified opinion are free from potential corruption. On the other hand, there are still potential corruption found that can cause financial harm to the state. Meanwhile, the government (BPK) has not conducted any audit on the financial reports to detect corruption. This inconsistency between public perception and the perception of the government, in this case the BPK, is referred to as an expectation gap. This study aims to prove that an unqualified opinion does not relate to level of corruption. The research method uses a combination of qualitative and quantitative/triangulation approach (mixed method). The study collects samples from 31 provinces throughout Indonesia. The result of this study indicates that an unqualified opinion represents the good governance of an organization. However, such opinion does not necessarily guarantee that the institution is free from potential corruption. The reason is that a BPK audit is not designed to detect corruption, but rather to determine the fairness of information presented in financial reports. Result of quantitative testing conducted during the study also confirms the result of the qualitative testing, and thus it can be affirmed that an unqualified opinion does not significantly relate to corruption level.

KEYWORDS:

audit opinion; corruption level; triangulation approach

INTRODUCTION

Article 1 paragraph 1 of Indonesian Law Number 17 of 2003 on State Finance stipulates that state finance constitute all the rights and obligations of the state that can be assigned with monetary value, as well as any money or asset that can be made as the property of the government in relation to the exercise of such rights and obligations. Further, Article 2 stipulates that state finance include (a) the state's right to collect taxes, issue and distribute currency, and provide loans; (b) the state's obligation to provide public service in governance and pay payment demands from third parties; (c) state revenue; (d) state expenditures; (e) local government revenue; (f) local government expenditure; (g) state assets/local government assets that are self-managed or managed by other parties, in the form of money, securities, receivables goods, as well as other rights that can be valued with money, including state/local own source assets that are in state-owned enterprises and local government owned enterprises; (h) assets of other parties controlled by the government used in the execution of governance or to maintain public order; and (i) assets of other parties acquired using facilities provided by the government. As such all matters relating to income and expenditure of the government is formulated in the State Budget (ABPN) at the central level and the Local Government Budget (ABPD) at the local government level.

The State Budget and the Local Government Budget as the financial representation of the national/local government needs to be managed properly by the government as they will be reported to the people, in order to bring improvements to the delivery of public service with the ultimate goal of creating prosperity for the people. However, during the last few decades, financial management by the central/local governments has received criticism from the public. The critical comments has come not only from within the country but also from the international community. The cause is that the management of central/local finances and the use of public funds by public sector organization cannot be reported effectively. As a consequence the public cannot enjoy the welfare optimally. One form of criticism that has been directed from outside the country at the financial management by the central/local government can be viewed from the ranking of countries that suffer from problems in their financial management that in turn create corruption risk.

Based on data from the Transparency Index (TI) that ranks countries by their corruption prevalence, the 2016 Corruption Perception Index (CPI) places Indonesia in 90th place out of 176 countries, giving it a score of 37. Compared to other ASEAN countries, Indonesia's score is below Singapore (85), Brunei Darussalam (58), and Malaysia (49). Indonesia does, however, score higher than Thailand (35), which consistently outscored Indonesia for the last five years. The 2016 scoring uses a ranking system derived from 13 different data sources, namely the African Development Bank Governance Ratings 2015, Bertelsmann Foundation Sustainable Governance Indicators 2016, Bertelsmann Foundation Transformation Index 2016, Economist Intelligence Unit Country Risk Ratings 2016, Freedom House Nations in Transit 2016, Global Insight Country Risk Ratings 2015, IMD World Competitiveness Yearbook 2016, Political and Economical Risk Consultancy Asian Intelligence 2016, Political Risk Services International Country Risk Guide 2016, World Bank-Country Policy and Institutional Assessment 2015, World Economic Forum Executive Opinion Survey (EOS) 2016, World Justice Project Rule of Law Index 2016, and Varieties of Democracy (VDEM) Project 2016.

Table 1. Enforcement Against Corruption 2016-2017

Year 2017		Year 2016	
Number of cases	576	Number of cases	482
Number of suspects	1,298	Number of suspects	1,101
Value of state loss	Rp. 6.5 T	Value of state loss	Rp. 1.47 T
Value of bribes	Rp. 211 B	Value of bribes	Rp. 31 M

Source: Indonesia Corruption Watch (2016-2017)

Data from the Indonesian non-governmental organization Indonesia Corruption Watch (ICW) shows that enforcement against corruption cases during the last two years (2016-2017) experiences an increase, both in terms of the number of suspects indicted and the value of state loss or bribery involved. Table 1 presents prosecution of corruption cases during the last two years (2016-2017) in detail.

Table 1 shows that the number of prosecution of corruption cases during a two year period (2016-2017) has increased by 94 cases, with an increase in the number of suspects by 197 people. As a result the total loss suffered by the state identified increased by 5.03 trillion rupiah and bribery value by 180 billion rupiah. Corruption cases has garnered significant attention from the public as it renders a detrimental effect on the country's economic stability and affects prosperity. Corruption is a form of fraud that benefits the perpetrator and harms public interest.

Tehupuring and Lingga (2017) find that most fraud or corruption are committed because there were opportunities. Opportunities are created through weak legislations and bureaucracy and moral degradation of the perpetrators of corruption. Weak legislations and bureaucracy is reflected in a number of findings that point to ineffective internal control systems and failure to comply with regulations. According to Indonesia Audit Board's (BPK) findings on 2016 Local Government Financial Reports (LKPD) with respect to internal control systems, in 537 of

the reports there appear to be 6,053 weaknesses in the local government's internal control systems, namely (1) 2,156 issues with their accounting control and reporting system, (2) 2,657 issues with budget expenditure control systems, and (3) 1,240 issues with their internal control structures (BPK RI, 2017b). Meanwhile, BPK findings relating to non-compliance with the legislations show that there are 6,115 issues of non-compliance, consisting of losses, potential losses, and shortfalls in revenue (having financial impact) totaling 3,784 issues with a value of 2.08 trillion rupiah, and administrative irregularities (not having financial impact) totaling 2,331 issues (BPK RI, 2017b). These findings would impact audit opinions on local governments.

From BPK's 2017 audit of Local Government Financial Reports, it was found that out of a total of 542 reports for 2017, BPK gave 411 unqualified opinions (76%), 113 qualified opinions (21%), and 18 disclaimers opinions (3%). At the government level, an unqualified opinion was received by 33 out of the 34 provincial governments (97%), 298 out of 415 district governments (72%), and 80 out of 93 municipal governments (86%) (BPK RI, 2018). Meanwhile, in 2016 qualified opinions were given to 375 regional government financial reports (70%), qualified opinions given to 139 reports (26%), and disclaimer opinions to 23 reports (4%) (BPK RI, 2017b). At the government level, unqualified opinions were achieved by 31 out of 34 provincial governments (91%), 272 out of 415 district governments (66%), and 72 out of 93

municipal governments (77%). Those description shows that more unqualified opinions were achieved by local governments than any other opinions.

Detailed description of the BPK audit result in 2017 and 2016 shows that financial reports of local government on average have been presented fairly in all material respect, in terms of conformity with accounting standards, adequate disclosure, compliance on law and regulations, and effectiveness of internal control system. Tehupuring and Lingga (2017) states that an effective internal control system should have at least four features, namely (1) protection of local government assets from potential misappropriation, (2) promotion of efficiency of local government's management policies, (3) assurance that accounting information has been presented accurately, and (4) compliance with the applicable systems and procedures or regulations.

There are four types of audit opinions rendered by the BPK for local government financial reports: Unqualified Opinion, Qualified Opinion, Adverse Opinion, and Disclaimer Opinion. Qualified opinions are given to financial reports that are free from any material misrepresentation (BPK RI, 2017$_b$). This means that auditor believes, based on the evidence collected, the government has implemented generally applied accounting principles, and if there is any errors, it is deemed to be immaterial and it does not significantly impact decision making (BPK RI, 2017$_b$). As a form of the local government's accountability in managing the local government's finances, an unqualified opinion is an implemention of good governance thus unqualified opinion will be important concern to local government.

The attainment of an unqualified opinion by an entity does not guarantee that the management of state finances is faultless and free from corruption. According to Gunarwanto (2017), the public basically sees audit opinions as a measure of the governments accountability and as an assurance that the state's finances is managed honestly and free from corruption. In fact, the purpose of rendering audit opinions is not to give assurance as to whether or not corruption exists within an entity. Prior to an audit being conducted by the BPK as an external auditor, the government would have already established an internal control mechanism to facilitate oversight and guidance to ensure that the management of state finances is in line with the applicable regulations and to mitigate any irregularities. Further, monitoring of the effectiveness of the internal control mechanism is a mandate given to Government Internal Control Officers (Aparat Pengawasan Internal Pemerintah - APIP) as internal auditors. The APIPs are the first line of defense in the safeguarding and supervision of government's budget management.

The different perceptions of the public and the government (BPK) concerning unqualified opinion and its link with corruption level has caused the coining of the term *expectation gap*. The term becomes an important public concern when corruption in local governments are uncovered. Figure 1 shows a list of corruption cases occurring within local governments throughout 2016.

As shown in figure 1, in 2016 the West Java Province experienced the highest number of corruption compared to other provinces. Conversely, North Maluku showed no occurrence of corruption. However, the audit on the West Java Province yielded an unqualified opinion. Additionally, unqualified opinions were gained by not only West Java, but by almost all provinces in the country, except for Bangka Belitung,

Number of Corruption Cases of Local Government in 2016
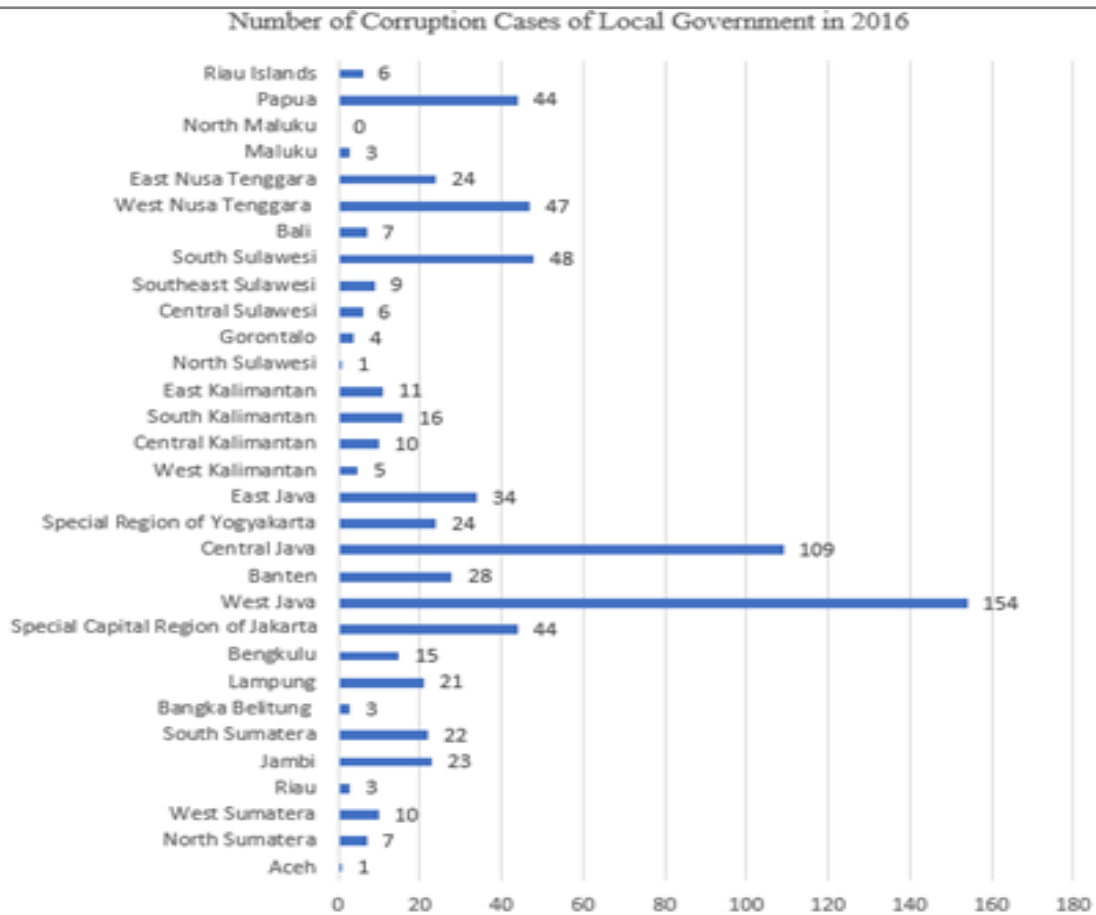
Figure 1. The Number of Local Government Corruption Cases in 2016
Source: Indonesia State Prosecutors' Office (2017)

Bengkulu, and DKI Jakarta. This shows that although a local government may receive an unqualified opinion, corruption cases are still sometimes found. As such, although the public assumes that an entity whose financial report has received an unqualified opinion should be free from corruption, the fact is that potential corruption are still found in these entities.

Studies conducted in Indonesia present inconsistent findings relating to the effect of audit opinions on corruption levels. Rini and Damiati (2017) analyzed findings from audits on governments and the level of corruption in provincial governments in Indonesia. The study sampled 18 provincial governments within a period between 2011 and 2014. Sampling was done using purposive sampling method and analyzed using multiple linear regression. Indicators

used to determine corruption level is the number of corruption cases that has been ruled upon by the court. Findings from the study show that audit opinions and audit findings have no correlation with corruption levels. However, follow up actions based on audit findings has negative and significant effect on corruption levels.

Ismunawan (2016) tested the effect of non-financial and financial factors on corruption levels of local governments in Indonesia. The sample of the study is 50 district/ municipality governments in 2013. The sampling method was purposive sampling and analyzed using multiple linear regression. Indicator of corruption level used was the corruption perception index. Findings from the study showed that transparency, audit opinion, capability of internal auditors and reliance of government

funds have an effect on corruption levels. Meanwhile, local expenditure and finances do not render any significant impact on corruption levels.

Masyitoh et al. (2015) tested the effect of audit opinions, audit findings, and follow ups on audit results on the perception of corruption towards regional government between 2008 and 2010. The research sample comprised of district/municipal government within such period. Sampling method was purposive sampling and analyzed using multiple linear regression. Indicator of corruption level used was the corruption perception index. The result shows that audit opinion given by BPK has negative impact on corruption perception, the better audit opinion obtained, the lower corruption perception of local government. The research found that non-compliance with regulatory provisions has a positive and significant effect on corruption perception. Meanwhile, findings on weaknesses in internal control systems do not render any significant effort on perception of corruption.

Rini and Sarah (2014) conducted a study on audit opinions and disclosures in district government financial reports and its correlation with corruption in Indonesia. The research looked into the financial reports of district governments in 2011. The research was done using a qualitative method by building a checklist comprising of disclosure items contained in the report based on the most current Government Accounting Standards (SAP) and correlating such list with corruption levels. Result from the research shows that the quality of financial reports has improved as evidence by the upgraded audit opinions on the district financial reports. Meanwhile, it appears that disclosure of local government financial reports does not correlate with audit opinions rendered by the BPK.

Heriningsih and Marita (2013) studied the effect of audit opinions and financial performance of local governments on the government's corruption level. The sample used in the study was municipal and district governments on the island of Java within the period between 2008 and 2010. The sampling method employed was *purposive sampling* and analyzed using multiple linear regression. The indicators used to mark corruption levels was the corruption perception index. Findings from the study shows that audit opinions and financial performance of local governments (independence ratio, activity ratio, and growth ratio) do not significantly influence corruption levels.

The above-described background condition has motivated the author to undertake the study in unqualified opinions and corruption level: a triangulation approach. The objective of the study is to prove that an unqualified opinion received by a government institution does not correlate with corruption levels. The approach employed in this study is the triangulation approach (mixed method), entailing that the author uses both qualitative and quantitative means to answer the researchable question. The purpose of this selection is to obtain a more accurate and comprehensive outcome.

THEORETICAL REVIEW

Audit on Financial Reports of Local Governments

The agency theory stipulates that the principal and agent are engaged in a contractual relationship. This means that the principal confers complete trust upon the agent to manage its business activities and act in the best interest of the principal. However, the agent does not always act in

the interest of the principal. Therefore, the principal as the owner of the business establishes a supervisory function through audits performed on the agent's financial reports to prevent and curtail behavior that is not consistent with the provisions of the contract (Jensen & Meckling, 1976). In regards to the public sector, the legislature is the representation of the people conferred with the authority to supervise the government's actions in managing and delivering services to the people. This entails that the public expects public service to be delivered in a more effective and efficient manner when compliance in the payment of taxes is in accordance with the prevailing laws and regulations. However, as an agent, the government may carry out actions that are not consistent with the best interest or expectation of the people. As such, to reduce occasions where the government (agent) fails to act in accordance with the interest of its people, a supervisory function is needed in the form of audit on the financial reports of the public sector.

Audit of the public sector's financial reports plays an important role in enhancing the management the state's/local administration's finances to be more effective. In effect this requires that state's finances must be managed properly, in compliance with the applicable regulations, efficiently, economically, effectively, transparently, and accountably, while duly upholding the principles of equity and suitability (Law Number 17 of 2003, Article 3 paragraph 1). Additionally, state financial audits comprises of audit on the state's financial management and audit of their accountability of the state's finances (Law Number 15 of 2004, Article 2 paragraph 1). Bourn (2017) reports that audit of the public sector plays an important part in strengthening and promoting sustainable improvements for the benefit of the people, both as users of the public service and as taxpayers.

Law Number 17 of 2003 on State Finance and Law Number 32 of 2004 on Regional Government provide that financial reports of lower tier governments is a form of their accountability of the realization of the local government budget of all local governments. Indonesia's government accounting standards dictates that components of a financial report that are presented must follow the requirements of Government Regulation Number 71 of 2010, which sets forth accounting standards that serve as indicators to assess the financial reports of regional governments.

Financial reports are prepared with the purpose of providing relevant and accurate information on the financial condition of and the transactions undertaken by the reporting entity during the relevant reporting period (one year). As such, stakeholders would use the financial report in the process of making decisions. These stakeholders may include (1) the public, (2) parliamentary members, oversight bodies, and audit institutions, (c) organizations that grant or play a role in the process of granting donations, investment, and loans and (d) the government (SAP, 2010).

This study is focus on the local government due to a number of important reasons: (1) the 2016 Annual Report of Indonesia Public Prosecution Service states that of the country's 34 provinces, 31 are involved in corrupt practices, not including North Maluku, and (2) corruption occurring at the local level almost all are found in provinces that exhibit good governance.

Process of Formulating Audit Opinions at the BPK

Formulation of audit opinion is a part of the overall audit of local government financial reports conducted by the BPK. Article 23 E of Indonesia's 1945 Constitution provides

that audit of the state's financial management and accountability is performed by the BPK. According to Law Number 17 of 2003 on State Finances and Law Number 32 of 2004, before a local government submits its financial report to the local house of representatives, the report must be audited by BPK. The audit performed by BPK on the financial report is meant to convey a positive sign to the public with regard to the government's responsibility to maintain the public's well-being by ensuring that the report fulfills the established criteria, thereby ensuring that the decisions that have been made are accountable and transparent.

Article 2 of Law Number 15 of 2006 on the Indonesia Audit Board (BPK) is an independent state institution that audits the financial management and financial accountability of the state. Additionally, BPK RI (2017a) define the institution as a state institution charged with auditing the financial management and audit of the state as referred to in Indonesia's 1945 Constitution. Therefore, the BPK is an independent institution that is responsible for auditing the financial management and accountability of the state/local govern-ments, also referred to as an external auditor.

BPK's audit includes financial audit, performance audit, and special purpose audit (BPK RI, 2017a). The purpose of a financial audit is to provide an opinion on the fairness of a financial report. Meanwhile, the purpose of a performance audit is to draw a conclusion on the economy, efficiency
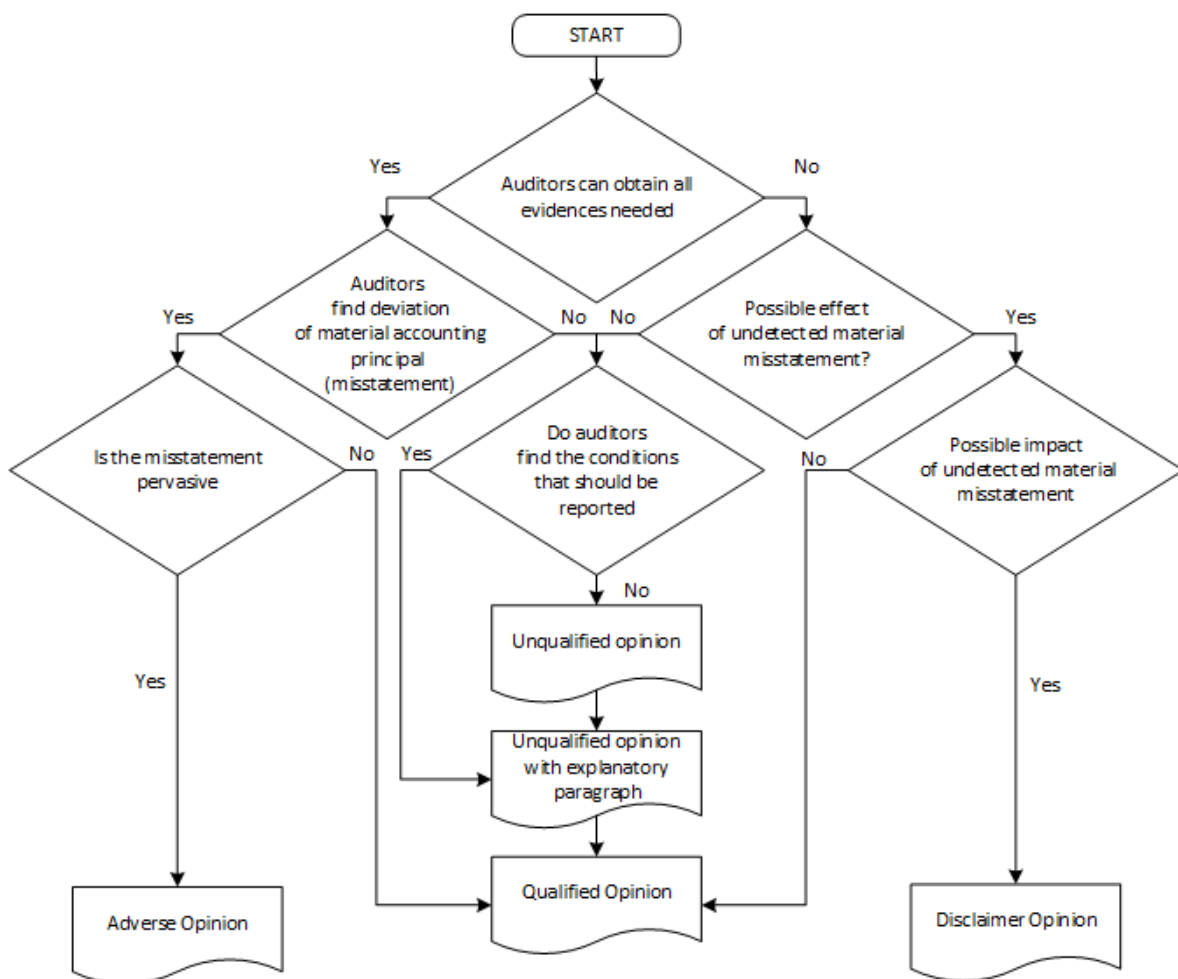

Figure 2. BPK Audit process
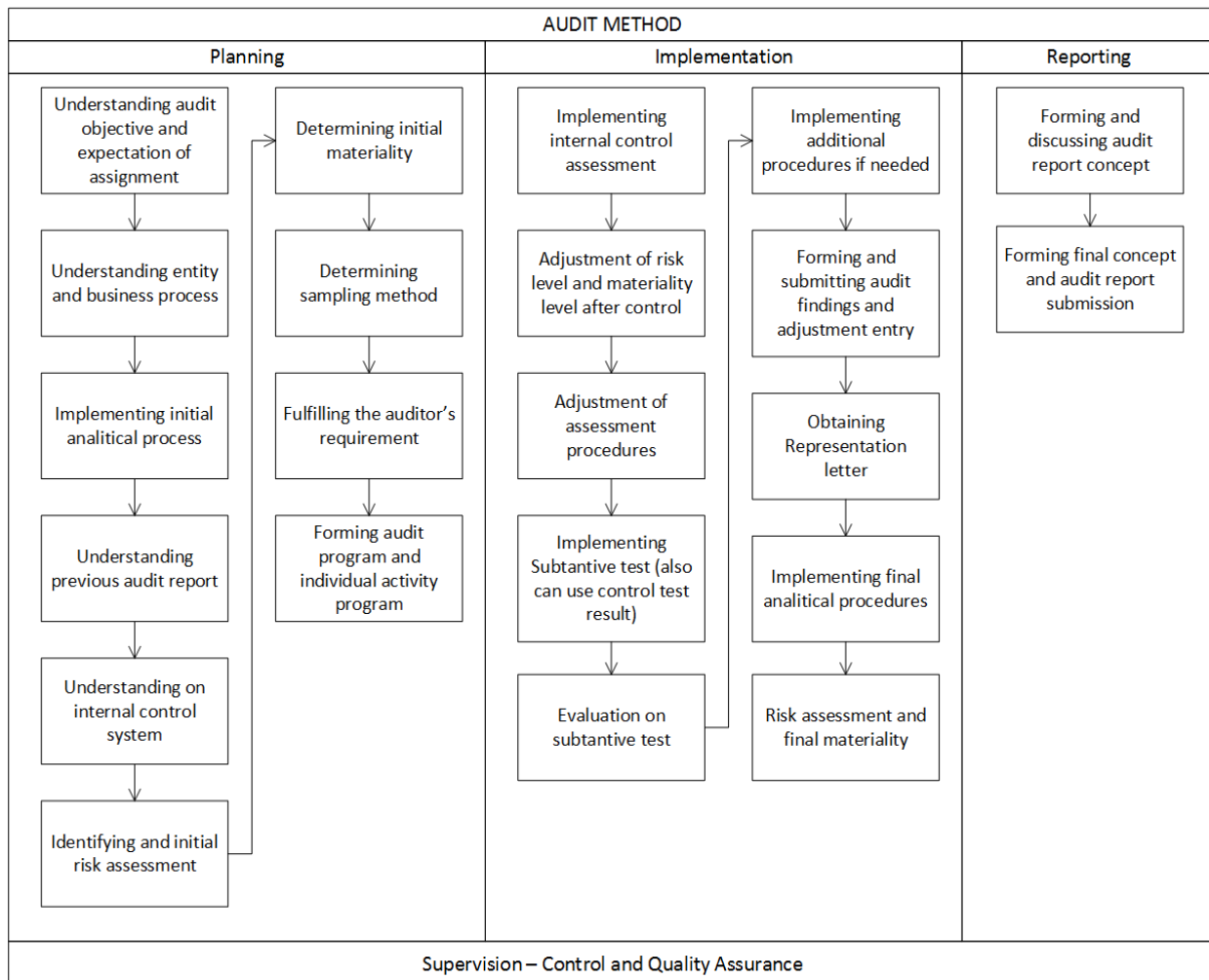*Source: BPK RI (2013)*

and/or effectiveness of the management of state finances, and to provide recommendations on how to improve such aspects. Special purpose audits are meant to produce conclusions based on the set objective of the audit. Special purpose audits can be in the form of a compliance audit and investigative audit (BPK RI, 2017ₐ). In broad terms, the audit process of the BPK on local government financial reports can be described in figure 2.

The output of local government financial audit by BPK is audit opinion. Audit opinion are opinion issued by auditors on the relevant entity's financial report. Moreover, an audit opinion is a professional statement of a conclusion drawn from an audit on the fairness of the information presented in the financial report (Law Number 15 of 2004). A flowchart of the process by which a BPK audit opinion is formed is shown in figure 3.

Law Number 15 of 2004 stipulates that a BPK audit opinion is based on the criteria of (i) conformity with government accounting standards, (ii) sufficiency of disclosure, (iii) compliance with the laws and regulations, and (iv) effectiveness of internal control system. Consistent with Law Number 15 of 2004, the State Finances Auditing Standards (SPKN) Number 01 of 2017 states that purpose of financial audits is to gain reasonable assurance so that the auditor can give an opinion that the financial report fairly presented, in all material aspects, conformity with the applicable accounting standards, adequate disclosure, compliance

Figure 3. BPK Opinion Formulation Process
Source: BPK RI (2013)

with the laws and regulations, and effectiveness of internal control system.

RESEARCH METHOD

This study uses a combination of qualitative and quantitative methods (mixed method). This particular method is also often referred to the triangulation method. The purpose of the use of such method is to obtain a more comprehensive explanation of the issue being researched. Therefore, the triangulation method is expected to elucidate the phenomena in a comprehensive way. The qualitative approach was applied by indirectly studying the issues through mass media, journals, as well as other literatures that are relevant to this study. On the other hand, the quantitative approach was done by compiling the Report's Summary (Ikhtisar Hasil Pemeriksaan Semester), data on corruption cases maintained by the Public Prosecution Service of the Republic of Indonesia for all provinces in Indonesia, and data on regional gross domestic product through the Central Bureau for Statistics, covering the analysis year of 2016.

This study employs a theory review, namely the agency theory, which is a concept that entails the audit of the local government's financial reports and formulation of BPK audit opinions as a rule of thumb (benchmark) in answering the researchable question (qualitative approach). Conversely, the quantitative method is used to supplement the qualitative method. This method is applied by forming research variables in reflecting the issues being researched. The study uses as independent variables the opinions from BPK audits of the financial reports of all provincial governments in Indonesia, and corruption levels as dependent variables. Additionally, the study also utilizes a control variable,

namely the economic growth of the relevant local region, to control the correlation between the BPK audit opinion and the corruption level. This is done to control the research model from other factors that also influence corruption levels and to exclude them from this study, and thus helping in mitigating bias in interpreting the conclusions (Cooper & Schindler, 2014; Hartono, 2014).

The study uses Ordinary Least Square (OLS) to test the research's hypothesis. The purpose is to minimize error or residue (Gujarati & Porter, 2009). The OLS method adopts a number of classical assumptions that need to be tested. The test performed on these assumptions is the normality test. The purpose of this test is to provide elaboration on the distribution of residual samples in the research. A good model is the model that has a normal residue distribution. The rule of thumb of a normality test is where the *kolmogorov-smirnov* significance value (K-S)>0.05. This study only uses the normality test since the testing of the research hypothesis is a correlation test rather than a causality (regression) test that requires multicollinearity and heteroscedasticity tests. Once the regression model has passed the normality test, the researcher proceeded to conduct a hypothesis test. Algifari (2015) states that the steps involved in a correlation coefficient test are as follows:

1. Formulate a hypothesis.

2. The distribution applied in testing correlation is t-distribution. T-table (t-critical) value is determined based on the significance level (α) used and the degrees of freedom (d.f=n-2), the amount of which is dependent on the sample.

3. T value is determined using the following formula:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

4. Decision is made by comparing the value of the calculated t to the t-table. If t < t-table, then the decision of the test is to accept hypothesis zero (H0), which states that X does not correlate with Y. Conversely, if the calculated t > t-table, the test decision is to reject hypothesis zero (H0).

5. Conclusion is drawn based upon the decision made.

Table 2 shows a summary of the operating definition of the variables.

RESULT AND DISCUSSION

Qualitative Approach

Audit opinion and corruption level

BPK RI (2017b) states that an audit opinion is an opinion rendered by auditors pertaining to an entity's financial report. Meanwhile, Law Number 15 of 2004 states that an audit opinion is a professional statement that embodies the auditor's conclusion regarding the fairness of information represented in a financial report. Based on such definition, an audit opinion is an entire audit process conducted on the local government financial report (LKPD) by BPK. Its purpose is to given sufficient confidence to the stakeholders on the conformity of the information contained in the financial report with the established criteria.

An unqualified opinion received by an entity (in this case a local government) does not necessarily entail that its management of public funds is clean and free from corruption. The public essentially views these opinions as a measurement by which to assess government accountability, and as a guarantee of the proper management of state finances free from corruption. In fact, the rendering of audit opinions is not to convince whether corrupt practices exist or not in an institution. More fundamentally than the audits performed by the BPK as an external auditor, there are internal control mechanisms that are established by the government to oversee and direct the management of state finances in accordance

Table 2. Operating Definition of Variables

No.	Research Variables	Variable Measurement	Scale

1.	**Corruption**
	Abuse of public office for personal gain in contradiction with the law (Liu & Lin, 2012) and the illegal sale of government property, bribery for government projects, and embezzlement of government funds (Shleifer & Vishny, 1993; Svenson, 2005).
		1. Total Corruption Cases in Local Gov. X 100%
		   Total Population (10,000)
		   (Adapted from research by Rini & Damiati, 2017; Liu & Lin, 2012)
		2. Natural Logarithm (NL) of Audited Court-Awarded Monetary Compensation for Corruption
		   (Developed by Author)
			Ratio

2.	**Audit Opinion** Opinion rendered by auditors on an entity's financial report (BPK, 2017)	Value 1 = Unqualified Opinion Nilai 0 = Non - Unqualified Opinion (Adapted from research by Rini & Damiati, 2017; Masyitoh et al., 2015)	Nominal

3.	**Regional Economic Growth**
	Economic growth of a region is measured through Gross Regional Domestic Product (PDRB), the total added value produced by all of the business units in a specific region, or constituting the total value of end goods and services (net) produced by all of the economic units (BPS, 2017)
		1. Natural Logarithm (NL) of total Gross Regional Domestic Product (PDRB) based on Prevailing Prices
		   (Adapted from Masyitoh et al., 2015; Liu & Lin, 2012)
		2. Natural Logarithm (NL) of total Gross Regional Domestic Product (PDRB) at Constant Prices
		   (Adapted from Masyitoh et al., 2015; Liu & Lin, 2012)
			Ratio

Source: Masyitoh et al., (2015); Liu & Lin (2012), Rini & Damiati (2017)

with applicable regulatory provisions and to mitigate any irregularities that may occur. Going further, monitoring of the effectiveness of the internal control systems is the responsibility of the Government Internal Auditors (APIP). APIPs are the first line of defense to safeguard and oversee the use of state budget/local budget (APBN/APBD) by the government (Gunarwanto, 2017).

As elaborated above, it can be clearly understood that a BPK audit on the financial report of an entity is not designed to detect potential or actual corruption, thus there is no correlation between an unqualified opinion and corruption level. This means that even though an entity may have received an unqualified opinion, this does not ensure that that entity is free from potential corruption. However, if the BPK does find a potential corruption, BPK can conduct an investigative audit.

Quantitative Approach

Primary test result

The study employs a quantitative method to enhance accuracy of the elaboration achieved

result of the quantitative method testing to test the correlation between unqualified audit opinion and corruption level. The test comprises of descriptive statistical test (average), assumption of normality, and hypothesis test.

Table 3 shows descriptive statistics on 31 local governments as samples to test the correlation of BPK audit opinion with corruption level. The reason behind such sampling is that of all 34 provincial governments, only 31 had data on corruption cases reported in the Indonesia Public Prosecution Service annual report for 2016. The author further grouped the local economic growth and corruption level variables into two categories, namely (1) local economic growth of samples that received unqualified opinions and non-unqualified opinions, and (2) corruption level for samples that received unqualified opinions and non-unqualified opinions. The average local economic growth of regions that received unqualified opinions is 26.05, while that of regions receiving non-unqualified opinions is 28.31. Further, the corruption level of regions that received

Table 3. Descriptive Statistics of Total Corruption Cases

Variable	N	Audit Opinion	
		Unqualified	Non-Unqualified
Local Economic Growth	31	26.05	28.31
Corruption Level	31	0.24	0.21

Source: Author's data processing and analysis

through the qualitative method. The study uses corruption level, local economic growth and audit opinions on local government financial reports for 2016. This is due to the fact that the corruption levels reported in the annual report of the Indonesia Public Prosecution Service is only for 2016. Additionally, the reported level of corruption is only for the provincial governments, thus the author took into account the availability of data for the study. The following is the

unqualified opinions is 0.24, while corruption level of those that received non-unqualified opinions is 2.24. Of the 31 research samples, there are 3 local governments that received non-unqualified opinions, namely (1) Bangka Belitung Islands, (2) Bengkulu, and (3) DKI Jakarta.

Table 4 shows the result of the normality test. The test shows that the kolmogorov-

Table 4. Result of Normality Test

Variables	Kolmogorov-Smirnov
Audit Opinion	0.094
Regional Economic Growth	

Source: Author's data processing and analysis

Table 5. Result of Hypotheses Test

Variable	Pearson Correlation Coefficient	t-statistics	Significance
Audit Opinion	0.032	0.172	0.863
Local Economic Growth	0.403	2.371	0.025

Source: Author's data processing and analysis

smirnov significance value (K-S) is 0.094 > 0.050. This indicates that residual correlation of audit opinions and a region's economic growth with corruption levels is distributed normally. As such, the research model has passed the normality test, and thus the research can proceed to the hypothesis test.

Table 5 presents the result of the hypothesis test on the correlation of audit opinions with corruption levels. Result of the study shows that the values of the Pearson correlation coefficient, t-statistics, and significance in the audit opinion is 0.032, 0.172, and 0.863, respectively. Result of the study shows that an audit opinion does not significantly affect corruption level. Audit opinions are merely opinions issued by the auditors on the financial report of an entity (BPK RI, 2017). BPK serves as an external auditor tasked with performing audit on an entity's financial report (central or local government). Result of the audit on the financial report is incorporated into an audit opinion, which can be unqualified opinion, qualified opinion, adverse opinion, or disclaimer opinion.

Law Number 15 of 2004 stipulates that a BPK audit opinion is based on the criteria of (i) conformity with government accounting standards, (ii) adequate disclosure, (iii) compliance with the laws and regulations,

and (iv) effectiveness of internal control system. As explained in the preceding paragraph, an audit performed by BPK on a local government's financial report is not designed to detect corrupt practices. Such audit is only to provide reasonable assurance on the part of the auditor to render an opinion that the financial report fairly presents, in all material respects, conformity with accounting standards, adequate disclosure, compliance with the laws and regulations, and effectiveness of internal control system. Therefore, an unqualified opinion does not constitute a guarantee that an entity (local government) is free from corruption.

Table 5 sets forth the result of a hypotheses test on the correlation of local economic growth as the control variable to corruption level. Result of the research indicates that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are 0.403, 2.371, and 0.025, respectively. The result indicates that local economic growth correlates positively and significantly with corruption level. Local economic growth that is measured by the region's gross domestic product is added value generated by all business units within such region, or the total value of end goods and services (net) produced by all the region's economic units (BPS, 2017). This finding shows that when a region's economic

growth increases, opportunities are created for people to engage in corrupt practices. These opportunities are taken by people due to the availability of resources possessed by an entity and weaknesses in the regulations and bureaucracy.

Result of Sensitivity Test on Corruption Levels Using Audited Court-Awarded Compensation as Proxy

The sensitivity test performed in this study uses a proxy, or a different indicator, to explain corruption levels. The indicator used is the compensation ordered to be paid by the actors in corruption cases pursuant to the ruling of the court, and which compensation has undergone an audit process. The compensation is a representation of the state loss as a result of the corrupt practice, thus allowing it to serve as an indicator in explaining corruption levels. The following is the result of quantitative testing to test the correlation of unqualified audit opinion with corruption levels. The test comprises of a descriptive statistics test (mean), normality assumption, and hypothesis test.

Table 6 shows descriptive statistics on 31 local governments as samples to test the correlation of BPK audit opinion with corruption level. The descriptive statistics on table 6 shows that the average local economic growth of regions that receive unqualified opinion is 26.05, while for those that receive non-unqualified opinions average local growth is at 28.31. Further, corruption level among regions with unqualified opinions is 20.47, while corruption level among regions that have received non-unqualified audit opinions is 22.71. This result shows that the average economic growth of regions that receive non-unqualified opinions is higher than the figure for regions that have been given qualified opinions. This also applies to corruption levels, namely that corruption level among regions that have received non-unqualified opinions is higher than the level of regions that have received qualified opinions.

Table 6. Descriptive Statistics

Variable	N	Audit Opinion	
		Unqualified	Non-Unqualified
Local Economic Growth	31	26.05	28.31
Corruption Level	31	20.47	22.71

Source: Author's data processing and analysis

Table 7 presents the result of the normality test. Normality test shows that the kolmogorov-smirnov significance value (K-S) is 0.074 > 0.050. This demonstrates that residual correlation of audit opinions and local economic growth with corruption level is normally distributed. As such, the research model has passed the normality test, and thus can proceed to the hypotheses test.

Table 8 demonstrates the result of the hypotheses test on the correlation of audit opinion with corruption level. Result of the research shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are -0.149, -0.811, and 0.423 respectively. The result shows that an audit opinion has no significant correlation with corruption level. This finding is consistent with the finding from the primary test where the author used a proxy or different corruption level indicator. As such, the author concludes that even using different corruption level indicator, the result of the research remains robust.

Result of testing of the control variable of local economic growth shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth

Table 7. Result of Normality Test

Variable	Kolmogorov-Smirnov
Audit Opinion	0.074
Regional Economic Growth	

Source: Author's data processing and analysis

are 0.581, 3.844, and 0.001. This finding shows that local economic growth correlates positively and significantly with corruption level. This finding is consistent with findings from the primary test.

Result of Sensitivity Test Using Local Economic Growth as Proxy Through Gross Local Domestic Product at Constant Price

The sensitivity test conducted in this study uses a proxy or a different indicator to explain local economic growth. The indicator used is gross local domestic product based on a constant price. the following is the result of the quantitative method test to test the correlation between unqualified opinion with corruption level. The test comprises of descriptive statistics test (average), normality assumption and hypotheses test.

Table 9 demonstrates that descriptive statistics total sample to test the correlation of BPK audit opinions with corruption levels is 31 local governments. The descriptive statistics on table 9 shows that the average

local economic growth of regions that receive unqualified opinion is 25.77, while for those that receive non-unqualified opinions local economic growth is at 27.99. Further, corruption level among regions with unqualified opinions is 0.24, while corruption level among regions that have received non-unqualified audit opinions is 0.21. This result shows that the average economic growth of regions that receive non-unqualified opinions is higher than the figure for regions that have been given qualified opinions. Conversely, the average corruption level among regions that have achieved unqualified audit opinions is higher than that shared among regions with non-unqualified opinions.

Table 10 presents the result of the normality test. Normality test shows that the kolmogorov-smirnov significance value (K-S) is 0.093 > 0.050. This demonstrates that residual correlation of audit opinions and local economic growth with corruption level is normally distributed. As such, the research model has passed the normality test, and thus can proceed to the hypotheses test.

Table 11 demonstrates the result of the hypotheses test on the correlation of audit opinion with corruption level. Result of the study shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are

Table 8. Result of Hypotheses Test

Variable	Pearson Correlation Coefficient	t-statistics	Significance
Audit Opinion	-0.149	-0.811	0.423
Local Economic Growth	0.581	3.844	0.001

Source: Author's data processing and analysis

Table 9. Descriptive Statistics

Variable	N	Audit Opinion	
		Unqualified	Non-Unqualified
Local Economic Growth	31	25.77	27.99
Corruption Level	31	0.24	0.21

Source: Author's data processing and analysis

0.032, 0.172, and 0.863, respectively. The result shows that an audit opinion has no significant correlation with corruption level. The finding of this study is consistent with the primary finding.

Result of testing of the control variable of local economic growth shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are 0.409, 2.413, and 0.022. This finding shows that local economic growth correlates positively and significantly with corruption level. This finding is consistent with findings from the primary test.

Result of Sensitivity Test Using Gross Local Domestic Product at Constant Price as Proxy for Local Economic Growth and Audited Court Awarded Compensation as Proxy for Corruption Level

Table 10. Result of Normality Study

Variable	Kolmogorov-Smirnov
Audit Opinion	0.093
Local Economic Growth	

Source: Author's data processing and analysis

The sensitivity test performed in this study uses a proxy or different indicator used in the primary test. The indicator used to reflect local economic growth is gross local domestic product at constant price, while indicator to reflect corruption level is audited court-awarded monetary compensation. The following is the result of the quantitative method test to test the effect of unqualified audit opinion on corruption level. The test comprises of descriptive statistics test

(average), normality assumption, and hypotheses test.

Table 12 demonstrates that descriptive statistics total sample to test the correlation of BPK audit opinions with corruption levels is 31 local governments. The descriptive statistics on table 12 shows that the average local economic growth of regions that receive unqualified opinion is 25.77, while for those that receive non-unqualified opinions local economic growth is at 27.99. Further, corruption level among regions with unqualified opinions is 20.47, while corruption level among regions that have received non-unqualified audit opinions is 22.72. This result shows that the average economic growth of regions that receive non-unqualified opinions is higher than the figure for regions that have been given qualified opinions. This also occurs with corruption level, namely that corruption level among regions that have receive non-unqualified audit opinions is higher than that shared among regions with unqualified opinions.

Table 13 presents the result of the normality test. Normality test shows that the kolmogorov-smirnov significance value (K-S) is 0.065 > 0.050. This demonstrates that residual correlation of audit opinions and local economic growth with corruption level is normally distributed. As such, the research model has passed the normality test, and thus can proceed to the hypotheses test.

Table 14 demonstrates the result of the hypotheses test on the correlation of audit opinion with corruption level. Result of the research shows that the values of Pearson

Table 11. Result of Hypotheses Test

Variable	Pearson Correlation Coefficient	t-statistic	Significance
Audit Opinion	0.032	0.172	0.863
Local Economic Growth	0.409	2.413	0.022

Source: Author's data processing and analysis

Table 12. Descriptive Statistics

Variable	N	Audit Opinion	
		Unqualified	Non-Unqualified
Regional Economic Growth	31	25.77	27.99
Corruption Level	31	20.47	22.72

Source: Author's data processing and analysis

Table 13. Result of Normality Test

Variabel	Kolmogorov-Smirnov
Audit Opinion	0.065
Regional Economic Growth	

Source: Author's data processing and analysis

Table 14. Result of Hypotheses Test

Variable	Pearson Correlation Coefficient	t-statistics	Significance
Audit Opinion	-0.149	-0.811	0.423
Regional Economic Growth	0.583	3.864	0.001

Source: Author's data processing and analysis

correlation coefficient, t-statistic, and significance of local economic growth are -0.149, -0.811, and -0.423, respectively. The result shows that an audit opinion has no significant correlation with corruption level. The finding of this study is consistent with the primary finding.

Result of testing of the control variable of local economic growth shows that the values of Pearson correlation coefficient, t-statistic, and significance of local economic growth are 0.583, 3.864, and 0.001. This finding shows that local economic growth correlates positively and significantly with corruption level. This finding is consistent with findings from the primary test.

CONCLUSION

The study is a development of a research model based on corruption cases that occur among government institutions. As such, the study has been conducted to address the public's question on the correlation of corruption cases with the rendering of unqualified audit opinion for government institutions using the triangulation approach. Result of this study is expected to make a number of contributions in terms of theory, methodology and policy.

Results from this study can contribute to the theory that the disparity between the public's and the government's (BPK) expectations can be addressed through a theory review, namely that the public views unqualified audit opinions as an indicator to assess whether or not an institution is free from corruption. A theory review on the purpose of the audits can address this expectation, namely that audits by BPK are not designed to detect corruption, but rather to determine the fairness of information contained in a financial report. To detect fraud (corruption), a forensic or investigative audit can be performed. A forensic or investigative audit is a form of special-purpose audit. A special purpose audit is essentially an agreed upon test, review or procedures, and the result from such audit is then incorporated in a report that consists of findings, conclusions, and recommendations.

This study's contribution to methodology relates to the triangulation approach (mixed method). This is intended to provide a comprehensive explanation on the issues being researched. Based upon the qualitative approach, the result of this study elaborates a number of theory reviews to answer the phenomena being studied. The theory review is used by the author as basis in reviewing the research problem with the aim of drawing an accurate conclusion. The result of the test using quantitative approach supports the results from the qualitative approach, namely that an unqualified opinion cannot be made as an indicator to decide whether or not an institution is free from corruption. The quantitative approach is implemented by collecting data comprising of figures that represent the research variables, which are then analyzed. As such this study is expected to yield a more accurate and comprehensive decision making as it uses a triangulation method.

This study contributes to government policies, in that audit opinions issued by the BPK, particularly unqualified opinions, to government institutions do not guarantee that the management of state/local government finances is free from corruption. To mitigate fraud (corruption), regulators have designed internal control systems. The intention of such measure is to effect control and procure that the management of state finances to be in line with the applicable regulations. However, in reality instances of fraud (corruption) still occur. This indicates that internal control systems have not been implemented in an effective manner. Therefore, the role of the government, specifically Government Internal Auditors, or APIPs, is to enhance effectiveness of such systems in order to mitigate fraud (corruption).

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