ABSTRACT

This study aims to examine the relationship between fiscal decentralization and the level of corruption with internal control system as the moderating variable. The level of corrupption is measured in the rupiah amount of state financial losses in cases of corruption, which are legally binding. Fiscal decentralization is measured by four indicators, namely Profit Sharing Funds (DBH), General Allocation Funds (DAU), Special Allocation Funds (DAK) and Regional Owned Revenue (PAD). Meanwhile, the number of findings of weaknesses in the internal control system in the audit results of the Financial Supervisory Agency (BPK) on regional government financial reports is used as a proxy for the moderating variable, the internal control system

The population of this study is all districts/cities in Java, 113 districts/cities in the period 2015 to 2018. The sampling method used in this study is saturation sampling, namely the entire population becomes the research sample so that there are 452 observational data in the study.

The analysis technique used is Partial Least Squares (PLS) structural equation modeling through the warp pls 7.0 software. The findings of the study provide empirical evidence that fiscal decentralization has a positive effect on the level of corruption in regencies/ cities in Java and the internal control system does not moderate the relationship between fiscal decentralization and the level of corruption.

Keywords: fiscal decentralization, corruption, internal control system