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# ICon-LBG 2016

## The Third International Conference on Law, Business and Governance

# PROCEEDINGS

### Hosted by

**Faculty of Law, Faculty of Economics and Faculty of Social Science
Bandar Lampung University (UBL)**

# Icon-LBG 2016

## The Third International Conference On Law, Business and Governance 2016

**20, 21 May 2016**
**Bandar Lampung University (UBL)**
**Lampung, Indonesia**

# PROCEEDINGS

**Organized by:**



**Faculty of Law, Faculty of Economics and Faculty of Social Science**
**Bandar Lampung University (UBL)**
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*The Third International Conference on Law, Business and Governance*
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# PREFACE

The Activities of the International Conference are in line and very appropriate with the vision and mission of Bandar Lampung University (UBL) to promote training and education as well as research in these areas.

On behalf of the Third International Conference on Law, Business and Governance (3th Icon-LBG 2016) organizing committee, we are very pleased with the very good response especially from the keynote speaker and from the participans. It is noteworthy to point out that about 46 technical papers were received for this conference.

The participants of the conference come from many well known universities, among others : International Islamic University Malaysia, Unika ATMA JAYA, Shinawatra University, Universitas Sebelas Maret, Universitas Timbul Nusantara, Universitas Pelita Harapan, Universitas Bandar Lampung, Universitas Lampung.

I would like to express my deepest gratitude to the International Advisory Board members, sponsor and also to all keynote speakers and all participants. I am also gratefull to all organizing committee and all of the reviewers who contribute to the high standard of the conference. Also I would like to express my deepest gratitude to the Rector of Bandar Lampung University (UBL) who give us endless support to these activities, so that the conference can be administrated on time

Bandar Lampung,  21 May 2016

**Mustofa Usman, Ph.D**
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# THE INFLUENCE OF TRANSPARENCY AND ACCOUNTABILITY LOCAL GOVERNMENT FINANCIAL REPORT ON THE LEVEL OF CORRUPTION LOCAL GOVERNMENT OF SUMATERA AREA

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**Abstract**

Positive developments of government accountability a region characterized by the increases in WTP opinion for local governments it turns out that will be followed by the increases in of criminal acts of corruption conducted by the regional government officials. Corrupt practices is certainly preventable when applying transparency of local governments and accountability for financial management. This study attempts to prove empirically the influence of transparency and accountability local government financial report on the corruption local governments in Sumatera. Tests were conducted with 15 local governments in Sumatera. The data used are sourced from KPK, the website of the local government each, and from BPK RI 2011-2013 periode. This research used a linear regression multiple analysis. The result research showed that transparency it has positive effects and insignificant on the level corruption local government and accountability has positive effects and significant on the level corruption local government.

Keywords:Transparency, Accountability Local Government Financial Report,Corruption

## 1. INTRODUCTION

Since the implementation of regional autonomy until now, financial management area the shows the increase positive. It can be seen from the increases in local governments receive an WTP opinion of BPK-RI, considering WTP opinion is a form of accountability local government accountability for the local financial it was in line with the prevailing accounting principle, sufficiency disclosure, adherence to the legislation and effectiveness of internal control good. As for the development of audit opinion from BPK-RI of local governments are as follows:

Table 1
The Development of an Audit Opinion

| Tahun | Opini Audit | | | | | | | | Jumlah |
|-------|------|-------|------|-------|-----|------|------|-------|--------|
|       | WTP  | %     | WDP  | %     | TW  | %    | TMP  | %     |        |
| 2009  | 15   | 3     | 330  | 65    | 48  | 10   | 111  | 22    | 504    |
| 2010  | 34   | 7     | 341  | 65    | 26  | 5    | 121  | 23    | 522    |
| 2011  | 67   | 13    | 349  | 67    | 8   | 2    | 96   | 18    | 520    |
| 2012  | 120  | 22,95 | 319  | 60,99 | 6   | 1,15 | 78   | 14,91 | 523    |
| 2013  | 156  | 29,77 | 311  | 59,35 | 11  | 2,1  | 46   | 8,78  | 524    |
| 2014  | 251  | 49    | 230  | 45    | 4   | 0,7  | 19   | 3,7   | 504    |

Source: *www.bpk.go.id*, Uncultivate Data, 2016

Positive developments government accountability this area is also followed by the increases in corruption, as mentioned by Rinaldi, Purnomo, and Damayanti (2007) since the regional autonomy has happened tendency corruption that rises and corruption is one of the largest barrier for economic and social development in the world. According to research center of contra-corruption FH UGM in 2010 with declared that from 103 people corruption agents, 43 of them are is regional officials. And close 2010 in the fourth quarter (October-December), regional officials will be at the top actor corruption as many as 124 person. Below followed by legislators as many as 118 people and private sector as many as 33 person (*www.pukat.hukum.ugm.ac.id*, 2010). In 2010 commission corruption eradication said that as much as 73 percent matter handled is corruption in the region (KPK, 2010) The data show that as regional autonomy, an increasing number of corruption in the region .

Corruption practice, collusion, and nepotism have made Indonesia as one of the state corrupted as shown from a survey conducted by watchdog *Transparency International* (TI) from 2012 until the year 2014.

Table 2
Corruption Perception Index In Some Southeast Asian Nations

| Country | Corruption Perception Index | | | | | |
|---------|------|------|------|------|------|------|
|         | Rank | 2012 | Rank | 2013 | Rank | 2014 |
| Singapore | 5 | 87 | 5 | 86 | 7 | 84 |
| Malaysia | 54 | 49 | 53 | 50 | 50 | 52 |
| Thailand | 88 | 37 | 102 | 35 | 85 | 38 |
| Philippines | 108 | 34 | 80 | 36 | 85 | 38 |
| Indonesia | 118 | 32 | 114 | 32 | 107 | 34 |

Source: *www.ti.or.id*, Uncultivate Data, 2016

Corruption practices is certainly preventable when applying transparency of local governments and accountability for financial management. This is consistent with a statement Widodo (2001) and (ITB, 2004) stating that accountability is a basic requirement to prevent abuse authority delegated and ensuring the authority directed to the national purpose widely accepted the efficiency, effectiveness, and integrity and results by might (Widodo, 2001).

The openness in the public affairs will ease supervision against the course of the government. Supervision from the community can prevent deviation resource allocation and those violating in governmental activities such as corruption (ITB, 2004).

**THE FORMULATION OF PROBLEMS**

Based on the explanation in the background research, so formulation a problem in this research is as follows:

1. Does transparency of local government financial report impact on the level of corruption local government?
2. Does accountability of local government financial report impact on the level of corruption local government?

**RESEARCH PURPOSES**

Based on the formulation of a problem above, then the purpose of this research is:

1. To analyzes empirically the influence of transparency local government financial report on the level of local government corruption.
2. To analyze empirically the influence of accountability local government financial report on the level of local government corruption.

**RESEARCH BENEFITS**

The benefits of this research are:

1. As the development the science accounting, especially accounting public sector.
2. As a reference to parties related in an effort to create good governance (*good government governance*) and free corruption.
3. As a reference for the future research associated with the transparency, accountability of local government financial statements and corruption.

**2. LITERATURE REVIEW AND HYPOTHESES**
**AGENCY THEORY**

The agency theory related to contractual relationship between two parties, the principal and agent. The agency theory discuss about the relationship agency by which a certain parties (*principal*) delegate work to the other hand (*agent*) who have to work. Differences in interests between principle and agent can pose

a problem agency. In theory the agency introduced by Jensen and Meckling (1976) said of parties concerned, the owner and management, since a public company do separation between them, there are asymmetry information between the two parties. As a result of these asymmetry the information, the owner it difficult to know whether agent is been acting as well as it should (Kusumawati and Riyanto, 2005). The asymmetry information this is what the corruption by an agent. The regional goverment should can increase accountability for it's performance in order to reduce the asymmetry information (Setiawan, 2012).

The government as an agent must be responsible for resources and the funds handled by to regional development to the community as principal. The government as the management of having more information than those. Mardiasmo (2002) said a fiduciary duty (*agent*) to give an account, presenting, reported and express activities and activities be responsibility to the mandate (*the principal*) having rights and the authority to the question. Opinions Mardiasmo (2002) about accountability in the context of public sector connote that in the management of local governments there are relations agency (*theory agency*) between the community as principal and local governments as agent.

## TRANSPARENCY

Based on Government Regulation No 71/2010, transparency means provide financial information open and truthful to the community based on the basis that the public has a right to know openly and thorough top government accountability resources management entrusted to him and obedience the rules legislation. Transparency are built on the principle freedom of information relating to public interest directly can be obtained to those in need (United The National Development Programs in Mardiasmo, 2002)

Transparency meaningful the availability of sufficient information, accurate, and timely about public policy and creation process (Sari, 2012). Transparency aims to create a reciprocal trust between institutions and the public through sufficient information and ensuring ease in obtaining information accurate.

According to Tahir (2012) transparency means openess (*openness*) the government in providing information on associated with the activity of public resources management to parties those who need information. To to realize of clean state and free from corruption, collusion, and nepotism must meet one of them the principle of openness. The principle of openness referred to, that is the principle open to the rights of of the community to obtain the right information, honest, and not discriminating about state administration with must pay attention to the protection of personal rights, the, and state secrets (Legislation of Republic Indonesia No 21/1999). The application of the principle of openness (*transparent*) in of regional government administration give opportunity to the community to knows the information about of regional government administration is right, honest, and not discriminating.

According to Sopanah and Mardiasmo (2003) budget compiled by the executive said transparency if meet several criteria follows: (1) there are the announcement policy budget, (2) available documents budget and easily accessible, (3) available the accountability reports of a timely, (4) of accommodation voice the people, and (5) there were system the provision of information to the public. In addition, Aminah and Tarmizi (2013) say other information published local government associated with the activity of other important unrestricted type, as information procurement of goods open/tender, information investment opportunities in the region, information the natural resources, information green government, and others as the criteria transparency.

## ACCOUNTABILITY LOCAL GOVERNMENT FINANCIAL REPORT

Mardiasmo (2002) explained that understanding accountability is as a fiduciary duty (*agent*) to give an account , presenting reported and express activities and activities have under their responsibility to the mandate (*the principal*) who has the right to the question. The Administrative Agency Country (LAN, 2001) said that one form of accountability is financial accountability. The aim was a financial report includes revenue, storage and financial expenditure government agencies. In the context of local governments, the targets were local government financial report (LKPD)

Accountability local government financial report (LKPD) be important because it is form of responsibility local governments on the budget. To know accountability financial statements regional governments need to examination (*audited*). Auditing of accountability LKPD done BPK as an auditor

management and responsibilities about finances the state as described in Legislation of Republic Indonesia No 15/2006 about BPK.

An investigation into of local government financial statements by BPK aims to give an opinion over reasonableness financial information presented in a financial filing relying on, (a) conformity with a standard government accounting and or principle-principle accounting set in various legislation, (b) sufficiency exposure adequate disclosure), (c) adherence to legislative regulation, (d) the effectiveness of internal control system.

The result of auditing BPK on the report local government financial (LKPD) poured in its results (LHP) describe level accountability LKPD that was overall been concluded in IHPS issued a year twice (every semester). The results of auditing financial BPK over after served in three categories opinion, internal control system (SPI), and adherence to the law (BPK, 2009).

Referring to the Standard State Financial Regulation (SPKN) BPK Legislation No. 1/2007 there are four different opinions given by examiners, namely: (1) *unqualified opinion* (WTP); (2) *qualified opinion* (WDP); (3) *adverseopinion* (TW); (4) *disclaimeropinion* (TMP).

## CORRUPTION

Based on the Legislation of Republic Indonesia No. 31/1999 concerning of corruption, definition corruption is every single person in a manner against law done enrich self or another person or a corporate, abusing authority, a chance or means that is in it and an office or a place can have a state finances or the economy the state. While understanding issued watchdog Transparency International Indonesia (TII, 2006) define corruption as abuse for their personal use.

According to the Legislation No 20/2001, you got 30 kind of action who is classified as of corruption. Of corruption that can be classified into 7 categories, there are: (1) a financial loss the state, (2) bribery, (3) embezzlement in position, (4) extortion, (5) skullduggery, (6) a conflict of interest in acquiring, and (7) gratification. A kind of crimes other pertaining to of corruption consists of: (a) prevent the investigation corruption case, (b) did not give any caption or tell that is not true, (c) bank who did not give details account suspects, (d) witnesses or expert who not tell or giving false information, (e) one who holds secret office did not give details or giving false information, and (f) witness who uncover the identities rapporteur (KPK, 2006).

Klitgaard (1998) mentioned that corruption is because of power monopoly on goods and services plus with the power to do discretion on who will be entitled to receive or goods or services were but without the presence of accountability balanced. According to Shah (2007) of corruption in the public sector will be very dependent on a number of factors namely: (1) of the quality of public sector management, (2) the accountability of the state of relations between the government and society, (3) legal framework, and (4) tiers of where the process of public sector furnished with transparency.

To corruption in local government , according to De Asis (2006) there are five strategy can be done to combat corruption, (1) increase transparency and accountability, (2) the desire political and entry points to start, (3) encourage public participation, (4) diagnose the problem at hand, and (5) reform using holistic approach.

## PREVIOUS RESEARCH

Setiawan (2012) research on the impact of accountability local government financial report audit (opinion, weakness of the system internal control, and disobedience of the provisions legislation on the corruption local governments in Indonesia). Her research, Setiawan found that accountability local government financial report audit (opinion, weakness of the system internal control, and disobedience of the provisions legislation) will not affect the level of corruption local governments in Indonesia

Kurniawan (2009) examine the role of public accountability and participation in corruption in government. The result showed that their effort to eradicate corruption in indonesia still partial and tend to have no strategy design clearly that in many cases unable to reduce the corruption occurring.

Gedeona (2005) conducted research on transparency in the management of financing as an alternative corruption local level. The results of the study concluded that introversion management systems the budget it should be replaced with an emphasis on principles of transparency because too dangerous to be left the without transparency. Regional government and the legislative must be proactive in announcing

various information on the management of the community budget, so access to information about budgeting can be obtained community

Aminah and Tarmizi (2013) are researching about the relationship between transparency and accountability on the performance of the local government finance report (LKPD). The research found that transparency and accountability have positive relationship on performance LKPD

Rini and Sarah (2014) researching about the link between the quality of financial reporting area that is measured with the opinion of the audit and disclosure of financial statements of local government (LKPD), as well as the level of corruption in Indonesia. Results of the study found that the quality of reporting of financial statements increases shown by improving audit opinion over LKPD in Indonesia. The findings of these two shows there was no link between the disclosure LKPD with the opinion given by the BPK. The findings of the third development of corruption in Indonesia is increasingly growing. The findings of the fourth, the disclosure of the audit opinion LKPD counties and has a relation with the level of corruption in Indonesia.

## THEORETICAL RESEARCH

Based on literature review and research before, so the skeleton thought this research can be described as follows:
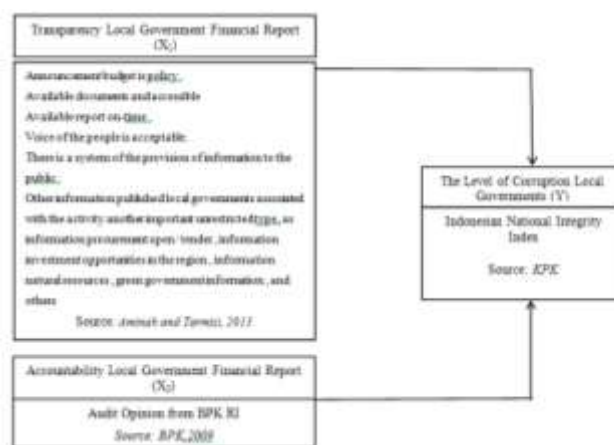


Figure 1
Theoretical Research

## RESEARCH HYPOTHESIS
## THE INFLUENCE OF TRANSPARENCY LOCAL GOVERNMENT FINANCIAL REPORT ON THE LEVEL OF CORRUPTION LOCAL GOVERNMENT

Gedeona (2005) said that introversion management systems the budget it should be replaced with an emphasis on principles of transparency because too dangerous to be left the without transparency. Regional government and the legislative must be proactive in announcing various information on the management of the community budget, so access to information about budgeting can be obtained community.

The presence of openness in the execution of public affairs will facilitate surveillance against the course of government. Supervision from the community can prevent irregularities resource allocation and various abuses in governmental activities such as corruption (ITB, 2004). Openness the government in giving information relating to the management activities of public resources to parties who need information necessary to embody state administration that is clean and free of corruption, collusion, and nepotism. Transparency is believed to be able to reduce the level of corruption, and vice versa.

Based on the description above, it can be formulated hypothesis as follows :

H1 = Transparency local government financial report positive influence on the level of local government corruption.

**THE INFLUENCE OF ACCOUNTABILITY LOCAL GOVERNMENT FINANCIAL REPORT ON THE LEVEL OF CORRUPTION LOCAL GOVERNMENT**

According to De Asis (2006) strategy can be done to eradicate corruption in local government one of them, is to promote accountability. Accountability believed to contribute in an effort to reduce corrupt practices that what happens in local governments.

Research conducted Rini and Sarah (2014) said that the disclosure of financial report the district and opinion audit has links with the extent of corruption in Indonesia. While research Setiawan (2012) found empirical evidence that accountability local government financial statements (opinion audit, weakness of the system internal control, and disobedience of the provisions of legislation) has not been affecting the extent of corruption local governments in Indonesia.

Based on the description above, it can be formulated hypothesis as follows:

H2 = Accountability local government financial report positive influence on the level of local government corruption.

**3. RESEARCH METHODS**;
**THE KIND OF RESEARCH**

The research is research causality. According to Sugiyono (2007) research causality is research to analyze cause and effect relations between the independent variable (*variables influence*) and dependent variable (*variables affected* )

**POPULATION AND SAMPLE**

The population used in this research is the local government of the Sumatra Area, including Aceh Province, North Sumatera Province, West Sumatera Province, Jambi Province, Riau Province, Riau Province, Bengkulu Province, South Sumatera Province, Bangka Belitung Province, Lampung Province, and which amounted to 47 cities. The local government that became the sample in this study were selected based on certain criteria (*purposive sampling*) in order to get a sample in accordance with the specified criteria. These criteria are determined as follows:

1.  The local government of the have been researched by KPK during the year 2011-2013. The election up to the year 2013 is because the research data by 2013 is the latest issued data on KPK, so expect more describe conditions closer to the present.
2.  The local government who gave the local government finance report (LKPD) to BPK and finished are audited and reported by BPK in accordance with Act No. 15 of 2006 about BPK and BPK Regulation No. 01 of 2007 about the Auditing Standards, as well as inform the report examination results via the website.
3.  The local government websites accessible and publish information necessary by website.

Based on the criteria on some 15 municipal which can be used as included in research. The following local goverment who became the sample, as follows:

Table 3
Local Goverment Who Became The Sample

| No. | City Government | No. | City Government |
|-----|------------------|-----|------------------|
| 1. | Banda Aceh City Government | 9. | Tanjung Pinang City Government |
| 2. | Medan City Government | 10. | Batam City Government |
| 3. | Binjai City Government | 11. | Bengkulu City Government |
| 4. | Pematang Siantar City Government | 12. | Palembang City Government |
| 5. | Dumai City Government | 13. | Jambi City Government |
| 6. | Pekanbaru City Government | 14. | Metro City Government |
| 7. | Bukittinggi City Government | 15. | Bandar Lampung City Government |
| 8. | Padang City Government | | |

Source: *www.kpk.go.id,* 2016

**TYPE AND DATA SOURCES**

The kind of data that used in this research was secondary data of (1) the transparency of information they are from their respective websites/site issued by particular agencies; (2) data accountability financial statements (*opinion*) from BPK-RI; (3) data corrupt level the local government from KPK.

**Data Collection Method**

Data collection in the research is done by means of documentation the report by means of collect data about transparency, accountability and the level of corruption of each source.

**Operational Definition and Measurements Variable**

**Dependent Variable**

Variable dependent is the variable affected or be due to because of the free (Sugiyono, 2003). Variable dependent the research is the level of corruption local governments.

Corruption is anyone who is unlawfully done enrich themselves or others or a corporate, abusing authority, opportunity or means that is him for the position can harm state money or the economy countries. The level of corruption that happens at a local government precisely hard to know. This is because the origin of corruption is an act that secret and need a the research methodology to reflect corruption. Indonesia national integrity index issued by KPK designed to produce valuable information about the phenomenon of corruption in Indonesia, one of them at local governments, through respondents propose directly services within the past year. Integrity index is index national of scale numerical measure the corruption in local governments, range its index is from 0 up to 10. The index shows that moved closer to 10, integrity for service better and if approaching 0, integrity service worse.

Based on the conditions described above, in this study a variable level of local government corruption is measured using a modified national integrity index based on the logic of simple mathematical operations. The process of modification is as follows (Setiawan, 2012):

1. Basic logic: the national integrity of the index range is from 0 to 10. Mathematically in the national integrity index value is 0 then the corruption level is 10 (very high corruption occur) and when the national integrity index value is 10 then the level of corruption is 0 (not the case in corruption practices).
2. The formula operational skills are:

$$Coruption\ Level = 10 - Indeks\ Integritas\ Nasional$$

The level of corruption modified from national integrity index this is used to measure the level of corruption local governments.

Independent Variable

Independent variable is the variable that influence or as for the change or the dependent variable (Sugiyono, 2003). Independent variable in this research was transparency and accountability of local government financial statements.Transparency means provide information financial open and truthful to the community based on the consideration that people have a right to know openly and thorough over accountability the government in the management of resources entrusted to him and well on legislation. Size transparency used in this research see how much information local government that was found in website local government. An indicator used in this study referred to research Aminah and Tarmizi (2013) who used six criteria for the measure transparency as follows :

1. There is an announcement budget policy.
2. Available the budget and accessible.
3. Available report on-time.
4. Voice of the people is acceptable
5. There is a provision of information to the public.
6. Other information published local governments associated with the activity another important unrestricted type, as information procurement open/tender, information investment opportunities in the region, information natural resources, green government information, and others has any important information.

This research using the measurement of transparency with scales 1 to 4. On fulfillment of six these criteria and the difference one criteria the government the area will be a score 4, and so on. The more information released local government into website, so assumed the higher the level government transparency the area.Accountability is the obligation of the holder of the mandate (*agent*) for accountability, presenting the report and disclose all activities and activities into his responsibilities to the giver of the mandate (*principal*) who have the right to hold accountable. To find out the accountability of local government financial reports need to *audit*. The result of the auditing from BPK of the financial statements local governments (LKPD) poured LHP that describe the level of accountability of the overall

LKPD summarized in IHPS are issued twice a year (every semester). The results of the auditing by BPK on LKPD presented in three categories namely opinion, internal control system, and compliance with the provisions of the legislation.Audit opinion BPK RI consists of four opinions, There are (WTP/*unqualified opinion*), (WDP/*qualified opinion*), (TW/*adverse opinion*), (TMP/*disclaimer opinion*). Measurement of opinion using a scale of 1 to 4 with WTP rated 4, WDP rated 3, TW rated 2, and TMP was given a value of 1.

**Analysis of Data**

Analysis of data in this research use some help *Software SPSS* version 18 which includes: the assumption classic, linear regression multiple, the hypothesis, and coefficients determination.

**The Assumption Classic**

According to Siregar (2014) the classic assumption used to know patterns and variant, and linear from a population (data). Whether the population or data distribution normal or not , the can be used to know whether the population has a variant the same , and to test linear data. Following the classic assumption used:

1.  The Normality Data.

    Data normality test aims to find out whether the population data of the distribution normal or not (Siregar, 2014). Normality test data process done with statistical tests One-Sample Kolmogorov-Smirnov (K-S). Test of Kolmogorov-Smirnov two directions using a 5 percent confidence. The normal decision-making basis or whether the data will be processed are as follows:

    a)  If the yield greater significance (>) of 0.05, then the data is distributed normally.

    b)  If the results of smaller significance (<) of 0.05 then the data are not normally distributed.

2.  Multikolinieritas Test

    According to Ghozali (2011) test for multicollinearity aims to test whether the regression model is found the existence of a correlation between independent variables. Multicollinearity may be seen by way of analyzing the value of VIF (Variance Inflation Factor). A regression model indicates the presence of multicollinearity if: (1) the level of correlation > 95%, (2) the value of tolerance, 0.10 < or (3) the value of the VIF $\geq$ 10. Good regression models should not happen the correlation between independent variables.

3.  Autokorelasi Test

    According to Ghozali (2011) autokolerasi test aims to find out if there is regression model in a kolerasi between the penggangu error in the period t with error penggangu in the period t-1 (earlier). If there is a correlation then called the autocorrelation problem exists. Good regression model is a regression that is free of autocorrelation. This autocorrelation arises due to successive observation all the time related to each other. In this study using autocorrelation test test the Durbin Watson (DW test). Durbin Watson test on the decision-making there is no autocorrelation if du < d < 4-du.

4.  Heterokedastisitas Test

    Test heterokedastisitas aims to test whether in regression models happened dissimilarity variance of residual one observation observation into another (Ghozali, 2011). Heterokedastisitas can be detected by seeing plot between predictive value variable bound (*ZPRED*) with residualnya (*SRESID*). To detect any heterokedastisitas is by seeing the whereabouts of certain patterns on a graph scatter plot. Underlying thing in decision-making is:

    a)  If there is a definite pattern like dots existing form one a regular pattern (wavy, dilated, then narrows then indicated) there has been heterokedastisitas .

    b)  If there is no clear pattern, as well as the data points that are spread above and below the zero in the y-axis then heterokedastisitas does not occur.

**Linear Regression Multiple**

Multiple regression is a used to know the influence of one or more independent variables to one dependent variable (Siregar, 2014). Analysis of multiple regression used to know the whereabouts of variable influence transparency and accountability on the level of corruption. As for equation formula as follows:

$$Level\ Coruptions = a_0 + b_1(TS) + b_2(AK) + error$$

Description:
LC       : Level of Corruption
TS       : Transparency
AK      : Accountability
a          : Constants
b1, b2      : Regression Coefficients.
et         : Error Term

**Hypothesis Test**

Hypothesis testing is done using the t-test with a significance level of 0.05 ($\alpha = 5\%$). Rejection or acceptance of the hypothesis is done with the following criteria:

a. If the value of significance (p_value) $\leq 0.05$ then the hypothesis is accepted.

b. If the value of significance (p_value) $\geq 0.05$ then the hypothesis is rejected.

**Coefficient of Determination**

The coefficient of determination ($R^2$) essentially measures how much the ability of the model in explaining the variation in the dependent variable (Ghozali, 2011). $R^2$ values ranging from 0 to 1, the higher the value of $R^2$ then the better also the ability of the independent variable in explaining the dependent variable. The value of $R^2$ which showed little ability for independent variables the dependent variable in explaining the very limited and apply otherwise.

## 4. RESULT AND DISCUSSIONS
## RESULT
## CLASSIC ASSUMPTION TEST

A classic assumption test has been done and the results are as follows:

1. Test for Normality

Test of Normality is done with test Kolmogrov-Smirnov. Kolmogrov-Smirnov test can be seen in table 1

Table 1
Normality Test Results

| Description | Unstandardized Residual |
|---|---|
| Asymp. Sig. (2-tailed) | 0,872 |

Source: Uncultivate Data (SPSS), 2016

The results of one sample kolmogorov smirnov test indicated by value asymp.sig (2-tailed). In this study, asymp.sig (2-tailed) as much as 0,872 of more greater than 0.05. Hence, can be concluded that data in this study has been distributed normally .

2. Test for Multicollinearity

To detect or no multicollinearity, can be seen from the values of tolerance and his opponent variance inflation factor (VIF). From table 4.2. be aware that variable transparency have tolerance 0.939 and VIF 1.065 variable has a value of accountability and tolerance and VIF 0.939 1.065. It can be concluded that transparency and accountability of the variable variable not occurring multicollinearity.

Table 2.
Multicollinearity Test Results

| Description | Collinearity Statistics | |
|---|---|---|
| | Tolerance | VIF |
| Transparency | 0,939 | 1,065 |
| Accountability | 0,939 | 1,065 |

Source: Uncultivate Data (SPSS), 2016

3. Test Autocorrelation

In this study using autocorrelation test test the Durbin Watson (DW). Autocorrelation test results can be seen in table 3 below:

Table 3.
Autocorrelation Test Results

| Description | Durbin-Watson |
|---|---|
| Transparency, accountability and corruption | 1,724 |

Source: Uncultivate Data (SPSS), 2016

Based on the research conducted, it can be retrieved the value of the Durbin Watson of 1.724. The magnitude of the DW-table: dl (lower limit) = 1.4298; du (upper limit) = 1.6148; 4-du = 2.3852; and 4-dl = 2.5702. Thus, the Durbin Watson between du and 4-du, namely 1.6148 < 2,3852 < 1,724. So it can be concluded that the autocorrelation is not happening.
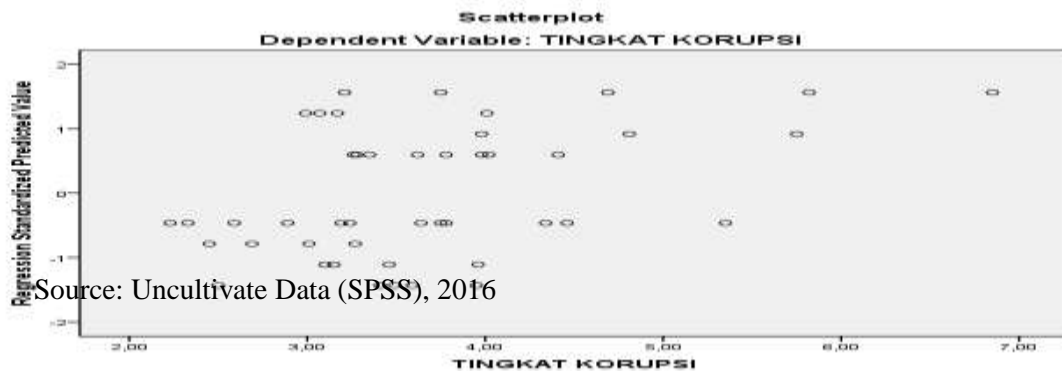


Source: Uncultivate Data (SPSS), 2016

Figure 1.
GrafikScatterplot

Based on the results of a test Scatterplot graph analysis using heteroskedastisitas, the look on the graph that there was no clear pattern and dots spread above and below zero on the Y axis. It can be inferred that heteroskedastisitas does not occur in the regression model.

## MULTIPLE LINEAR REGRESSION

Based on the results of the processing of data obtained regression coefficient values for variable transparency and accountability as follows:

Table 4
Multiple Linear Regression Test Results

| Description | Unstandardized Coefficients |
| --- | --- |
| | B |
| Konstanta | 1,170 |
| Transparency | 0,130 |
| Accountability | 0,818 |

Source: Uncultivate Data (SPSS), 2016

Based on table 4 then the equation can be made regresinya as follows:

***The level of Corruption = 1.170 + 0, 130TS + 0, 818AK + error***

These regression equations may imply that transparency and accountability has positive influence against corruption. Positive affect transparency and accountability against corruption can be seen in the value of the coefficient of regression (beta) respectively of + 0.130 and + 0.818. The regression coefficient of transparency suggests that any increase in transparency of 1% will be followed by a decrease in corruption of 0.13% assuming the other variables considered fixed and applies vice versa. The regression coefficient values accountability suggests that any increase in the accountability of 1% will be followed by a decrease in corruption of 0.81% assuming the other variables considered fixed (*unchanged*) and apply otherwise.

Hypothesis testing

Based on the results of the data processing, then the results of hypothesis testing for each hypothesis testing as follows:

Table 5
The results of hypothesis testing (α = 5%)

| | Hypothesis | P_value | Beta | Conclusion |
| --- | --- | --- | --- | --- |
| H₁ | *Transparency positive effect against corruption* | 0,664 | 0,130 | *Transparency has positive effects insignificant against corruption* |
| H₂ | *Accountability positive effect against corruption* | 0,008 | 0,818 | *Accountability has positive effects significant against corruption* |

Source: Uncultivate Data (SPSS), 2016

**Test Coefficient Determination (R2)**

Based on the results of the data processing, the value R Square of influence of transparency and accountability of local government financial reports as follows:

Table 6
Results of Testing The R Square

| Conclusion | R_Square |
|---|---|
| The Influence of Transparency and Accountability Local Government Financial Report on The Level of Corruption Local Government | 0,182 |

Source: Uncultivate Data (SPSS), 2016

Table 6 shows that the magnitude of the donation or contribution of the transparency and accountability of local government financial reports against local government corruption level changes amounted to 18.2% while the rest 81.8% is affected by other factors which are not examined in this study.

## DISCUSSION
### THE INFLUENCE OF TRANSPARENCY LOCAL GOVERNMENT FINANCIAL REPORT ON THE LEVEL OF CORRUPTION LOCAL GOVERNMENT

Based on the results of hypothesis testing shows that transparency is not a positive and significant effect against corruption at local government level. The results of this research in line with the opinion of the ITB (2004) that the surveillance of the public be able to prevent the occurrence of departures allocation of resources as well as a variety of violations in the activities of governance such as corruption. According to Tahir (2012) openness of the government in providing information related to the activity of management of public resources to the parties that need the information needed in order to realize the organization of a country that is clean and free from corruption, collusion, and nepotism so that transparency is able to reduce the level of corruption.

The results of this research are also in line with the Gedeona (2005) which is conducting research on the transparency of the budgetary management of the area as an alternative to the eradication of corruption at local level. In-transparency budget management system is too dangerous to be allowed to continue without transparency. Local governments should be proactive in announcing a wide range of information about the management of budgets to the community, so that access to information could be obtained about the budget of the community. The application of the principle of transparency in implementing local governance gives the opportunity to the public to find out various information about the organization of local governance are true, honest, and not discriminatory. Increasing the transparency of local government will reduce the level of corruption and vice versa, the lack of transparency of local government corruption rate will be increasing.

### THE INFLUENCE OF ACCOUNTABILITY LOCAL GOVERNMENT FINANCIAL REPORT ON THE LEVEL OF CORRUPTION LOCAL GOVERNMENT

Based on the results of hypothesis testing shows that a positive and significant effect of accountability against corruption at local government level. The results of this research are consistent with research conducted by Rini and Sarah (2014) stating that disclosure of the financial statements and the audit opinion County area coupled with the level of corruption in Indonesia. In addition the results of the study also reinforces the statement from De Asis (2006) stating that a strategy that can be done to eradicate corruption in the Government area, one of which, namely by increasing accountability. Accountability is believed to contribute in an effort to reduce the practice of corruption that occurs in local government.

## 5. CONCLUSIONS AND SUGGESTION
### CONCLUSION
Based on the research and discussion, then conclusions this research as follows:
1. Transparency has positive effects and insignificant on the local government corruption level. This indicates that transparency in local government financial report can reduce the level of corruption local governments.
2. Accountability has positive effects and significant on the local government corruption level. This indicates that accountability local government financial report can reduce the level of corruption local governments.

### SUGGESTION
Based on conclusions above, the advice to convey is writer
1. Each local government required to based on legislation that binds to be able to inform every planning, the preparation of, and implementation of, and financial accountability and also the work program to public through media easily accessible by the community and consequently they be able to supervise the way the local government to prevent of corruption.
2. The central government was asked to make strict rules and to motivate local governments in order to increase accountability its financial reports that not only based on audit opinion , but also based on the extent of corruption .And local governments give motivation in healthy to create local governments quality and free corruption.

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