



The Impact Of Audit Findings, Audit Opinion And Size Of Government On The Level Of Local Government Corruption (Empirical Study On Regency And City In Banten Province In 2019 - 2023)

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ABSTRACT

Audit act as independent monitors and transparent performance assessors to overcome the information asymmetry between principal and agent, thereby reducing the risk of fraud and manipulation (in this context, corruption). Although the audit system has been implemented in the government, data from the Banten Prosecutor's Office shows that corruption cases still occur, especially in the districts and cities of Banten in 2019-2023. The purpose of this study was to determine the effect of audit findings, audit opinion, and government size on the level of local government corruption, an empirical study of regencies and cities in Banten Province in 2019-2023. This type of research uses quantitative research. The techniques used to analyze the data in this study are descriptive statistics, classical assumption tests and hypothesis testing. The number of samples used was 8 districts and cities in Banten Province in 2019-2023. From the results of t-test hypothesis testing, it is known that audit findings (X1), audit opinion (X2) and size of government (X3) have no significant effect on the level of corruption. For f-test, the significance results are audit findings (X1), audit opinion (X2) and government size (X3) have no effect simultaneously or together on the level of corruption.

INTRODUCTION

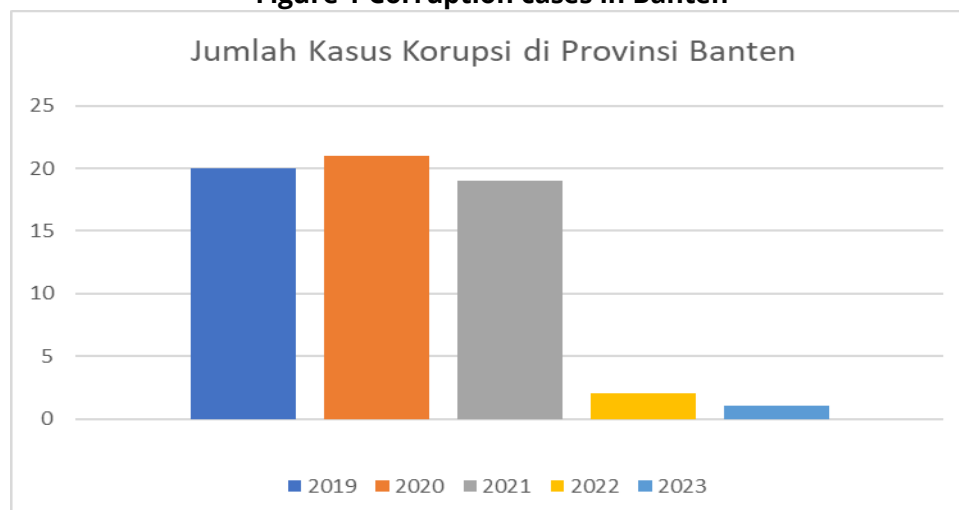
Corruption is a long-standing problem in Indonesia. Various aspects of state life, such as economic, social and political, are damaged by the effects of corruption. Decreased economic

growth, waste of resources, economic instability and increased national debt are some of the economic impacts that occur as a result of corruption (Antikorupsi, 2023). Social inequality, moral degradation, declining quality of education and abuse of authority are other social and political impacts of corruption (Engkus, 2022). Overall, corruption is not only a legal problem, but also a serious threat to the welfare of society and the development of the country. Efforts to eradicate corruption require the commitment of all parties to create a clean and just environment.

Corruption as the abuse of public power by public officials, both politicians and civil servants, to enrich themselves or those close to them unjustly and illegally (Transparansi Internasional, 2000). The level of corruption refers to the extent to which corrupt practices occur in a country or organisation, often measured by various indicators and indices. The level of corruption can be interpreted as the degree to which corrupt behaviour occurs in an organisation or region and is generally understood as a problem that undermines public confidence and damages the integrity of the governance system. In this study, the measurement of the level of corruption uses data on corruption cases handled by Kejaksaan Agung Republik Indonesia in the Banten region. This is because Kejaksaan Agung Republik Indonesia is an institution that is authorised to conduct criminal prosecutions, carry out court orders with long-term legal consequences, oversee the execution of criminal judgments, and carry out inquiries into specific criminal offenses (Kejaksaan RI, 2025).

Corruption in local government has a very negative impact on society, both economically and socially. Banten, as one of the provinces in Indonesia, is not immune to the problem of corruption in its local government. Based on the data from the High and State Attorney's Office in Banten, there were 63 corruption cases in the investigation, investigation and prosecution stages in 2019-2023, as shown in Figure 1. Based on this fact, it can be concluded that corruption cases still exist in Banten and efforts are needed to reduce the level of corruption.

Figure 1 Corruption cases in Banten



One of the factors that can influence the level of corruption in local government is the audit findings of the Supreme Audit Institution (BPK). High audit findings can be an indication of potential corruption in local government. In addition, the opinions of external auditors can also affect the level of corruption. A poor audit opinion can raise suspicions about local government finances and trigger corrupt practices. Previous research has examined the relationship between audit findings, audit opinions and government size on the level of corruption. However, there are still inconsistencies in the research findings. In addition, research focusing on local government in Banten is still rare. This encourages the author to conduct further research. In this context,

based on the described phenomena, theoretical support and research gaps, the exposure forms the background of this study.

LITERATURE REVIEW

Agency Theory

Agency theory is a framework employed to examine the contractual relationship between two or more parties. According to Meckling and Jensen (1976), this theory elucidates the structure of the contractual relationship between the principal and the agent, with the objective of providing appropriate incentives to the agent and maximizing the principal's welfare. The principal, as the decision-maker, allocates tasks to the agent. Consequently, the agent is accountable for the assigned tasks. The fundamental objective of agency theory is to harmonize the interests and objectives of the principal and agent, considering the inherent dissimilarity in their objectives. Agents prioritize the maximization of incentives, while principals prioritize profit maximization.

The potential for information asymmetry is pronounced in the relationship between principals and agents, given the agent's superior access to information regarding resources. This suggests that the more frequent occurrence of information asymmetry within an organization, the higher the probability of fraudulent activity. Conversely, Ruri Octari Dinata and Dewi Kartika Asih (2024) posit that corruption, collusion, misappropriation of positions, and degradation of the nation's morals have their origins in the concealment of fraud. The literature review serves as the theoretical foundation of an article. In this section, we will explore the objectives of a literature review. We will also examine how to identify suitable literature to support a literature review and how to effectively manage this information. Lastly, we will address four common questions that novice researchers frequently encounter when putting together a literature review.

Levels Of Corruption

The definition of corruption is quite broad and complex, depending on the point of view and the field. The many definitions and history of corruption are explained in the book "Corruption Tracing the Meaning, Listening to the Implications". (B. Herry Priyono, 2018). Etymologically, the word corruption comes from Latin, *Corruptio* (noun): something that harms, something that rots, corrupts, bribes, corrupts, decays, rots. *Corrumpere* (verb): To destroy, corrupt, tarnish, pervert, corrupt, falsify, degrade, defame, bribe, injure, seduce, deceive. *Corruptor*: destroyer, criminal, briber, swindler, seducer, ruler, perpetrator. *Corruptus-a-um* (adjective): corrupt, rotten, ruined, imperfect, impure, degenerate, false.

Transparency International defines corruption as "the abuse of public power by public officials, both politicians and civil servants, to enrich themselves or those close to them unjustly and illegally". From a legal point of view, the definition of corruption is describe in 13 articles of Law No. 31 Year 1999 jo. Law No. 20 of 2001. Based on these articles, corruption is formulated in thirty forms types of corruption offences. The thirty types of corruption can generally be categorized into the following groups: state financial losses, bribery, embezzlement in public office, extortion, fraudulent activities, conflicts of interest in procurement, and gratification.

Audit Findings

The definition of audit findings in Rai's (2008) work explains that audit findings are significant issues identified during the audit process that deserve to be communicated to the audited entity. These findings result from a comparison between actual conditions (what happened) and standards that should be (what is expected), as well as revealing the impact of these differences and tracing their causes. The purpose of audit findings is to make a positive contribution to improving the performance of the audited entity in terms of economy, efficiency and effectiveness.

Audit findings are the result of an independent and objective assessment process of the truthfulness, compliance and reliability of data and information relating to the State's financial management. These findings are presented in the audit report (LHP), which includes recommendations for improvement (BPK, 2020).

Types of findings:

- 1.Weaknesses in the internal control system (SPI).
- 2.Non-compliance with laws and regulations.

Audit Opinion

An audit opinion is a conclusion reached by the auditor based on the evidence gathered during the audit. The auditor assesses whether the financial statements have been prepared accurately and reliably and are free from material misstatement. This opinion is important for stakeholders such as investors and creditors to make decisions (Pangestu Galih Narendra, 2024).

There are four types of opinions that are commonly issued by auditors:

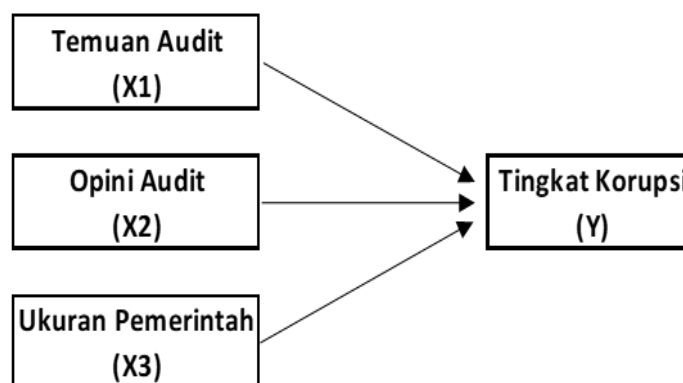
- 1.Unqualified opinion:
- 2.Qualified opinion (reasonable with exceptions):
- 3.Adverse Opinion:
- 4.Disclaimer of opinion:

Size Of Government

Government size is one of the variables that describe the size of a local government. It can be measured by several indicators such as total assets, number of employees, total revenue and productivity levels. According to Damanpour (1991), the size of a local government reflects how much capacity and resources the government has to carry out its functions.

Framework

Figure 2 Framework



METHODS

This type of research uses quantitative research with secondary data sources in the form of BPK audit reports and recapitulation of corruption crimes on the website of the High and State Prosecutors in Banten Region, 2019-2023. The techniques used to analyse the data in this study are descriptive statistics, classical assumption tests and hypothesis testing. The number of samples used was 8 districts and cities in Banten Province in 2019-2023. The applications used are Eviews 12 and Microsoft Excel.

Table 1. Variable Measurement

No	Variable	Indicator
1	Level of Corruption (Y)	Number of Corruption in the investigation, and prosecution stages.
2	Finding Audit (X1)	Total Finding from internal control system + statutory compliance
3	Audit Opinion (X2)	Unqualified = 1, non unqualified = 0
4	Size of Government (X3)	Ln(Total Asset)

Source: Data Processed, 2025

RESULTS

Descriptive Statistic

The results of the descriptive statistical test results can be seen in table 2 which is presented as follows:

Table 2. Descriptive Statistic

	Y	X1	X2	X3
Mean	1.57	9.45	0.90	29.59
Median	0	9.00	1	29.19
Max	13	20	1	30.88
Min	0	2	0	28.69
Std. Deviasi	2.6	3.98	0.3	0.79
Skewness	2.63	0.50	-2.6	0.57
Kurtosis	11.04	3.16	8.1	1.61

Source: Data Processed, 2025

Classical Assumption Test

In the multicollinearity test on the regression model shown in table 3. The results show that for all variables, the value is less than 0.9, meaning that there is no multicollinearity. Then for the Heteroscedasticity test on the regression model shown in table 4. The results show that the variables have a value greater than 0.05, meaning that heteroscedasticity does not occur. Furthermore, the autocorrelation test on the regression model The results show that the variables have a D-W (Durbin-Watson) value between -2 to 2 (1,56), meaning that there is no autocorrelation.

Table 3. Multicollinearity Test

	X1	X2	X3
X1	1	-0.004	0.005
X2	-0.004	1	0.06
X3	0.05	0.06	1

Source: Data Processed, 2025

Table 4. Heteroscedasticity Test

Variable	Probability
X1	0.38
X2	0.59
X3	0.44

Source: Data Processed, 2025

Multiple Regression Analysis

Based on table 5, the regression model equation is

$$Y = 13.61 - 0.21 \cdot X_1 - 0.43 \cdot X_2 - 0.32 \cdot X_3 + \varepsilon$$

Table 5. Multiple Regression Analysis

Dependent Variable: Y				
Method: Panel Least Squares				
Date: 02/22/25 Time: 15:30				
Sample: 2019 2023				
Periods included: 5				
Cross-sections included: 8				
Total panel (balanced) observations: 40				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.61471	15.17999	0.896885	0.3757
X1	-0.206773	0.102320	-2.020854	0.0508
X2	-0.431744	1.343052	-0.321465	0.7497
X3	-0.327631	0.514345	-0.636986	0.5282
R-squared	0.117060	Mean dependent var		1.575000
Adjusted R-squared	0.043481	S.D. dependent var		2.600666
S.E. of regression	2.543497	Akaike info criterion		4.799596
Sum squared resid	232.8976	Schwarz criterion		4.968484
Log likelihood	-91.99193	Hannan-Quinn criter.		4.860661
F-statistic	1.590953	Durbin-Watson stat		1.566411
Prob(F-statistic)	0.208503			

Source: Data Processed, 2025

Simultaneous Test (Test-f)

From table 5, it is known that the Probability value of F-Statistic is 1.59 or higher than 0.05, meaning that the independent variables of this study, simultaneously have no effect on the dependent variable, namely the level of corruption.

Test the Coefficient of Determination (R²)

From Table 5, it is evident that the adjusted R-squared value is 0.043, or 4.3%. This indicates that the independent variables—audit findings, audit opinion, and government size—account for 4.3% of the variance in the dependent variable, which is the level of corruption. The remaining variance is attributed to other untested variables in this study.

Individual parameter significance test (T-test)

The Independent variables do not have a big effect on the level of corruption, as shown in Table 5. Each of these variables has a significance value greater than 0.05.

DISCUSSION

Effect of Audit Findings on Corruption Level

With a significance probability of 0.0508, which is higher than 0.05, the study shows that the audit findings variable (X1) has no discernible impact on the degree of corruption. This suggests that while audit findings are important, they are not sufficiently impactful on corruption levels. This aligns with the findings of Imam Panji and Dwi Cahyo Utomo (2023), who also reported no significant influence of audit findings on corruption levels, suggesting that these findings may prioritize compliance with financial reporting standards over addressing corruption.

Effect of Audit Opinion on Corruption Level

The study shows that the audit opinion variable (X2) does not significantly affect the level of corruption, as its value is 0.79, which exceeds 0.05. Although the audit opinion represents the final outcome of the audit process, it lacks sufficient influence on corruption levels. This finding is consistent with research by Anggreni Dian Kurniawati and Yohanes Mario Pratama (2021), which concluded that audit opinions do not guarantee a local government's freedom from corruption since audits are not specifically designed to detect corrupt practices.

Effect of Size of Government on Corruption Level

According to the research, the government size variable (X3) also does not significantly impact corruption levels, with value of 0.52, which is higher than 0.05. This implies that even though larger government sizes may complicate audits, they do not significantly influence corruption levels. This conclusion aligns with studies by Suhardjanto et al. (2018) and Masyitoh et al. (2015), indicating that government size does not clearly correlate with corruption levels; a large local government budget is not necessarily a strong indicator of corruption.

CONCLUSION

1. Analysis reveals that Independent variables have a negative impact on Y (Corruption Level), as indicated by the derived equation $Y = 13.61 - 0.21 * X1 - 0.43 * X2 - 0.32 * X3 + e$.
2. This indicates that the variables Independent variables exhibit a negative relationship, meaning that a decrease of one unit in any of these variables will result in a decrease in Y (Corruption Level).
3. The test results indicate that the variables Audit Findings (X1), Audit Opinion (X2), and Government Size (X3) do not have a significant impact, as their significance values are all greater than 0.05.
4. The results from the F test demonstrate that the independent variables do not have a significant simultaneous effect, with a significance value exceeding 0.05.

SUGGESTIONS

The limitations of this study are that the research year used is too short and the independent variables only affect 4.3% of the dependent variable. Based on these limitations, it is hoped that future researchers will add other variables, as well as add a longer research year in order to get better results.

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