

Accountability and Corruption Level of Provincial Government in Indonesia

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ABSTRACT

The Purpose of this research is to provide empirical evidence of accountability on curbing corruption in provincial governments in Indonesia. The components of accountability observed are (1) audit findings positively affect the curbing of corruption of provincial governments in Indonesia, (2) retification effort positively affects the curbing of corruption of provincial governments in Indonesia, (3) and audit opinions negatively affect the curbing of corruption of provincial governments in Indonesia. The method used in this research is quantitative approach. The data used are secondary data from all provincial governments in Indonesia from 2011-2015. The data are analyzed using multiple linier regression analysis method. The research result shows that audit findings and retification effort has positive significant effect on corruption and audit opinion has negative significant effect on corruption in provincial governments in Indonesia.

Keyword: Accountability, Audit findings, Audit follow up, Audit results, Corruption.

1. INTRODUCTION

The phenomenon of corruption is a complex problem for many countries, especially developing countries. Corruption is a significant problem faced by developing countries (Olken, 2007). Corruption has become a part of developing countries, including Indonesia (Prabowo dkk, 2016). Corruption still take place in Indonesia, eventhough there are several improvement in term of regulation, law enforcement, and regional autonomy that has been implemented since the institutional reformation following the economic and political crisis in the late of 1990s, which encourage the nation to be ore democratic, decentralized, and deregulated (Henderson and Kuncoro, 2011).

The reformation in 1998 does not provide a solution for the corruption in Indonesia (Sherlock, 2002). The 1998 reformation basically provides a new hope for Indonesia to distribute the development equally in all of Indonesia region. One of the result of reformation is the establishment of autonomy regulation. The establishment is based on the Regulation Number 22 of 1999.

Transparency International Indonesia (TII) states that Indonesia remains in the bottom rank in term of corruption in the Asia-Pacific countries. A survey result,

conducted by TII in 2017, shows that Indonesia stays as one of the most corrupted countries in Asia-Pacific region (www.liputan6.com, 2017). TII also notes that during the last five years Indonesia has remained in the red zone. During the last decade, the state losses associated with corruption amounted to Rp 205 trillion (www.news.okezone.com). This shows that Indonesia can be considered as one of the most corrupt countries in the world (Prabowo dkk, 2016).

TII states that Corruption Perception Index (CPI-Indeks Persepsi Korupsi) in 2016 Indonesia faces a global downgrade. In 2016 Indonesia is in the position of 90 out of 176 countries with a score of 37 on the scale of 0 to 100, where zero (0) shows the highest corruption level and 100 shows the lowest corruption level in 2016. The score is one point higher than the previous year score (in 2015). In 2015 Indonesia is the 88th rank out of 168 countries with 36 points (www.transparency.org, 2016). The CPI score of Indonesia in 2016 shows that corruption remains high in Indonesia.

Regional autonomy as an attempt to implement a good decentralization and governance is considered as one of the factor in corruption practices (Maulani, 2010). This is in line with the opinion of Indonesia Corruption Watch (ICW) researcher, Donal Fariz (2013) who states that in general, regional autonomy should be able to support the realization of regional development decentralization. However, its implementation has leads to higher corruption in the regional government. Along with the implementation of regional autonomy, the authority and fund delegated to the regional government has triggered corruption cases by the regional government apparatus (www.voaindonesia.com, 2013).

The corruption level in Indonesia during the period of 2011-2015 shows a fluctuative trend. However, ICW states that the trend towards corruption tend to increase. In 2013 and 2014 there is a significant increase in corruption level. Those increases are mostly caused by the increase in corruption cases in the regional government and ministerial level. ICW also states that since 2010 to 2015 regional governments have become the center of corruption practices. In 2016 there are 515 Public Servant Apparatus (Aparatur Sipil Negara - ASN) convicted guilty in various corruption cases. The ASN involved in corruption cases are those who come from regional government (www.antaraneews.com, 2017).

Based on a review by ICW in the first semester of 2016, there are 205 corruption cases or 97 percent of the corruption cases took place in regional government, while there are only 2 percent of corruption cases at national level. Corruption Eradication Commission (Komisi Pemberantasan Korupsi - KPK) states that there are 18 governors, which constitute of 50 percent of the total number of regional government in Indonesia, and 343 Regent or Major (63 percent) who are involved in corruption cases.

ICW states that regional bureaucration has become the institutions that contribute the highest number in term of corruption subject. This is mainly because public sector finance becomes a wide opened field to perform corruption due to the benefits from financial power as a result of taxation sector, budgeting, procurement, and national assets management (Liu and Lin, 2012). Klitgaard (1997) states that the majority of corruption happened in governmental sector, eventhough it can also occurred in private sector, non-governmental organization (NGO), and international organization.

Klitgaard (1997) states that corruption practice occurred because there is monopoly in power, discretion, and weak accountability. Shah (2006) states that more accountable government will reduce corruption level. Klitgaard (2001) states that one of the strategies that can be taken in eradicating corruption is by fixing the corrupted system by regulating

the monopoly, discretion, and accountability. Accountability improvement is an aspect in good governance practice that affect corruption eradication (Afriyanti, 2014).

Corruption eradication effort in Indonesia cannot be separated from the role of audit institution in order to avoid missappropriation and inefficiency in organizations' resource usage (Dwipurtrianti, 2008). The low level of supervision and governance will lead to missappropriation of public resource even further high level of corruption in governmental sector (Olken, 2007). Auditing is a method that can be applied in audit function. Audit Function can be implemented through auditing process that can provide information and detect fraud (Olken, 2007).

The result of audit process can be used to detect corruption activities at the local government level (Liu and Lin, 2012). The improvement in accountability and auditing process can contribute to the eradication of corruption. Audit has a supervision and controlling role that can contribute to all aspects of governmental accountability (Gong, 2009). The role of government audit in conducting inspection on local government financial report is expected to be an indicator in improving transparency and accountability. Khan (2006) explains that auditing process in public sector can improve transparency and accountability, as well as preventing corruption. Moreover, auditing can show possible area where corruption is most likely to occur.

This research is needed for several reasons, first the corruption level in Indonesian government has become a significant problem that can damage and disrupt government activities as well as harm all the related parties, thus an effort to eradicate and control corruption level is needed. Second, the implementation of regional autonomy considered as an opportunity for corruption practices in local government that leads to state losses. Third, government audit role has not fully discussed in relation to the improvement of accountability and to decrease the corruption level, even though government audit is considered as one of the efforts in corruption eradication.

Previous research by Liu and Lin (2012) on the local government in the provinces in China analyzes the role of government audit using the audit findings and improvement recommendation to detect corruption potential in local government. Another research by Mogiliansky (2014) focused on the accountability of public servant who committ corruption practice. Prabowo (2014) in his research consider corruption from corruption practice perspective. Another research conducted in Indonesia is a research by Isra dkk (2016) that consider corruption in Indonesia as a fairness barrier in order to reduce the corruption practice in Indonesia.

This research is a development from a research conducted by Liu and Lin (2012), with a modification on the research object, which is the Government of Indonesia, and an additional variable of auditor's opinion. This research will assess accountability through government audit role in its effort to eradicate corruption. This research covering period of 2011-2015 as sample mainly due to the increase in corruption level during the last five consecutive years and is dominated with an increase in corruption cases that happened in local government in Indonesia (www.antikorupsi.org, 2015).

2. CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Klitgaard Theory

Klitgaard theory (monopoly theory), developed by Robert Klitgaard, states that monopoly of power together with discretion of official without accountability or lack of accountability will lead to a motivation to do a corruption (Klitgaard, 1997). In this research, the use of Klirgaard Theory will be focussed on accountability.

It is mainly because accountability is related with corporate governance, which shows the obligations of authorities toward the policies made and its implementation (Gong, 2009). Accountability is considered as an important factor that contributes to reduce the practices of corruption in local government after the decentralization of power (Klitgaard, 1997). Government's effort to eradicate corruption is one of the significant factors in determining the quality of government (Mardiasmo, 2005). A high level of corruption in a country shows how low the quality of government in the country as the role of government, which is to allocate public resource, can be easily distorted because of corruption (Gupta dkk, 2002).

Corruption Level

In general, corruption is known as 'parasite' in a system, institution, and the economy of a country, thus creating inefficiency, waste, and resource misallocation (Monteduro dkk, 2016).

According to Association of Certified Fraud Examiners (ACFE) (as quoted in Tuanakotta 2012 h.196) corruption is described as the branches of: conflicts of interest, bribery, illegal gratuities, and economic extortion.

Developing countries become the vulnerable places to the potential of government corruption (Klitgaard, 1997). Corruption will affect the quality of public service provided by governmental institution. The low level of compliance has lead to inefficiency in the governmental activities. Corruption has an effect of lowering the role of democraton and barring open competition. Therefore, corruption will lead to slow economic development, increase in poverty, and damage the nation's moral.

Accountability

Autonomy-based governmental system has caused demand on governance accountability (Gong, 2009). Local government accountability increases the response to the public needs and interest, thus public will have more trust in local government (Moisiu, 2014). Local government accountability is needed as a form of accountability on the policy made and the implementation of governmental activities (Gong, 2009).

One of the dimensions of public accountability is financial accountability. Financial accountability is a form of accountability regarding financial matter, disclosure, and compliance toward the regulations of law (Mardiasmo, 2009). Financial accountability can be assessed through the accountability of local government financial report, which is prepared by local government, that contains the income, saving, and expenditure of a governmental institution (BPKP, 2007).

Klitgaard (1997) states that accountability is considered as one of the important factors that contributes in reducing the level of corruption in local government after the implementation of decentralization. A weak accountability will increase the opportunities of corruption (Shah, 2007). An increase in accountability is one of the aspect in good governance, which has a significant effect on the eradication of corruption (Afriyanti, 2014).

Corruption eradication effort in Indonesia cannot be separated from the role of inspection institution, which is urgently needed, in order to prevent misappropriation and inefficiency in resource allocation (Dwiputrianti, 2008). A low supervision or governance process will lead to a missappropriation of public resources as well as a high level of corruption in governmental environment (Olken, 2007). The establishment of inspection institution is an effort to prevent misappropriation and inefficiency in resource and as an

effort in eradicating corruption (Dwipurtrianti, 2008). Inspection Function can be implemented through auditing process, which serves as information source and corruption detection (Olken, 2007). The result of auditing process can be used to detect corruption activities at local government level (Liu and Lin, 2012).

Government audit is an important component in accountability and accountability improvement (Laffan, 2003). The role of government audit is a supervision and control that contributes to all aspect of government accountability (Gong, 2009). Audit process can be implemented as a fraud detection such as excessive expenditure or missing resource (Olken, 2007). Therefore, government audit is expected to be an immune system that can detect, resist, and eliminate corruption (Liu and Lin, 2012).

According to Liu and Lin (2012) government audit has main objective to monitor, ensure, and assess government accountability, as an important institution in a modern government control. Khan (2006) explains that auditing process in public sector can improve transparency and accountability. Moreover, the role of audit can help to point out areas where corruption might occur. In order to increase transparency and accountability of local government financial report, an inspection should be conducted by the Audit Board of the Republic Indonesia (Badan Pemeriksa Keuangan Republik Indonesia – BPK RI), in accordance with the Regulation of the Republic of Indonesia Number 15 of 2014 concerning Audit of State Financial Management and Accountability.

Hypothesis Development

After all of the important variables are identified and the relationship between variables are determined through a logical conceptual framework, the next step is to test if the theory is correlated with the real data (Sekaran and Bougie, 2013).

Audit Findings and Corruption Level

Audit Findings are the result of audit process conducted by BPK RI. Audit Findings consist of internal control findings and non-compliance toward the regulation of law. Various audit findings serve to prevent misunderstanding on the conclusions and recommendations of internal control (Agustiniingsih et al, 2017). A strong internal control can minimize fraud (Huefner, 2011). Moreover, Raman and Wilson (1994) states that compliance toward law and regulation can also minimize fraud and corruption.

Audit Findings are one of the indicators of accountability. This is because more weakness in control system and non-compliance actions means lower accountability and higher potential of corruption (BPK, 2012). Ferraz and Finan (2011) states that regulations in governmental activities can improve accountability that have an important role in reducing corruption level.

A research regarding with audit findings and corruption level is conducted by Liu and Lin (2012) who find that audit findings has a positive effect on corruption level. This result shows that audit findings, which states that there is a non-compliance toward the regulation of law, shows higher corruption level. The result of Liu and Lin (2012) research shows that more non-compliance toward regulation in local government in China leads to higher corruption level, thus reducing the quality of financial report.

Based on the previous research, audit findings can be used to detect corruption practice. Therefore, the first hypothesis in this research is:

H1: Audit Findings has a positive effect on corruption level

Audit Findings Follow-up and Corruption Level

According to Liu and Lin (2012) correction made after audit process finished is more important than the audit findings, because the effort taken to make a correction based on audit findings could improve the effectiveness of audit process. The key in limiting corruption is accountability. In order to define accountability, it is important to define the responsibility of each department in governmental agency, institution, and public servant, as well as enforcing sanctions and penalties when responsibilities and rights are not exercised in accordance with laws and regulations. Therefore, detection on government audit findings is the first step, while the more important next step is to hold the accountable parties to make corrections.

The recommendations from auditor that are followed-up by the local government are considered capable in improving the effectiveness of financial report as well as preventing similar errors to occur again. Moreover, it can prevent fraud, misappropriation, and a waste of state finance, which could potentially cause losses to the state. A research by Liu and Lin (2012) states that there is a negative effect of audit findings follow-up on corruption. The follow-up of audit findings is a form of government response in improving accountability and is considered to be able to reduce corruption practice. Based on the previous researches, the second hypothesis proposed in this research is:

H2: Audit findings follow-up has a negative effect on corruption level

Audit Result (Opinion of Auditor) and Corruption Level

Audit of financial report will provide a result in a form of auditor's opinion that shows the reliability of the information disclosed in the financial report. Auditor's opinion is a manifestation of financial report accountability level prepared by governments. Auditor's opinion is considered as a reflection of the fairness of the financial reports disclosed.

Based on the corruption model by Klitgaard (2001), auditor's opinion shows that fairness level of financial reports is related with accountability and has an effect on corruption level. The more accountable a local government is, the lower is the corruption level (Shah, 2007). Previous research has not been including auditor's opinion as one of the variables to analyze accountability and corruption level at Provincial level.

Based on the argument above, thus the third hypothesis is:

H3: Auditor's opinion has a negative effect on corruption level.

Figure 1 is the visualization of the relationship between the research variables. There is one variable linked to corruption level as an independent variable, represented by straight line which indicates the effect and form the hypothesis in this study, while the dashed line represents control variable.

Conceptual Framework

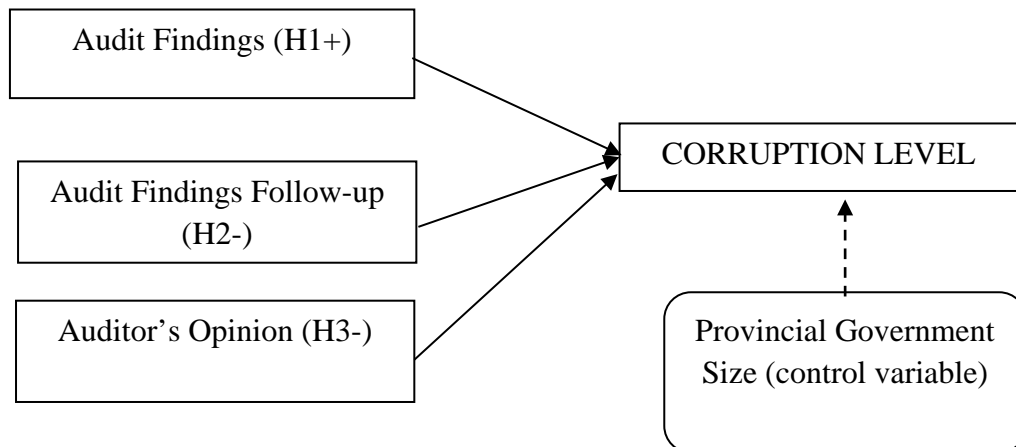


Figure 1
Conceptual Framework

3. RESEARCH METHOD

Population and Sample

The population of this research is 34 provincial governments in Indonesia. The base year for data collection is 2011 to 2015. The sampling technique is conducted in two stages. The first stage is conducted to determine the sample size using slovin size, which shows the number of sample that should be obtained is 31 samples. Second stage is the sample collection using purposive sampling method using the following criteria:

1. Provincial government with a High Court of the Republic of Indonesia (RI) that handles corruption cases in the region.
2. Provincial government that received auditor's opinion issued by BPK RI and has the data about the number of audit findings and the nominal of audit findings follow-up.
3. Possess the complete data for all research variables for the fiscal year of 2011-2015.

Data Source

This research uses secondary data obtained from the annual reports of High Court of the Republic of Indonesia (RI) that can be downloaded directly from its official website and Biannual Examination Results Summary of BPK RI.

Table 1 Variables

Variables		Measurement
Dependent Variable	Corruption Level	Measured by calculating the number of corruption cases handled by High Court of RI in each province (Liu and Lin, 2012).
Independent Variable	Audit Findings	Measured by the total amount of findings that obtained through audit process by BPK RI (Liu and Lin, 2012).
	Audit Findings Follow-up	Measured using the number of assets deposited or transferred to the State Treasury, summing up the audit findings that has been followed-up in accordance with the sanctions and fine provided in auditor's recommendation (Liu and Lin, 2012).
	Auditor's Opinion	The government auditor's opinion of can be separated into four classification that are: <ol style="list-style-type: none"> 1. Unqualified score assigned 1 2. Qualified score assigned 2 3. Adverse score assigned 3 4. Disclaimer score assigned 4
Control Variable	Government Size	Government size shows the size of provincial government based on the proportion of expenditure realization on Gross Regional Domestic Product (Liu and Lin, 2012).

Data Analysis Method

This research uses descriptive and the hypothesis is tested using multiple regression analysis to analyze the data. Classical assumption test is conducted as a requirement for multiple regression analysis. The classical assumption test is conducted to detect whether there is a deviation in the research data (Ghozali, 2011). The test consists of the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The equation for multiple regression test is presented as follows:

$$CORRUPT_{i,t} = \alpha_0 + \beta_1 AUIR_{i,t} + \beta_2 AUREC_{i,t} + \beta_3 AUOPI_{i,t} + \beta_4 GOVSIZE_{i,t} + \varepsilon$$

Notes:

$CORRUPT_{i,t}$: Corruption level in the province i during the fiscal year t
α_0	: Constant
$\beta_1, \beta_2, \beta_3, \beta_4$: Regression coefficient
$AUIR_{i,t}$: Audit findings in the province i during the fiscal year t
$AUREC_{i,t}$: Audit findings follow-up in the province i during the fiscal year t
$AUOPI_{i,t}$: Auditor's opinion in the province i during the fiscal year t
$GOVSIZE_{i,t}$: Government size of the province i during the fiscal year t
ε	: Error

4. RESULT AND DISCUSSION

Data Description

The population of this research is all provincial government in Indonesia. Sampling method used in this research is purposive sampling. The final number of research sample is presented in Table 2.

Table 2
Final Number of Research Sample

No	Criteria	Number
1	The number of Provincial government	34
2	Multiplied by: the number of years	5
3	Initial sample size	170
4	Excluded Provincial government	2
5	Provincial government with incomplete data	1
6	Final number of research sample (Province)	31
7	Final sample	155

Source: Processed Data (2017)

Provincial government that has no High Court is excluded from sample because there is no data about corruption cases that can be obtained, thus Sulawesi Barat (West Sulawesi) and Papua Barat (West Papua) are excluded. Moreover, in Kalimantan Utara (North Kalimantan) Province the complete data about audit findings follow-up is not available, therefore it is excluded from the sample. The total sample consist of 31 provinces for 5 consecutive fiscal period, which made 155 sample in total.

Descriptive Statistic

Table 3
Descriptive Statistic Result

	N	Minimum	Maximum	Mean	Std. Deviation
AUIRR	155	29.000	411.000	58.370	49.960
AUREC (in million)	155	8.320	99.219	7.697	15.580
AUIOP	155	1.000	4.000	1.540	0.8000
CORRUPT	155	29.000	402.000	131.520	88.578
GOV SIZE	155	0.00824	0.09408	0.02983	0.01789
Valid N (listwise)	155				

Source: Processed Data (2017)

Based on Table 3, the number of sample is 155. Based on the table, the average corruption cases occurred in sample provinces is 131.52 cases. The Province of Central Java (Jawa Tengah) has the highest corruption cases with 402 cases. The Province of Maluku Utara (North Maluku) has the lowest corruption cases with 29 cases. The deviation standard for corruption level is 88.578 cases.

The average value of audit findings is 58.370, with DKI Province with the most audit findings (411 findings). Meanwhile, the Province of Kalimantan Barat (West Borneo) is the province with lowest audit findings (29 findings). The deviation standard for audit findings is 49.960.

Table 3 shows that auditor's opinion has an average value of 1.54, which shows that there are several region that get 'WTP' or 'Unqualified' auditor's opinion. The deviation standard for auditor's opinion is 0.800.

The average value for provincial government size is 0.029832. The Nanggroe Aceh Darussalam (NAD) is the biggest province with 0.09408, while Riau Province is the smallest province with 0.00824. The deviation standard for provincial government size is 0.01789.

Statistic Test Result

The result of classical assumption test, which consist of the normality test, multicollinearity test, heterocedasticity test, and autocorrelation test, shows that all classical assumption test has been fullfilled and multiple linear regression test can be conducted. Hypothesis testing is conducted using multiple linear regression test.

Table 4
Result of Multiple Linear Regression Test

Variable	Coefficient	t	Sig
(Constant)	2.131	37.661	.000
Audit Findings (AUIRR)	0.001	2.821	.005
Audit Findings Follow-up (AUREC)	5804E-012	4.162	.000
Auditor's Opinion (AUOPI)	-0.061	-.2856	.007
Government Size (GOV SIZE)	1.272	1.311	.261
R Square	.150		
Adjusted R Square	.128		
F	6.635		
Sig	.000*		

Notes:

(*) Significance level 5%

Source: Data Processing Result using SPSS 20.0

The Coefficient of Determination Test (Adjusted R²) aims to determine the ability of the regression model in explaining the variation in dependent variable. Table 4, shows that the value of Adjusted R Square is 0.128 or 12.8%. Based on the result, 12.8% of the dependent variable (corruption level) can be explained or is affected by independent variables in this research, while the other 87.2% of the variation can be explained by other variables that is not included in research model. This shows that there are many other variables that affect corruption level in Indonesia.

F test is conducted to find if all independent variables affect the dependent variable simultaneously. The F value based on Table 4 is 6.635 with significance level of (*sig*) 0.000. This result shows that regression model can be used to predict corruption level because the significance level is lower than alpha (*sig* < alpha, $\alpha = 5\%$). With the value of *df* 1 = 4 and *df* 2 = 150, thus the F table value is 2.430. Therefore, because of F value > F table (6.635 > 2.430) and significance level < 0.05, it can be concluded that there is a significant simultaneous effect of audit findings, audit findings' follow-up, and auditor's opinion on corruption level.

The t-test is conducted to test the effect of independent variable on dependent variable (Ghozali, 2011). Table 4 shows that audit findings (AUIRR) has a regression

coefficient of 0.001. A positive regression coefficient shows that audit findings has a positive effect on corruption level in provincial government. The value of counted t-value is 2.821 with a significance value of 0.005, thus it can be concluded that audit findings has a positive effect on corruption level.

The t-value for the variable of audit findings follow-up (AUREC) shows a regression coefficient of 5.804E-012. The t-value is 4.162 with significance level of 0.000, because the significance value is lower than 0.05, thus it can be concluded that audit finding follow-up has a positive effect on corruption level.

The variable of auditor's opinion (AUOPI) has a regression coefficient of -0.061. A negative regression coefficient shows that auditor's opinion has a negative effect on the corruption level in provincial government. The t-value is -2.755 with a significance level of 0.007. It shows that the significance level is equal to 0.05, thus it can be concluded that auditor's opinion has a negative effect on corruption level.

The result of t-test for the variable of government size (GOVSIZE) has a regression coefficient of 1.272. The t-value is 1.311 with significance level of 0.924. This shows that the significance level is higher than 0.05, thus it can be concluded that government size does not have a significant effect on corruption level.

Based on Table 4, the multiple linear regression model can be formulated as follows:

$$\text{CORRUPT}_{i,t} = 2.124 + 0,001 \text{AUIRR}_{i,t} + 5.804\text{E}012 \text{AUREC}_{i,t} - 0,061 \text{AUOPI}_{i,t} + 1,272 \text{GOVSIZE}_{i,t} + \varepsilon$$

Based on the research result it can be concluded that there are three independent variables that are included in the research model with significance level of 5% and all of the variables have a significant effect on corruption level.

Discussion

Audit findings by BPK RI shows a significant positive effect on corruption level in provincial government in Indonesia. This result is in line with Liu and Lin (2012) who state that audit findings have a positive effect on corruption level in China. Moreover, they also state that the value of findings detected by government audit has a positive effect on corruption level.

The effect of audit findings on corruption level in provincial government can be found through audit findings on internal control system. Audit findings on internal control system shows the weaknesses of the existing internal control system. The weaknesses are such as the weakness in accounting and reporting control system, weakness in the implementation of revenue and expenditure budget control, as well as the weakness in internal control structure. The weaknesses in such internal control could bring a potential or chances for fraud at provincial government level. Huefner (2011) states that weakness in internal control is the main cause of fraud at local governments.

Internal control system aims for providing a sufficient assurance on the realization of effectiveness and efficiency on the achievement of government objectives, financial report reliability, securing State assets, and compliance toward the law. Audit findings on non-compliance action toward the law shows an indication of violation of regulation or fraud. Audit findings on non-compliance action toward regulation of law has an effect on the level of corruption at provincial government level. The findings indicate that there is an implementation of government finances that are not in accordance with the provisions of the legislation as well as misuse of assets committed by the provincial government, which can inflict loss to the State.

Non-compliance toward the law become an indication of fraud. Audit findings on the law contain indication of states losses, findings on understatement of revenue, and findings on administration subject. All those findings shows a potential of material loss in local government finance, which can leads to state loss. According to the Regulation on Corruption Act Number 31 of 1999, which is amended into Regulation Number 20 of 2001 concerning Corruption Act, an act is considered as corruption if it violates law and harm the country. Therefore, BPK audit findings can be an indication for fraud in the implementation of local government finance.

Non-compliance toward the laws shows that there is a violance on the provisions or prevailing laws. Raman and Wilson (1994) state that compliance toward law and regulation can minimalize fraud and corruption. This is in line with the opinion of Dwiputrianti (2008) who states that compliance toward legal foundation can support anti-corruption program in Indonesia.

Audit findings follow-up has a significant positive effect on corruption level in provincial level government in Indonesia. It means that follow-up has an effect on corruption level. The result of this study is in contrast with the research result from Liu and Lin (2012) who find that correction made after audit has a negative effect on corruption level.

Based on the hypothesis test that has been conducted, it can be seen that audit findings has a positive effect on corruption level, this is because the more recommendations provided by BPK RI it shows that there are more improvement that should be done by the local governments, which mean there are many weaknesses in the government activities that can be a potential for corruption act. Therefore, local governments should improve their governance.

The effort for an improvement through audit findings follow-up is expected to reduce corruption level. However, the amount of follow-up taken based on the recommendation given by BPK RI is not enough to reduce corruption level in Indonesia. The result of this research shows that the higher follow-up the higher corruption level, this shows that audit follow-up as a realization of accountability has not been able to reduce corruption. Moreover, according to BPK RI audit findings follow-up based on BPK audit, remains minimum and has not been done completely. The high level of corruption in Indonesia is significantly affected by another factor that is power monopoly. Political factor has become one of the significant factors that affect corruption level in Indonesia. Besides accountability and power monopoly factor, discretion is also related with power monopoly. The power of parliament will create a potency for corruption act due to their power to establish new policy.

Auditor's opinion issued by BPK RI shows a significant positive effect on corruption level in provincial level government in Indonesia. Auditor's opinion is a statement of a professional audit conducted by BPK on the fairness of financial information that is disclosed in Local Government Financial Statements (Laporan Keuangan Pemerintah Daerah - LKPD). Auditor's opinion is a reflection of the position of a certain local government. Auditor's opinion has an effect on the level of corruption because auditor's opinion is one of the benchmarks to assess accountability of a provincial government in conducting their governmental activities. Klitgaard (2001) states that auditor's opinion as a statement of the fairness of financial report, reflects the accountability and affects corruption level in the provincial governments in Indonesia.

Government Size is measured using the proportion of expenditure realization on Gross Regional Domestic Product (Produk Domestik Regional Bruto - PDRB). Liu and

Lin (2012) state that the there is no positive effect of government size on corruption level in provincial governments in Indonesia.

The result implies that in Indonesia, the measurement of the size of governments cannot be used to determine the level of corruption. Hence, the bigger the government does not always translated into higher level of corruption. This is mainly because the supervision system and control system that implemented in provincial governments level has been improved since the bureaucracy reformation.

Regional improvement is another factor that affect corruption level. This mean well-developed regions will implement better supervision system compared to under-developed regions, such as access to all information related with regional expenditure and PDRB by all parties.

The phenomena that currently happening shows that corruption can take places every where, depends on the chances as a result of the weaknesses in internal control sysem and non-compliance acts. Often, in Indonesia, corruption happened because of the weakness in the supervision system. Regional autonomy also provides a chance for corruption through abuse of authority by the holder of power either in large or small government size.

5. CONCLUSION AND RECOMMENDATION

This research test the effect of accountability, which is measured through government audit role using audit findings, audit findings follow-up, and auditor's opinion, on corruption level in provincial governments in Indonesia during 2011-2015. Research result shows that audit findings and audit findings follow-up has a positive effect on corruption level in Indonesia.

The recommendation for the next research are, first to improve capacity building, supervision and control, thus it will increase accountability and transparency in the course of government, and the efforts to eradicate corrupt practices. Second, follow-up could be used as a preventive efforts and not merely as an obligation. Monitoring of audit finding follow-up should be done continuously in the government administration.

This research has several limitations. First, in this research auditor's role in detecting corruption is limited to the auditor's opinion, findings, and follow-up, while there are many other factors that can be used in the next research concerning corruption. Second, corruption level is measured using the total number of corruption cases that disclosed in the Annual Report of High Court RI, where the report only disclose the total number of corruption cases at provincial level.

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