

ABSTRACT

The purpose of the study is to analyze empirically the effect of the good governance implementation and investigation result by BPK RI on the financial performance of local government in Indonesia. Good governance implementation measured by government governance index. While investigation result by BPK RI divided to three categories that is audit opinion, evaluation results on intern control system, and audit findings. Variable of local government financial performance measured by effectiveness ratio and efficiency ratio.

This study uses secondary data of assessment by Indonesia Government Index Relations Corporation on government governance implementation for each regions, and semi-annually investigation result summaries BPK RI on local government financial statement. This study uses purposive sampling method in determine the sample and using multiple linear regression analysis. Before being conducted the regression test, it is examined by using the classical assumption tests.

The results indicates that not at all of independen variable in this study (government governance index, audit opinion, evaluation results on intern control system, and audit findings) effect on financial performance of local government. Government governance index and audit opinion able to increase the local government financial performance, on the contrary audit findings have the negative impact for financial performance of local government. While evaluation results on intern control system do not affect financial performance of local government in Indonesia.

Keywords: government governance, investigation results by BPK RI, financial performance of local government