LEVEL REGARDING CORRUPTION OF LOCAL GOVERNMENTS: PERSPECTIVE OF FINANCIAL STATEMENT ACCOUNTABILITY, FINANCIAL PERFORMANCE, AND SIZE OF LOCAL GOVERNMENTS

Roro Endah Kumalasari
STIE Pasundan, Bandung.
E-mail: roro@stiepas.ac.id

ABSTRACT

This study intends to determine the magnitude of the influence of regional financial statement accountability, local government financial performance, and local government's size on local governments' corruption in the Province of Indonesia. This study uses a quantitative approach using secondary data obtained from the Regional Government Financial Statements for 2011 to 2015 and the amount of corruption reported by the KPK from 2011 to 2015. Using panel data to analyze research data to obtain the best model is the Random Effect. The results showed that the accountability of local government financial reports, local government financial performance, and local government size simultaneously had a significant effect on corruption.

Keywords: accountability of regional financial reports, local government financial performance, size of local government, local government corruption.

INTRODUCTION

The milestone of regional financial reform mark by the implementation of regional autonomy and fiscal decentralization in Indonesia. According to Mahmudi (2012), the purpose of implementing regional autonomy, in general, is to increase regional independence, improve transparency and public accountability for regional financial management. Increase government responsiveness to public needs, increase public participation in regional development, increase efficiency and effectiveness of financial management and public services, and encourage development in the regions.

Government efforts to eradicate corruption are carried out through several policies, one of which is establishing an audit institution to prevent the misuse and inefficiency of the use of resources. The audit function can carry out an audit process that plays a role in providing information or detecting fraud such as excessive or missing public resource expenditures (Olken, 2007). The cause of fraud, according to KPMG Fraud, Bribery and Corruption Survey 2013, which conduct in Australia and New Zealand in 2012, was weak internal control, which was 28% of respondents; the second factor was overriding the existing

internal control system, which was 19%. Meanwhile, 42% of fraud was detected mostly due to internal control (KPMG, 2013).

The authority to utilize financial resources itself can misuse the funds obtained to enrich only a few interests. The decentralization of state financial management has also shifted the space for corruption to the regional level. The 2015 Indonesia Corruption Watch study showed that the largest number of corruption cases were non-infrastructure cases, which was higher than infrastructure cases. Non-Infrastructure cases occurred in the regional financial sector as many as 32 cases with Rp's loss value. 113.4 billion. In the second place, there were 20 cases in the government sector with a loss of Rp. 33.3 billion and a bribe of Rp. 381.5 billion. In third place, there are 14 cases in the health sector with a state loss of Rp. 36.9 billion. The following is the data on the level of corruption in government agencies/institutions:
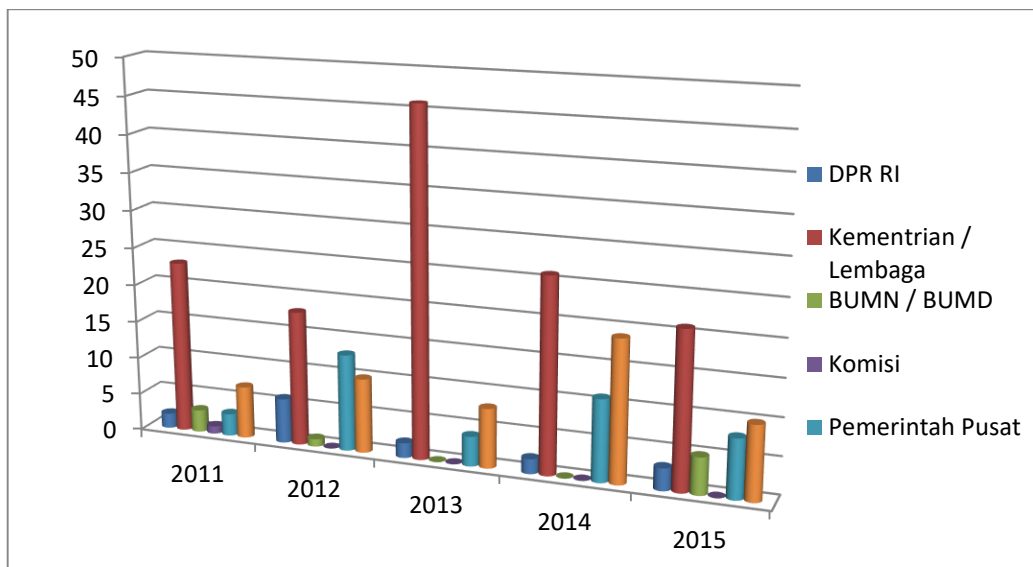
Source: Laptah KPK 2011 - 2015.
Figure 1. Level of Corruption in Government Agencies / Institutions

From Figure 1, it can see that most cases of TPK (Corruption Crimes) carry out in Government Agencies / Institutions, wherein in 2013, there were 46 cases, and the lowest was in the Commission. For regional governments, it fluctuates; in 2011, there were 7 cases; for 2012, it had increased to 10 cases; in 2013, there was a decrease to 8 cases; in 2014, it had increased to 19 cases, and in 2015, it decreased to 10 cases. This data is not data on the total number of corruption cases handled by the KPK but cases with permanent legal force at the District Court level. In 2015, only 6 cases had been appealed to the High Court, and the Supreme Court's decision upheld 15 decisions in the cassation stage.

Efforts to eradicate corruption are inseparable from the auditing institution's role, which is urgently needed to prevent the abuse and inefficiency of the use of resources within the organization. Examination institutions created by the government include the Supreme Audit Agency (BPK), the Government Internal Supervisory Apparatus (APIP), which consists of The Finance and Development Audit Agency (BPKP) as well as the inspectorate

general of each government agency, the Financial Transaction Reports and Analysis Center (PPATK) and the Corruption Eradication Commission (KPK). Internal and external audit processes play an essential role in providing information or detecting fraud and violations that have occurred.

Improvements in local governments' financial quality can also see from the opinion of the Supreme Audit Agency's audit results (BPK) on Regional Government Financial Reports (LKPD). LKPD describes the level of financial accountability of local governments, which is an essential requirement in implementing regional autonomy. To know government financial reports' accountability, it is imperative always to carry out an audit of LKPD by an independent party (BPK RI). The audit report may include the auditor's opinion, internal control weaknesses, and non-compliance with legislation.

In addition to issuing reports on the results of financial audits of local government financial reports in the form of opinions, BPK also issues audit reports on the Internal Control System (SPI) for each audited entity. This report describes the level of internal control weakness that occurs in an entity. The SPI evaluation results by the BPK showcase weaknesses in the internal control system, which can be grouped as weaknesses in the accounting and reporting control systems, weaknesses in the control system for the implementation of the revenue and expenditure budget, and weaknesses in the internal control structure. The more weaknesses of the internal control system that occur in a local government, it means that the level of accountability is lower and will increase corruption chances.

The final component disclosed by the BPK to assess the accountability of LKPD is compliance with laws and regulations. An examination of statutory compliance carries out to detect material misstatements caused by non-compliance with statutory provisions that have a direct and material effect on the presentation of the financial statements. The results of an examination of compliance with laws and regulations on financial reports reveal non-compliance with statutory provisions resulting in regional losses, potential regional losses, lack of revenue, administrative weaknesses, inefficiency, and ineffectiveness.

The study results (Khairudin & Erlanda, 2016) show that financial statement accountability has a significant effect on the level of corruption in local governments. This result contradicts research (Syahadatina & Fitriyana (2016), which state that the accountability of local government financial statements does not affect the corruption of local governments in Indonesia. In addition to the audits conducted by the BPK, government agencies require to have an excellent financial performance to avoid criminal acts of corruption.

The better the institution's financial performance, the wider the public thinks that the lower the agency's corruption level. This condition also applies at the local government level, where people think that the better the government's financial performance, the lower the government's level of corruption.

Assessment of a local government's performance can not only see from the results of the BPK audit. However, it can also assess its financial performance based on the financial ratios in the APBD. By using the APBD financial ratio, it can see that the level of independence, activity level, and growth rate of a local government in self-financing

government activities, development, and services to the community, as well as the government's ability to maintain and increase success from period to period (Syahadatina & Fitriyana, 2016). Apart from the BPK audit results and the government's financial performance, another factor that the broader community can consider in determining the level of corruption in a region is the size of the regional government itself. The local government's size can measure by the level of dependence on the central government and the number of assets owned by the local government. The greater the level of dependency and total assets, the greater the size of the local government. The more significant the regional government's size, the greater the chances for corruption in the regional government as more and more budgets could potentially misuse by local government actors for personal gain (Lambsdorf, 2006).

Based on the explanation above, this study refers to previous research conducted by Wulandari (2016), which examines the accountability of regional financial statements and financial performance against corruption in the Indonesian government. What distinguishes it from previous research is that in this study, the local government's variable size adds, which is proxied by the level of dependence and total assets of a local government. The scope of this research is the province in Indonesia. This study also refers to research by Pratama & Faisal (2016), which examines the BPK examination results, regional financial performance, and the size of the local government on the Corruption Perception Index (IPK).

Pratama & Faisal (2016) research shows that accountability measure by audit opinion, SPI weakness, and non-compliance with legislation which have only two positive effects, namely audit opinion and SPI weakness, while three ratios measure financial performance, the only positive effect is the independence ratio and The ratio of activities that have a positive effect, while the size of government measure by total assets and the level of dependence, respectively, does not affect the CPI and Nurhasanah's (2016) research which examines internal control, the authority of internal auditors, and government size on the level of corruption. In Nurhasanah's (2016) research, these three factors significantly affect the level of corruption.

Based on the description of the problem above, the researcher formulates the problem of whether the accountability of regional financial reports, local government financial performance, and the size of local government to the level of corruption of local governments in the Province of Indonesia to analyze the effect of accountability on local government financial reports, local government financial performance, and measures local government against the level of local government corruption in Indonesian provinces.

FRAMEWORK

An audit of financial reports carries out in order to provide an opinion on the fairness of financial information presented in the financial statements based on (a) conformity with government accounting standards and accounting principles stipulated in various laws and

regulations, (b) adequacy adequate disclosure, (c) compliance with laws and regulations, and (d) effectiveness of the internal control system. In carrying out financial audits, in addition to providing opinions on financial reports, BPK also reports the results of examinations of the internal control system and reports on the results of examinations on compliance with laws and regulations (BPK, 2009).

When linked with the level of corruption that may occur in local governments, if the ratio of independence of a region is good/high, the higher the public's participation in paying local taxes and levies, which will illustrate the increasing level of community welfare, thus corruption should not occur. Likewise, with the activity ratio and the growth ratio, if the activity ratio and growth ratio are reasonable, there will be an increase in sources of income in the regions that will increase people's welfare, and there should be no corruption. The better the creation of transparency and accountability believe to be able to reduce corrupt practices in local governments. The better the government's financial accountability, the less corruption that occurs in the regions.

To create transparency, honesty, democracy, effectiveness, efficiency, and accountability in managing regional finances, it is necessary to analyze financial ratios against the Regional Expenditure Budget. Several financial ratios used to measure government performance in this study are regional independence, activity ratios, and growth ratios. The ratio of regional financial independence shows local governments' ability to self-finance government activities, development, and services to the community. The higher this ratio shows, the higher the regional financial independence and the better the regional governments' performance.

To measure the government's ability to mobilize revenue as targeted. The CPI (corruption perception index between 0-10), which is a description of general assumptions about corruption in the region, the results of a survey conducted by the Indonesian transparency agency.

The IPK figures can state that the higher the CPI, the better its performance or, the less corrupt level. The independence ratio negatively relates to the level of corruption in local government, or it can say that the independence ratio is positively related to the corruption perception index. The Activity Ratio (Halim, 2012) shows the government's performance in prioritizing optimal allocation of funds for routine expenditure and development spending. The higher the allocation of funds allocated for routine expenditures means that investment/development expenditures used to provide community economic infrastructure tend to be smaller. The higher the activity ratio, the better the local government performance. It is inversely proportional to the level of corruption, or the activity ratio is positively related to the corruption perception index.

The growth ratio uses to find out how much local government can maintain and increase the success that it has achieved from the following periods. A good growth ratio means that the people's welfare is also good. It shows the better performance of local governments in encouraging PAD revenue. It is negatively related to the level of corruption, or the growth ratio is positively related to the corruption perception index. Halim (2012) shows the government's performance in prioritizing the allocation of funds to routine expenditure and development spending optimally; the higher the allocation of funds

allocated for routine expenditure means that investment/development expenditure used to provide community economic infrastructure tends to be smaller. The higher the government performance ratio, the better the local government performance. It is inversely proportional to the level of corruption, or the government performance ratio is positively related to the Corruption Perception Index.

The size of a local government can measure by the number of assets owned by the local government. Many people think that the greater the size of a local government, the greater the opportunities for corruption in the local government to occur, along with the increasing number of budgets that individuals could potentially misuse in the local government to fulfill Lambsdorff's (2006) personal interests in Lambsdorff (2007). The measurement of the size of the local government in this study uses the number of total assets owned by each local government; therefore, the greater the total assets owned by the local government, it can be said that the greater the size of the local government itself.

Research conducted by Lambsdorff (2006) and Frank, Lambsdorff & Boehm (2011) shows that the greater the local government's size, the greater the corruption. The increase in population demands a higher demand for transparency and higher oversight of the legislature and judiciary. This more oversight makes legislators and executives at the local government level comply with regulations, and the possibility of committing fraudulent acts will be slight.

METHOD

The method used in this research is to use quantitative analysis. Quantitative analysis by analyzing a problem by quantifying research data to produce the information needed in the analysis. The analytical tools used in this research are descriptive statistics and panel data regression analysis. Descriptive statistics provide an overview or description of data seen from the average value, standard deviation, variant, maximum, minimum, sum, range, kurtosis, and skewness.

Operational Variables consisting of independent variables from this study are the accountability of local government financial reports reported by BPK RI (consisting of audit opinions, SPI weaknesses, and non-compliance with legislation), regional financial performance (consisting of self-reliance ratios, operating expenditure activity ratios), capital expenditure activity ratio and growth ratio), and the government's size as seen from total assets.

1. Accountability of local government financial reports 1) Audit opinion, 2) Weaknesses of SPI, 3) Non-compliance with the legislation
2. Regional Government Financial Performance, in this study, regional financial performance is measured by: The ratio of independence, regional independence is shown by the original regional revenue (PAD) size compared to the total income.

According to Halim (2012), the ratio of Operational Expenditures Activities, the higher the percentage of funds allocated for Routine Expenditures means that the percentage of

investment spending (Development Expenditures) used to provide economic facilities and infrastructure for the community tends to be smaller.

Capital Expenditure Activity Ratio is the ratio between total realized capital expenditure and total regional expenditure. Based on this ratio, the report can determine the portion of regional expenditure allocated for investment in capital expenditure in the relevant fiscal year. Capital expenditures provide medium and long-term benefits as well as routine.

According to Mahmudi (2016), The growth ratio is useful for knowing whether the fiscal year's regional government is concerned or has experienced positive or negative growth in revenue or expenditure during several budget periods.

The growth ratio is the government's size; in this study, the government's size is measured by a local government's total assets, which contains the Regional Government Financial Report.

The dependent variable in this study is the level of local government corruption. The exact level of corruption in a local government is difficult to know. This condition happens because the nature of corruption is a hidden act.

The data analysis method carries out with the help of Eviews 9 software using panel data. The secondary data is the Regional Government Financial Report data from 2011 to 2015 and the amount of corruption reported by the KPK in the KPK Annual Report 2011 to 2015. The decision to choose the type of model used in the panel analysis base on two tests, namely the Chow test and the Hausman test. The Chow test uses to decide whether to use a Common Effect or a Fixed Effect. The Hausman test determines the decision to use the Fixed Effect or the Random Effect.

RESULTS AND DISCUSSION

Based on the results of calculations with 135 secondary data, it knows that data quality testing with classical assumptions is declared good. The normality test results show that the probability value> 0.05 means that the data contained in this study have a normal distribution. The multicollinearity test results with tolerance values> 0.1 and VIF <10, so this study's data did not occur.

In the DW autocorrelation test of 2.103717, because the DW value (2.103717) lies between the upper bound (du, 1.8457) and (4-du, 2.1543), the autocorrelation coefficient = 0, it means that the data in this study are not autocorrelated.

The heteroscedasticity test shows that the Prob. F value> 0.05 is 0.9734, so this study's data does not occur heteroscedasticity or is called homoscedasticity.

To determine the best model, it was done by testing the estimated model based on the Chow Test, the chosen Fixed Effect model, because F Count's value is more significant than Critical F, namely F Count 0.05> F Critical Prob 0.000. The test results can see as follows:

Table 1. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.174832	(26,100)	0.0000
Cross-section Chi-square	6.001233	26	0.0000

To find out which model is the best, the Hausman test performed. The calculation results in Table 2 below show that the best model is the Random Effect. The conclusion of the two model selection tests is the Random Effect model.

Table 2. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.431564	8	0.8162

The Effect of Audit Opinions on the Level of Corruption

Based on the calculation results, the Audit Opinion variable has a Prob value of 0.0009 and a positive coefficient of 1.529529, with a significant level of $\alpha = 0.05$. This study proves that the Audit Opinion has a significant effect on the level of corruption. The results of this study support by research by Nurhasanah (2016), Khairudin (2016), and Pratama & Faisal (2016). This study's results are not in line with the research of Syahadatina & Fitriyana (2016). This study empirically proves that the WTP - WTPDPP opinion shows that the local government does not commit corruption. In other words, the local government does not have many corruption cases every year. Riau Islands and NTB Provinces in 2011, 2012, and 2013 received a WTP opinion, and in that year, there were no corruption cases. Provinces that get WDP, TMP, and T.W. opinions do not mean that the province has committed many corruption cases; for example, Maluku Provision (2011,2012,2013) received T.W. opinions, but no corruption cases occurred, and Aceh Province (2012) got WDP opinion, but there was no cases corruption.

The Influence of the Number of Findings of SPI's Weaknesses on the Level of Corruption

Based on the results of the calculation of the variable number of findings of weaknesses, SPI has a Prob value of 0.0098 and has a positive relationship with a coefficient value of 0.0073002 and a significant level of $\alpha = 0.05$. Thus, the number of findings of SPI weaknesses has a significant effect on the level of corruption. This research support by research by Khairudin (2016) and Pratama (2016). This research is not in line with the

research of Syahadatina & Fitriyana (2016). These results prove empirically that the more the SPI's weaknesses are found, the higher the local government's level of corruption. Like D.I. Yogyakarta Province (2013), corruption cases increased to 15 corruption cases with the total number of SPI weaknesses increasing from the previous year, namely 0 findings to 15 findings of SPI weaknesses. Lampung Province (2013) in the previous year, the number of corruption cases was only 7 with the number of findings of SPI weaknesses of 3 increasing to 10 cases of corruption with the number of findings of SPI weaknesses to 16 findings.

The problem of SPI weaknesses generally occurs due to the absence of clear accounting policies and treatment, and SOPs have not established/perfected, responsible officials/executives do not / have not recorded accurately, are inaccurate in planning, lack of coordination with related parties, and are weak under supervision or control. Besides, SPI weakness also occurs because the officials/executors responsible do not comply with existing provisions and procedures and have not been optimal in following up on BPK recommendations on the previous LHP.

SPI's increasing weakness marks corruption cases, but some provinces have several SPI weaknesses, but those provinces do not have corruption cases. For example, NTB Province (2011) had 16 findings of SPI weaknesses, but in that year, there were no corruption cases, Riau Islands Province (2011), the number of SPI weakness findings was 13, but that year there were no corruption cases.

The Effect of the Number of Non-Compliance Findings on Legislation - Invitation on the Level of Corruption

Based on the variable's calculation, the number of findings of non-compliance with legislation has a Prob value of 0.1902 with a coefficient of 0.169484 and a significant level of $\alpha = 0.05$. Thus, the number of findings on non-compliance with legislation does not have a significant effect on the level of corruption. This research support by research by Syahadatina & Fitriyana (2016), Setiawan (2012), and Nurhasanah (2016). This study is not in line with Khairudin's (2016) research and Pratama & Faisal (2016). These results provide empirical evidence that if the examination of compliance with legislation on financial reports results in regional losses, potential regional losses, lack of revenue, administration, inefficiency, and ineffectiveness do not indicate that the regional government is corrupt. For example, in South Kalimantan Province (2011), there were 20 findings of non-compliance with legislation, but the local government did not commit corruption cases with a corruption rate of 0. Aceh Province (2014) showed 27 findings of non-compliance with laws and regulations, but in that year, they did not there is a corruption case.

In general, the findings that resulted in state losses occurred in managing expenditure and asset accounts. Regarding state losses amounting to Rp518.04 billion in 2015, the audited entities have followed up by depositing money into the state treasury/handing over assets worth Rp116.09 billion. The problems of state losses occur because, among others, responsible officials are negligent and inaccurate in obeying and understanding applicable regulations, have not optimally carried out their duties and responsibilities, and are weak in supervising and controlling the implementation of programs/activities. Besides, state losses

occur due to inappropriate policy-making partners who do not carry out agreements according to contracts and weak supervision and control.

Provinces where there are no findings of non-compliance with laws and regulations, are not independent of corruption cases. For example, Banten Province (2011) did not have several findings of non-compliance with legislation, but there were corruption cases as many as 3 cases. Central Kalimantan Province (2015) did not have any findings of non-compliance with legislation but had 5 cases of corruption in that year.

The results of the above research concluded that the Regional Financial Report Accountability variable has a significant effect on the level of corruption. Thus, H1 is accepted. This result can see from the Audit Opinion and the Number of Weakness Findings of the SPI, which significantly affect the level of corruption. This research support by research by Khairudin (2016) and Pratama & Faisal (2016). This research is not in line with the research of Syahadatina & Fitriyana (2016), which states that accountability has no significant effect on the level of corruption. The better the LKPD accountability, the lower the level of corruption in local government.

The Effect of Local Government Financial Performance on the Level of Corruption

a. Effect of the Ratio of Independence on the Level of Corruption

From the calculation, it knows that the independent ratio variable has a Prob value of 0.9877 with a coefficient value of 0.001091. The significant level is $\alpha = 0.05$; the independence ratio has no significant effect on the level of corruption and has a positive relationship with corruption. This research support by the research of Heriningsih & Marita (2013) and is not in line with the research of Syahadatina & Fitriyana (2016) and Pratama & Faisal (2016). The results of this study provide empirical evidence that a province that has a good/high self-reliance ratio, the higher the community's participation in paying local taxes and levies, which will illustrate the increasing welfare of the community, but that does not mean that the province is free from corruption cases where Regional Original Income (PAD) is susceptible to becoming the object of corruption, as evidenced by the Law No. 28 of 2009 on regional taxes and levies it is feared that it will backfire on provinces or local governments that should provide a higher PAD contribution to the welfare of the community.

Like North Sumatra Province (2015), which has an independence ratio of 85.97% in the outstanding category, there are still 14 corruption cases. However, a lack of self-reliance ratio does not mean that a province has a low level of corruption. Maluku Province (2013), which has a low self-reliance ratio of 2.9%, did not have a corruption case in that year.

b. Effect of Operational Expenditure Activity Ratio on Corruption Level

The calculation results show that the operating expenditure activity ratio variable has a Prob value of 0.9618 with a coefficient of -0.008471. With a significant level of $\alpha = 0.05$, the ratio of operating expenditure activities has no significant effect on corruption. This research support by Syahadatina & Fitriyana (2016) and Heriningsih & Marita (2013), but this research is not in line with Pratama & Faisal (2016).

This study provides empirical evidence that the ratio of operating expenditure activities still prioritizes operating spending. Besides, this study also proves that if the ratio of operating expenditure activities is high, there will be an increase in the quality of services and sources of income in the region, which of course increases the welfare of the community, but that does not mean that the province has no cases of corruption. For example, Central Java Province (2014) has a ratio of operating expenditure activities of 86.34%, but this province has 18 cases of corruption in that year. A province with a low ratio of operating expenditure activities does not mean that the province has many corruption cases. A low ratio of capital expenditure activities indicates that the province has not improved the quality of its services and sources of regional income and does not indicate that the province has increased corruption levels. Like South Kalimantan Province (2013), the ratio of operating expenditure activities was only 45.8%, but in that year, Maluku Province did not have any corruption cases.

c. Effect of Capital Spending Activity Ratio on Corruption Level

The calculation of the capital expenditure activity ratio variable has a Prob value of 0.0793 with a coefficient of 0.292067 with a significant level of $\alpha = 0.05$. or $\alpha = 0.10$. With a significant level of 0.05, the ratio of capital expenditure activities has no significant effect on corruption. However, if with a significant level of 0.10, the ratio of capital expenditure activities has a significant effect on corruption. The results of the study support by the research of Syahadatina & Fitriyana (2016) and Heriningsih & Marita (2013) but are not in line with the Pratama & Faisal (2016). This study provides empirical evidence that the ratio of capital expenditure activities to APBD is still relatively small, which means that expenditures budgeted for development expenditures based on allocations for the industrial, agricultural and forestry, legal, transportation, and other sectors. Besides, this study also proves that the ratio of capital expenditure activities is good, so there is an increase in sources income regions; of course, the welfare of the people in a province is increasing, but that does not mean that the province is not corrupt. For example, DKI Jakarta Province has an operating expenditure activity ratio of 45.61%, which means most of the DKI Jakarta Provincial government at 2014 use for capital expenditure. This result shows that there has been an increase in the source of income that makes people's welfare increase; this also indicated an increase in corruption cases to 32 cases.

d. The Effect of the Growth Ratio on the Level of Corruption

The growth ratio variable calculation has a Prob value of 0.2442 with a coefficient value of -0.095437 with a significant level of $\alpha = 0.05$. Thus, the growth ratio has no significant effect on the level of corruption. This research support by Syahadatina & Fitriyana (2016) and Heriningsih & Marita (2013), but it is not in line with the Pratama & Faisal (2016) research. This study empirically proves that the overall growth ratio shows that the provincial government's economic growth is relatively low, although each year, the growth ratio increases. Besides, this study proves that if the growth ratio is good, there will be an increase in income sources in each province, but that does not mean that the provincial government does not commit corruption. For example, West Sumatra Province experienced

an increase in the growth ratio in 2014 - 2015 by 1.5%, but West Sumatra Province experienced an increase in corruption by 0.5% in the same year. Riau Islands Province, which experienced a 20% decline in growth ratio in 2011 - 2012, experienced an increase in corruption by 10.4%.

From the research and explanation above, it can conclude that local governments' financial performance has no significant effect on the level of corruption, so H2 was rejected. This research support by the research of Syahadatina & Fitriyana (2016) and Heriningsih & Marita (2013). However, this study is not in line with Pratama & Faisal (2016) research. Where the financial performance of the provincial government is good, the province is inseparable from corruption cases. However, with the provincial government's decreasing financial performance, it is inseparable that the province does not commit corruption cases.

The Effect of Size of Local Government on the Level of Corruption

Total assets measure government size in this study. From the calculation results, the total asset variable has a Prob value of 0.0196 with a coefficient value of 0.8564 and a significant level of $\alpha = 0.05$. Thus, the total asset variable has a significant effect on the level of corruption. This research support by research by Pratama & Faisal (2016), Lambsdorff (2006), and Nurhasanah (2016). There has been no research that proves that government size has no significant effect on the level of corruption. This study empirically proves that the greater the assets owned by a province, the greater the province's size. The greater the government's size, the more excellent the opportunity to commit corruption in line with specific individuals' extensive budget misuse for personal gain. For example, Lampung Province in 2014 - 2015 experienced an increase in total assets by 11.67%. In the same year, corruption cases in the province increased by 2.4%. The province of NTB in 2014 - 2015 experienced an increase in total assets by 1.09%; in the same year, there was an increase in corruption cases by 0.25%.

From the results of the above research, then H3 is accepted. This study proves empirically that the size of local government has a significant effect on the level of corruption. As total assets increasing every year, the province cannot separate from the increase in corruption cases.

The Effect of Accountability of Local Government Financial Reports, Regional Government Financial Performance, and Size of Local Government on Corruption Levels of Local Government

Based on the calculation results, it can see that the Prob value is 0.000078, with a significant level of $\alpha = 5\%$ or $\alpha = 0.05$, then all dependent variables simultaneously have a significant effect on the level of corruption. Thus, the accountability of local government financial reports, local government financial performance, and local government size simultaneously have a significant effect on the level of corruption. The better the accountability of local government financial reports and local governments' financial performance, the better the level of corruption in local governments. The larger the local

government's size, the more corruption levels will be for irresponsible individuals to divert local government APBD funds with an Adjusted R-squared of 0.173033 or 17.3% with a very low classification. This result means that only 17.3% of the level of corruption can explain by LKPD accountability, local government financial performance, and local government size. Thus, the remaining 82.7% explained by other factors not included in this study. Other factors that influence corruption include transparency of local government financial reports, local governments' complexity, disclosure of local government financial reports, characteristics of local government, and local government politics.

CONCLUSION

Based on the research results, the accountability of local government financial statements has a significant effect on corruption. It can see from the SPI's opinions and weaknesses, which have a significant effect on the level of corruption. The better the Pemprov LKPD opinion results, the lower the level of corruption, marked by the better the provincial government's financial reporting. However, not all WTP opinions mark by a reduction in corruption cases in the provincial government. The financial performance of local governments has no significant effect on the level of corruption. From the research results, all the ratios used in the study do not have a significant effect on the level of corruption. Thus, the better the financial performance of the provincial government does not indicate that it is not corrupt. The size of the local government has a significant effect on the level of corruption. The larger the government's size, the more excellent the opportunity to commit criminal acts of corruption because the more significant the government's size, the weaker the local government's supervision. Accountability of local government financial reports, local governments' financial performance, and the size of local governments simultaneously have a significant effect on the level of corruption. The factors that significantly influence corruption not explained in this study, such as transparency of local government financial reports, the complexity of local governments, disclosure of local government financial reports, local government characteristics, and local government politics.

In this study, only 34 provinces use as research objects; further research expected to be able to use all local governments in Indonesia, both cities, regencies, and provinces as research populations so that the accountability data for local government financial statements is more visible in the comparison of the audit opinion, the number of findings of SPI weaknesses. And the number of findings of non-compliance with the laws of each city, district, and province. The financial performance of local governments in this study uses five years; it hopes that further research will use a more extended time, namely ten years, to see the existing negative trends and with other proxies of financial performance ratios, namely dependency ratios, degree of fiscal decentralization, because, proxies used in this study only growth ratio, capital expenditure activity ratio, operating expenditure activity ratio and independence ratio.

That hope that the local government's size can add with other proxies, such as population, regional work units, and capital expenditure, is only total assets used in this study. The limitation of this research is related to the amount of corruption that thought to be less representative because it only takes cases handled by the KPK, where there is still prosecution of corruption cases handled by the Attorney General's Office of the Republic of Indonesia and the National Police of the Republic of Indonesia. This research faces obstacles in obtaining data on corruption cases handled by the Attorney General's Office of the Republic of Indonesia and the Police to obtain only KPK corruption cases. Furthermore, it suggested using corruption cases as a whole, namely in the three institutions. Future research expected to add other variables, both financial and non-financial, such as transparency of local government financial reports, the complexity of local governments, disclosure of local government financial reports, local government characteristics, and local government politics.

REFERENCES

Halim. (2012). Akuntansi Keuangan Daerah, Jakarta: Salemba Empat.

Heriningsih, S., & Marita, M. (2013). Pengaruh opini audit dan kinerja keuangan pemerintah daerah terhadap tingkat korupsi pemerintah daerah (studi empiris pada pemerintah kabupaten dan kota di pulau jawa). *Jurnal Manajemen, Akuntansi dan Ekonomi Pembangunan*, *11*(1), 67-78.

IHPS BPK Tahun 2011- 2015

Frank, B., Lambsdorff, J. G., & Boehm, F. (2011). Gender and corruption: Lessons from laboratory corruption experiments. *The European Journal of Development Research*, *23*(1), 59-71.

Khairudin, K., & Erlanda, R. (2016). Pengaruh Transparansi dan Akuntabilitas Laporan Keuangan Pemerintah Daerah (LKPD) Terhadap Tingkat Korupsi Pemerintah Daerah (Studi pada Pemerintah Kota Se-Sumatera). *Jurnal Akuntansi dan Keuangan*, *7*(2), 137-154.

Lambsdorff, J. G. (2006). Measuring corruption–the validity and precision of subjective indicators (CPI). *Measuring corruption*, *81*, 81.

Lambsdorff, J. G. (2007). *The institutional economics of corruption and reform: Theory, evidence and policy*. Cambridge university press.

Laptah KPK Tahun 2011 - 2015

LKPD Provinsi Indonesia Tahun 2010 - 2015

Mahmudi**. (2016).** Akuntansi Sektor Publik. UII Press.

Nurhasanah, N. (2016). Efektivitas Pengendalian Internal, Audit Internal, Karakteristik Instansi dan Kasus Korupsi (Studi Empiris di Kementerian/Lembaga). *Jurnal Tata Kelola dan Akuntabilitas Keuangan Negara*, *2*(1), 27-48.

Olken, B. A. (2007). Monitoring corruption: evidence from a field experiment in Indonesia. *Journal of political Economy*, *115*(2), 200-249.

Pratama, R. A., & Faisal, F. (2016). Pengaruh Hasil Pemeriksaan BPK, Kinerja Keuangan Pemerintah Daerah Dan Ukuran Pemerintah Daerah Terhadap Nilai Indeks Persepsi Korupsi Pemerintah Daerah. *Diponegoro Journal of Accounting*, *5*(3), 1-14.

Syahadatina, R., & Fitriyana, I. (2016). Pengaruh Sumber Daya Manusia Bidang Keuangan Dan Sistem Pengendalian Internal Terhadap Kualitas Laporan Keuangan Pemerintah Daerah. *JURNAL AKUNTANSI DAN INVESTASI*, *1*(1), 77-92.

Wulandari, R. (2015). *Pengaruh Akuntabilitas Laporan Keuangan Pemerintah Daerah (LKPD) dan Kinerja Keuangan Pemerintah Daerah Terhadap Tingkat Korupsi Pemerintah Daerah Di Indonesia* (Bachelor's thesis, Jakarta: Fakultas Ekonomi dan Bisnis UIN Syarif Hidayatullah Jakarta).