International Journal of Business and Quality Research

https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

Influence Of Regional Financial Independence And Audit Opinion On Corruption Levels In Local Governments

Kartika Putri Hutabarat[1], Juniati Gunawan[2*], Corina ak Joseph[3]

[1,2]Universitas Trisakti, Indonesia
[3]Universiti Teknologi Mara, Malaysia

[*]corresponding author e-mail: juniatigunawan@trisakti.ac.id

Abstract

The numerous disclosures of corruption cases involving local government officials and members of the local legislature indicate that corruption is severe at the regional level. The study aims to examine the influence of regional financial independence and audit opinions on the corruption level in the local government in Indonesia. Using secondary data from the Regional Government Financial Report, Summary of Examination Results by Audit Board of Indonesia, and the ruling in kracht of the Supreme Court, the study involved 542 regional governments for the period of 2022. The analytical method used is double linear regression using SPSS software version 26. The results of the research show that the regional financial independence has a significant negative influence on the level of corruption, while the audit opinions have no significant influence. The size of the local government has also been found to have a significant positive influence on the level of corruption. This research provides important insights into the efforts to prevent corruption at the local government level.

Key words: Regional Financial Independence, Audit Opinion, Corruption, Local Government.

INTRODUCTION

Corruption has become a prevalent issue at the local government level, as evidenced by the numerous cases of corruption involving local government officials and legislators (Avalon et al., 2018). One possible contributing factor to the prevalence of corruption is the financial independence of local governments. Bakar & Said (2021) define regional financial independence as the ability of local governments to finance their governance, development,

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

and public services independently, using revenue obtained from taxes and fees paid by the public. When a region has a high level of financial independence, it has more control and autonomy over its financial resources, including local revenue and budget allocations. However, without good governance, transparency, and adequate accountability, this high level of financial independence can create opportunities for corruption at the local level.

To promote good governance and enhance transparency and accountability in financial management, both the central and local governments are required to submit accountability reports in the form of financial statements (Saragih & Hasibuan, 2020). The financial statements produced by local governments are called Regional Government Financial Report. Regional Government Financial Report depicts the financial condition and performance of the local government. The quality of Regional Government Financial Report is recognized after being audited by the Audit Board of the Republic of Indonesia (Nur et al., 2021). The audit of Regional Government Financial Report by Audit Board of The Republic of Indonesia results in an opinion on the fairness of the financial information presented in the financial statements. According to Law of The Republic of Indonesia Number 15 of 2004, this opinion is issued based on four criteria: compliance to government accounting standards, adequacy of disclosure, regulatory compliance, and the effectiveness of internal control systems. The four types of opinions are unqualified, qualified, adverse, and disclaimer of opinion.

Research conducted by Maria et al. (2021) found that the level of regional financial independence has a positive influence on the potential for corruption in local governments in Indonesia. This research suggests that the more autonomous a region is, the greater the likelihood of corruption occurring in its local government.

On the other hand, Masyitoh et al. (2015) found that audit opinions affect the perception of corruption in local governments. Local governments that receive opinions that do not provide an opinion from the auditor have a significantly higher perception of corruption compared to local governments that receive unqualified opinions. This finding differs from the research conducted by Kurniawati & Pratama (2021), which showed that audit opinions do not affect the level of corruption because the audit opinion is an examination of the fairness of the financial statements, and the examination of financial statements is not specifically aimed at detecting corruption.

This study focuses on the influence of local financial independence and audit opinion on the level of corruption in local governments in Indonesia. It distinguishes itself from previous studies conducted by Maria et al. (2021) and Kurniawati & Pratama (2021) by combining two variables that have not been extensively researched together in the context of corruption at the local level. Additionally, this study differs in terms of data coverage,

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

utilizing more recent data from the year 2022 and encompassing a wider scope, including all local governments in Indonesia, such as provincial, city, and district governments.

LITERATURE ANALYSIS

Agency Theory

Agency theory explains the contractual relationship between principals and agents (Jensen & Meckling, 1976). Principals delegate responsibilities and decision-making authority to agents through collaboration (Andhini et al., 2023). In this study, the community is the principal that mandates the local government (agent) to efficiently and transparently manage finances and government activities. The principal (community) expects the local government to act with integrity and be accountable for the public funds entrusted to them.

According to Saragih & Hasibuan (2020), agency theory recognizes the existence of information asymmetry between agents who have direct access to information and the community. This information asymmetry can lead to malpractice or corruption by agents. This is supported by agency theory, which assumes that both agents and principals think rationally and are motivated by their own welfare and interests, sacrificing other interests (Trisnawati & Gunawan, 2019).

Agency theory is used in this research because this research discusses the management of public funds carried out by local governments (agents) on behalf of the community (principals). In this context, agency theory helps to explain how the contractual relationship between principals (community) and agents (local governments) influences financial policies, accounting practices, and levels of corruption at the local government level. Agency theory allows analysis of the extent to which local governments act in accordance with community interests or exploit their position for personal gain, as well as how factors such as regional financial independence and audit opinions influence these dynamics.

Regional Financial Independence

Regional financial independence is an important indicator in assessing the level of dependence of a region on sources of funding from central and provincial governments. According to Karenina et al. (2021), the financial independence of the region reflects the extent to which the region can be independent without having to rely on financial assistance from the central and provincial governments. The more financially independent a region is, the less reliant the region is on external funding. In addition, Agustina et al. (2022) added that the financial independence of the region also reflects the level of public participation in development. This is evident from the increasing contributions of the people in paying local

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

taxes and remuneration along with the increased financial independence of the region. In other words, a more financially independent region not only demonstrates the ability to manage its own resources, but also shows the active involvement of the community in supporting the development of the region through payment of taxes and remuneration.

Audit Opinions

According to Law of The Republic of Indonesia Number 15 of 2006, the Audit Board of the Republic of Indonesia is a state institution responsible for examining the management and financial accountability of the state, as mandated in the 1945 Constitution of the Republic of Indonesia. In carrying out its duties, Audit Board provides audit opinions. An audit opinion is a statement from a professional that serves as a conclusion of an examination regarding the extent to which the information presented in the financial statements can be considered fair (Law of The Republic of Indonesia Number 15 of 2004).

The audit opinion provided by the Audit Board plays a crucial role in enhancing transparency and accountability in the management of local government finances. As stated by Kurniawati & Pratama (2021), audit opinions can be important information to increase public trust in the process and system of financial governance of the local government.

Local Government Size

Factors, such as local government size, regional prosperity, and dependence on the central government have been identified as forming characteristics of local government. Based on research by Liu & Lin (2012), larger government sizes have lower levels of corruption. This is because there is more oversight of financial accountability by institutions and the general public, which lessens the likelihood that employees of local government will engage in illegal acts of corruption.

Corruption

The most common form of fraud in Indonesia, according to the 2019 survey conducted by the ACFE Indonesia Chapter with 239 respondents, is corruption, which was selected by 154 respondents and had a percentage of 64.4%. Corruption, as defined by Law Number 20 of 2001 on the Eradication of Corruption, occurs when someone intentionally commits illegal acts to enrich themselves, others, or corporations, thereby harming the country's finances or economy. This high figure reflects the seriousness of the corruption problem in Indonesia and highlights it as a major challenge to achieving clean and effective governance. To mitigate corruption, Joseph et al. (2016) state that the government has implemented numerous regulations, leading Indonesia to be regarded as a "regulated

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

country." Three prominent institutions advocating for anti-corruption activities in Indonesia are Indonesia Corruption Watch, Transparency International Indonesia, and the Indonesian Corruption Eradication Commission (KPK).

In Indonesia, decentralization policy gives authority to local governments to independently regulate and manage their regions, including creating public service programs without interference from the central government. However, research by Chang & Turnbull (2002) shows that decentralization is often abused to maximize personal and group interests within organizations. Ineffective budget absorption opens the door for corrupt practices, which may initially only occur at the central government level but then spread to the local government level. This condition shows that decentralization, although aimed at improving efficiency and accountability, can exacerbate corruption problems if not accompanied by strict supervision.

Another study by Puspasari & Suwardi (2016) strengthens these findings by stating that corruption occurring at the central level tends to spread to the regions. This is due to the weak internal monitoring and control systems at various levels of government, which should serve as a counterbalance to decentralized power. As a result, corruption not only erodes budgets that should be used for public purposes but also undermines public trust in the government. To address this problem, serious efforts are needed to strengthen the system of internal surveillance and control, as well as to build a strong culture of integrity at all levels of government.

The Influence of Regional Financial Independence on Corruption Level in Local Governments in Indonesia

Regional financial independence refers to the capability of local governments to manage their own revenue sources to finance their expenditures and regional development. Regions with financial independence often face challenges in budget management and local expenditures. Studies have shown that more financially independent regions tend to engage in budget and expenditure misappropriations (Syurmita, 2013). In autonomous regions, a significant portion of funds is allocated to employee expenses rather than for regional development activities and/or public services (Agustina et al., 2022). This indicates that regional financial independence does not always correlate with a reduction in corruption levels, as there is potential for abuse of authority in managing regional funds.

Thus, the following is the first hypothesis of this study, which aims to investigate the relationship between regional financial independence and the level of corruption in local governments:

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

H1: Regional Financial Independence has an influence on the Corruption Levels in Local Governments

The Influence of Audit Opinion on Corruption Level in Local Governments in Indonesia

An audit opinion is an evaluation by auditors on the compliance and fairness of financial statements. Similar to corporations, a fair audit opinion for local governments ensures that financial disclosures are free from material misstatements, making them reliable. Additionally, a positive audit opinion indicates that the government complies with laws and regulations and has an effective internal control system.

A positive audit opinion from the Audit Board of the Republic of Indonesia is often associated with good financial management and lower levels of corruption. Kuntadi et al. (2023) stated that audit opinions negatively impact the level of corruption. This study found that better audit opinions for local governments indicate a positive assessment of their performance. A positive performance assessment suggests a lower potential for irregularities within the local government. Conversely, Astuti & Adrison (2019) examined the relationship between audit opinions and fraud, using proven bribery cases decided by the Corruption Eradication Commission (KPK) from 2008 to 2017. They found no significant relationship between audit opinions and bribery cases, as bribery is a form of personal corruption and is not documented.

Therefore, to examine the impact of audit opinions on the level of corruption in local governments, the second hypothesis of this study is proposed as follows:
H2: Audit Opinions has an influence on the Corruption Levels in Local Governments

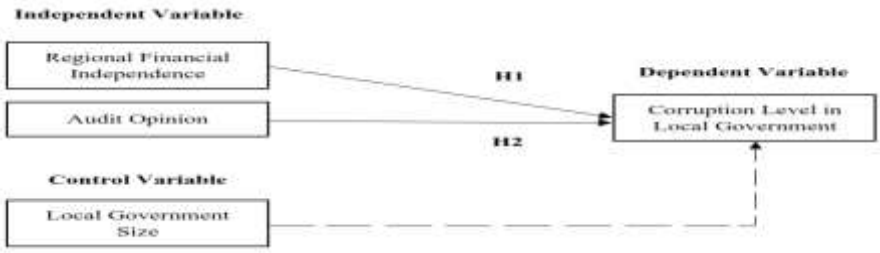


Figure 1. Theoretical Framework

METHODOLOGY

This empirical research utilizes a quantitative approach, chosen for its ability to objectively measure and analyze the relationships between variables using statistical

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

techniques. The study aims to identify the impact of regional financial independence and audit opinions on the level of corruption in local governments in Indonesia. Specifically, it seeks to determine whether regional financial independence and audit opinions issued by the Audit Board of Indonesia significantly influence corruption levels in local governments.

Operational Definitions and Variable Measurement

Dependent Variable

Corruption Level in Local Governments: Measured by the number of corruption cases with final legal decisions (in kracht) determined by the Supreme Court of Indonesia.

Independent Variables

Regional Financial Independence: Refers to a local government's ability to finance its expenditures independently without relying on transfers from the central or provincial governments. Measured using the financial independence ratio formulated by Mahmudi (2010):

$$\text{Financial Independence Ratio} = \left(\frac{\text{Original Local Revenue}}{\text{Transfer Revenue}}\right) \times 100\%$$

Audit Opinion: Assessed on an ordinal scale as per Ratmono & Saleh (2017), where Unqualified Opinion is rated 4, Qualified Opinion is rated 3, Adverse Opinion is rated 2, and Disclaimer of Opinion is rated 1.

Control Variable

Local Government Size: Defined by the total assets in the local government's financial statements, utilizing the natural logarithm of total assets to facilitate analysis and comparison across regions.

Data Collection and Sample

This study employs secondary data, including the financial independence ratio from 2022 regional government financial reports, 2022 audit opinions from Audit Board's Semester I 2023 Summary of Examination Results, and corruption case data from the Supreme Court's decisions. The population encompasses all local governments in Indonesia (34 provinces, 98 cities, and 416 regencies), focusing on 2022. The sample, determined using the saturated sampling method, includes 542 local governments (excluding 5 administrative cities and 1 administrative regency from DKI Jakarta).

RESEARCH AND RESULTS

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

Descriptive Statistics Analysis

Descriptive statistics method describes data using measures such as mean, standard deviation, variance, minimum, maximum, total sum, range, kurtosis, and skewness (Ghozali, 2018). The descriptive analysis results are as follows:

Table 1 Descriptive Statistical Analysis Test Results

Variabel	n	Minimum	Maximum	Mean	Std. Dev.
KKD	542	0,003	4,120	0,2212	0,3554
OA	542	1,000	4,000	3,8967	0,3851
UP	542	27,350	34,160	28,8330	0,7694
TK	542	0,000	12,000	0,1255	0,7539

Source: Data processed (SPSS 26 version)

Note: KKD = Regional Financial Independence; OA = Audit Opinion; UP = Local Government Size; TK = Corruption Level in Local Government.

Regional Financial Independence: The minimum value is 0.003 and the maximum is 4.120, with a mean of 0.2212 and a high standard deviation of 0.3554, indicating significant variation in the regional financial independence data.

Audit Opinion: The minimum value is 1 and the maximum is 4, with a mean of 3.8967 and a low standard deviation of 0.3851, indicating that audit opinion values cluster around a high mean.

Local Government Size: The minimum value is 27.350 and the maximum is 34.160, with a mean of 28.8330 and a relatively small standard deviation of 0.7694, indicating that the local government size data is evenly distributed around the mean.

Corruption Level: The mean is very low at 0.1255 with a large standard deviation of 0.7539, indicating very high variability in corruption level data, with some regions having very low or zero corruption levels and others having very high levels.

Hypothesis Testing

Classical Assumption Tests

Normality Test: The normality test assesses whether data follows a normal distribution, meaning the data is centered around the mean and median values (Nugraha, 2022). If the significance value of the data is more than 0.05, it is regarded to be normally distributed; if not, it is regarded as non-normal. The following is the result of the normality test:

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

Table 2 Normality Test Result

Model	Sig
TK	0,069

Source: Data processed (SPSS 26 version)

The significance value, which is 0.069 according to the Kolmogorov-Smirnov method, shows that the data satisfy the requirements for normality.

Heteroscedasticity Test: In a linear regression model, the heteroscedasticity test establishes whether the residual variance is unequal across all observations (Ghozali, 2018). Based on the probability value, the decision rule states that heteroscedasticity is present if the significance value is less than 0.05 and absent if it is larger than 0.05. The heteroscedasticity test results are as follows:

Table 3 Heteroscedasticity Test Results

Variable	Sig
KKD	0,231
OA	0,998
UP	0,133

Source: Data processed (SPSS 26 version)

Using the Glejser method, all variables have asymp sig values ≥ 0.05, indicating no heteroscedasticity.

Multicollinearity Test: In a regression model, correlations between independent variables are found using the multicollinearity test (Ghozali, 2018). Large standard errors resulting from strong correlations between independent variables cause the t-statistic values to fall below the crucial value. This suggests that the independent and dependent variables do not have a linear relationship. The Variance Inflation Factor (VIF) and Tolerance values are used to test for multicollinearity. Ghozali (2018) states that multicollinearity is absent if VIF < 10 or Tolerance > 0.01 and present if VIF > 10 or Tolerance < 0.01. The multicollinearity test results are as follows:

Table 4 Multicollinearity Test Results

Variable	Tolerance	VIF
KKD	0,559	1,789
OA	0,992	1,008

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

UP	0,560	1,785

Source: Data processed (SPSS 26 version)

Multicollinearity is not present because tolerance values are larger than 0.01 and VIF values are less than 10.00.

Coefficient of Determination Test (R-squared)

The degree to which the independent variables in a regression equation account for the variance in the dependent variable is shown by the coefficient of determination, or R-squared. A low R-squared value suggests that the independent variables have very little capacity to explain the variance in the dependent variable. The coefficient of determination has a value between zero and one. The following is the result of the coefficient of determination test:

Table 5 Coefficient of Determination Test Result

Model	R-squared	Adj. R-squared
TK	0,730	0,728

Source: Data processed (SPSS 26 version)

The R-squared value is 0.730, indicating that 73% of the variance in corruption levels is explained by the independent variables, while the remaining 27% is influenced by other factors.

F-Test (Simultaneous)

According to Riadi (2016), the independent variables' simultaneous substantial influence on the dependent variable is assessed using the F-test. A 0.05 is selected as the confidence level. The F-Test (simultaneous) test result is as follows:

Table 6 F-Test (Simultaneous) Test Result

Model	F	Sig.
TK	391,925	0,000

Source: Data processed (SPSS 26 version)

The dependent variable is influenced by the independent factors simultaneously, as indicated by the significance value of 0.000 < 0.05.

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

T-Test (Partial)

The T-test (partial) is a statistical test that is employed to ascertain the linear relationship between a dependent variable and one independent variable. H0 is accepted if the computed t-value is less than the tabulated t-value and the probability (significance) is greater than 0.05 (α). This implies that the dependent variable is not significantly influenced by the independent variable, even when considered individually. The null hypothesis (H0) is rejected if the calculated t-value exceeds the tabulated t-value and the probability (significance) is less than 0.05 (α). This indicates that there is a significant partial (individual) influence of the independent variable on the dependent variables. The t-test (partial) test results are as follows:

Table 7 T-Test (Partial) Test Results

Variabel	Beta	Std. Error	t	Sig.
C	-18,786	0,606	-31,009	0,000
KKD	-0,280	0,039	-7,110	0,000
OA	0,048	0,030	1,615	0,107
UP	0,610	0,020	29,825	0,000

Source: Data processed (SPSS 26 version)

Based on Table 7, the following findings were observed:

Regional Financial Independence (KKD): The regional financial independence variable has a significance value of 0.000 (p-value < 0.05), with a t-value of 7.110 (> t-table 1.999) and a coefficient of -0.280. This indicates that regional financial independence has a significant negative effect on corruption levels, meaning as financial independence increases, corruption decreases.

Audit Opinion (OA): The audit opinion variable has a significance value of 0.107 (p-value > 0.05), with a t-value of 1.615 (< t-table 1.999) and a coefficient of 0.048. Although the positive coefficient suggests a positive relationship between audit opinion and corruption levels, this relationship is not statistically significant.

Local Government Size (UP): The local government size variable has a significance value of 0.000 (p-value < 0.05), with a t-value of 29.825 (> t-table 1.999) and a coefficient of 0.610. This indicates that local government size has a significant positive effect on corruption levels, meaning larger government size is associated with higher corruption levels.

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

DISCUSSION

Regional Financial Independence and Corruption Levels

The analysis of regional financial independence reveals a regression coefficient of -0.280. With a significant value of 0.000, which is well below the 0.05 threshold, it indicates that regional financial independence significantly influences the level of corruption in local governments.

The coefficient of -0.280 indicates that for every one unit increase in financial independence of local governments, there is a decrease of 0.280 units in the level of corruption, assuming other variables remain constant. In other words, the more financially independent a region is, the lower the level of corruption in that region. These findings contradict the results of a study by Maria et al. (2021) which stated that regional independence positively influences corruption in local governments in Indonesia.

The research findings indicate that regional financial independence plays a crucial role in reducing the likelihood of corruption. This relationship can be further explained through agency theory. In the context of agency theory, there is an agency problem that arises when the interests of the agent (local government) are not aligned with the interests of the principal (community). In situations where the agent has more information than the principal, the agent has the opportunity to act against the interests of the principal (Isnadiva & Haryanto, 2021). Higher financial independence can improve transparency and accountability, reducing information asymmetry between local governments and community. This is because higher financial autonomy is often accompanied by increased supervision and better incentive structures. Financially independent regions have an incentive to manage public finances more efficiently and transparently in order to maintain public support and increase regional revenue. This reduces the opportunities for corruption as the actions of agents are easier to monitor and regulate by the principal.

Audit Opinion and Corruption Levels

The data analysis results for the audit opinion variable indicate that the obtained regression coefficient is 0.048. However, the resulting significance value (sig) is 0.107, which is greater than the threshold of 0.05. This indicates that the audit opinion variable does not have a significant influence on the corruption level in local government at a 5% significance level.

The coefficient of 0.048 indicates that for every one unit increase in the audit opinion, there is a 0.048 unit increase in the level of corruption, assuming other variables remain constant. However, due to the significance value being greater than 0.05, it cannot be concluded that this relationship is statistically significant. The input states that there is not

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

enough evidence to suggest that audit opinions directly influence the corruption level in local governments. This finding is consistent with a study conducted by Kurniawati & Pratama (2021) which states that audit opinions do not affect the level of corruption.

Audit opinions may not fully reflect the quality of financial governance or the level of corruption in local governments. Audit opinions often rely on compliance with accounting standards and regulations and may not encompass all aspects of corruption activities that are more difficult to detect (Budiman & Amyar, 2021). There is a possibility that other factors not included in this regression model have a greater influence on the level of corruption compared to audit opinions, such as the effectiveness of internal oversight and political pressure.

In the context of agency theory, the community (the principal) relies on local governments (the agent) to effectively and efficiently manage public resources. Audit opinions are often used as a benchmark to assess the effectiveness of oversight and financial management performance of local institutions (Syahrir & Suryani, 2020), thus they are expected to serve as a tool to help principals monitor the agents' performance. However, the insignificance of these results indicates that audit opinions may not be sufficiently effective as an oversight tool in the context of corruption.

Control Variable: Local Government Size

This research uses the size control variable of the local government. The result of data processing for the local government size variable shows that the regression coefficient obtained is 0.610. The significant value (sig) produced is 0,000, which is much smaller than the 0.05 threshold. This indicates that the level of corruption in the local government is significantly influenced by the variable of local government size.

A coefficient of 0.610 indicates that for each increase of one unit in the size of the local government, there is an increase of 0.601 units in the rate of corruption, assuming other variables remain constant. Very high statistical significance ($p < 0.05$) reinforces the belief that this influence is not a result of coincidence, but rather reflects a real relationship between the local government size and the level of corruption.

In other words, the larger the size of the local government, the higher the level of corruption that occurs in the region. The results of this study are consistent with the results of research by Maria et al. (2021) which stated that the size of the area has a positive influence against corruption in the local government in Indonesia. It shows the importance of considering the local government size in an effort to control and reduce corruption at the local government level.

CONCLUSION AND RECOMMENDATIONS

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

This study examines the influence of regional financial independence and audit opinions on corruption levels in Indonesian local governments, using data from 2022. The findings indicate that financial independence significantly reduces corruption, as autonomous regions are more likely to manage public finances efficiently, enhancing oversight, transparency, and accountability. Conversely, audit opinions do not significantly impact corruption levels, suggesting that they may not fully capture the quality of financial governance or corruption activities. Additionally, larger local governments tend to experience higher levels of corruption, emphasizing the need for stringent oversight and anti-corruption measures in these regions.

This study has several limitations. First, the measurement of corruption is based on Supreme Court decisions, which may not capture all corruption cases, as many may go undetected or unresolved. Second, the diverse economic, social, political, and cultural characteristics of local governments in Indonesia are not fully accounted for, which may affect corruption levels. Future research should include additional variables such as internal oversight effectiveness and political pressure to provide a more comprehensive analysis. Employing panel data methods could also enhance the accuracy of the findings and allow for a detailed examination of factors influencing corruption over time.

REFERENCES

Agustina, F., Pramono, A. J., Akbar, B., & Arif, A. (2022). Factors Determining Low Regional Financial Independence: Financial Autonomy and Degree of Decentralization. Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara, 8(1), 117–130. https://doi.org/10.28986/jtaken.v8i1

Andhini, S., Gunawan, J., & Chen, H.-Y. (2023). Influence of General Allocation Fund, Special Allocation Fund, and Capital Expenditure on Financial Performance of Local Government. International Journal of Contemporary Accounting, 5(2), 125–140. https://doi.org/10.25105/ijca.v5i2.17381

Astuti, Y. D., & Adrison, V. (2019). The Audit Board of Republic of Indonesia's Opinion and Bribery in Local Governments in Indonesia. Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara, 5(2), 125–138. https://doi.org/10.28986/jtaken.v5i2.379

Avalon, Y., Achsani, N. A., & Hardiyanto, A. T. (2018). The Relationship Between The Audit Board of The Republic of Indonesia's (BPK) Opinion With Regional Government Financial Report and Corruption. Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara.

Bakar, A., & Said, S. W. (2021). Analisis Tingkat Kemandirian, Efektivitas dan Kemampuan Keuangan Daerah Kabupaten Mimika. Jurnal Kritis, Volume 5 Nomor 2.

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

Budiman, M. A., & Amyar, F. (2021). The effect of audit opinions, implementation of audit recommendations, and findings of state losses on corruption levels in the ministries and institutions of the Republic of Indonesia. Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara, 7(1), 113–129. https://doi.org/10.28986/jtaken.v7i1.471

Chang, C., & Turnbull, G. (2002). Bureaucratic Behavior in the Local Public Sector: A Revealed Preference Approach. Public Choice, 113(1), 191–210.

Ghozali, I. (2018). Aplikasi Analisis Multivariate dengan Program IBM SPSS 25 Edisi 9.

Isnadiva, S. M., & Haryanto. (2021). Hasil Pemeriksaan dan Kasus Korupsi pada Pemerintah Daerah Studi pada Pemerintah Provinsi di Indonesia Tahun 2015-2018. Jurnal Riset Akuntansi Dan Keuangan, 9(1), 83–100.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure. Journal of Financial Economics, 3(4), 305–360. http://ssrn.com/abstract=94043Electroniccopyavailableat:http://ssrn.com/abstract=94043http://hupress.harvard.edu/catalog/JENTHF.html

Joseph, C., Gunawan, J., Sawani, Y., Rahmat, M., Noyem, J. A., & Darus, F. (2016). A comparative study of anti-corruption practice disclosure among Malaysian and Indonesian Corporate Social Responsibility (CSR) best practice companies. Journal of Cleaner Production, 112, 2896–2906. https://doi.org/10.1016/j.jclepro.2015.10.091

Karenina, S., Andayani, K. D., Aditya, I. A., & Wasil, M. (2021). Tingkat Kemandirian Keuangan Daerah dan Implikasinya Terhadap Pertumbuhan Ekonomi Kabupaten Bojonegoro Tahun 2010-2019. Journal of Regional Economics Indonesia, 2(1), 27–41.

Kuntadi, C., Suryadi, D., & Anggriawan, G. (2023). Factors Affecting the Corruption Rate: Audit Opinion, Audit Findings, and Follow-up of Audit Results. Journal of Accounting and Finance Management, 4(1), 24–32. https://doi.org/10.38035/jafm.v4i1

Kurniawati, A. D., & Pratama, M. (2021). The role of government auditing in controlling the level of corruption in Indonesia. Jurnal Akuntansi Dan Auditing Indonesia, 25(1). https://doi.org/10.20885/jaai.vol25.i

Law of The Republic of Indonesia Number 15 of 2004 concerning The State Financial Management and Accountability Audit. (2004).

Law of The Republic of Indonesia Number 15 of 2006 concerning The Audit Board. (2006).

Liu, J., & Lin, B. (2012). Government auditing and corruption control: Evidence from China's provincial panel data. China Journal of Accounting Research, 5(2), 163–186. https://doi.org/10.1016/j.cjar.2012.01.002

Mahmudi. (2010). Analisis Laporan Keuangan Pemerintah Daerah. Yogyakarta: UPP STIM YKPN.

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

Maria, E., Halim, A., & Suwardi, E. (2021). Financial Distress, Regional Independence and Corruption: An Empirical Study in Indonesian Local Governments. Journal of Accounting and Strategic Finance, 4(1), 54–70. https://doi.org/10.33005/jasf.v4i1.159

Masyitoh, R. D., Wardhani, R., & Setyaningrum, D. (2015). Pengaruh Opini Audit, Temuan Audit, dan Tindak Lanjut Hasil Audit terhadap Persepsi Korupsi pada Pemerintah Daerah Tingkat II Tahun 2008-2010. Simposium Nasional Akuntansi XVIII Medan. https://www.researchgate.net/publication/332188517

Nugraha, B. (2022). Pengembangan Uji Statistik: Implementasi Metode Regresi Linier Berganda dengan Pertimbangan Uji Asumsi Klasik. Pradina Pustaka.

Nur, B., Sembel, R., Khomsiyah, & Gunawan, J. (2021). Determinants and Measurement Quality of the Financial Statement of Local Government in Indonesia. Journal of Accounting, Business and Finance Research, 12(1), 12–25. https://doi.org/10.20448/2002.121.12.25

Puspasari, N., & Suwardi, E. (2016). The Effect of Individual Morality and Internal Control on The Propensity to Commit Fraud: Evidence From Local Governments. Journal of Indonesian Economy and Business, 31(2), 208–2019. https://doi.org/10.22146/jieb.15291

Ratmono, D., & Saleh, L. O. I. H. (2017). Analisis Pengaruh Korupsi Terhadap Audit Pemerintahan pada Instansi Pemerintah di Indonesia. Diponegoro Journal of Accounting, 6(1), 1–13. http://ejournal-s1.undip.ac.id/index.php/accounting

Riadi, E. (2016). Statistika Penelitian (Analisis Manual dan IBM SPSS) (Th. A. Prabawati, Ed.). ANDI Yogyakarta.

Saragih, G. V. V. R., & Hasibuan, A. N. (2020). The Audit Board of The Republic of Indonesia's Opinion: Between Regional Financial Performance and Public Welfare (The Study on Regencies and Cities in Riau Province). Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara, 6(2), 195–211. https://doi.org/10.28986/jtaken.v6i2.466

Syahrir, R. S., & Suryani, E. (2020). Pengaruh Opini Audit dan Temuan Audit Terhadap Tingkat Korupsi (Studi pada Pemerintah Daerah di Indonesia Tahun 2017). Journal Accounting and Finance Edisi, 4(1). https://journals.telkomuniversity.ac.id/jaf

Syurmita. (2013). Pengaruh Karakteristik Pemerintah Daerah terhadap Prediksi Financial Distress. Konferensi Regional Akuntansi 1.

Trisnawati, E., & Gunawan, J. (2019). Governance Disclosures, Senior Management and their Influences on Tax Avoidance. In International Journal of Innovation, Creativity and Change. www.ijicc.net (Vol. 9). www.ijicc.net

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research

https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.