

Unqualified Audit Opinions and Their Role in Promoting Transparent, Accountable, and Just Governance Reform

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Abstract

This study examines the effect of the Supreme Audit Agency (BPK) audit results with an unqualified opinion (WTP) on efforts to improve clean governance in Indonesia. The WTP opinion shows that the financial statements of government entities have been prepared by applicable accounting standards and regulations. Using a normative legal research approach, this study examines the relevance of the WTP opinion as the main indicator of transparency, accountability, and integrity in state financial management. The results show that the WTP opinion has a positive impact in increasing transparency and accountability, strengthening supervision and efficiency of financial management, reducing the potential for corruption, and building public trust in the government. In addition, the WTP opinion also encourages bureaucratic reform through technology adoption, strengthening human resources, and more effective budget planning. This research emphasizes the importance of WTP opinion as a strategic tool in realizing good and sustainable governance.

Keywords: *Accountability; Governance; Just Governance Reform; Transparency; Unqualified*

1. INTRODUCTION

Indonesia's economic crisis has highlighted the deep-rooted impact of poor governance in both public and private sectors.¹ Weak financial management and ineffective oversight mechanisms have undermined public trust and hindered institutional credibility. To restore stability and foster sustainable development, the government has promoted the principles of good governance,² emphasizing transparency, accountability, and integrity. Within this context, the unqualified audit opinion (*Wajar Tanpa Pengecualian*/WTP) issued by the Audit Board is often regarded as a crucial benchmark of sound financial governance. This study positions the WTP not merely as a technical judgment on financial statements,

1 Chairul Rizal, Supiyandi, and Muhammad Amin, "Perancangan Aplikasi Pengelolaan Keuangan Desa Melalui E-Village Budgeting," *Bulletin of Computer Science Research* 3, no. 1 (December 31, 2022): 7–13, doi:10.47065/bulletincsr.v3i1.181.

2 Fathul Hamdani and Ana Fauzia, "The Authority of the Village Government in the Management of Village Funds during the Covid-19 Pandemic," *Indonesian Journal of Advocacy and Legal Services* 4, no. 1 (April 27, 2022): 195–222, doi:10.15294/ijals.v4i1.53646.

but as an evaluative tool for understanding the broader implementation of governance reforms in Indonesia.

The transformation of the governmental system through bureaucratic reform has led to the decentralization of authority to regional governments, including in the management of public finances. However, despite the structural shift in authority, bureaucratic politicization continues to prevail within the dynamics of regional autonomy.³ This issue is further exacerbated by the weak institutional relationship between the regional executive and legislative bodies, often hindered by the dominance of political interests.⁴ This reality underscores that structural reforms alone do not automatically ensure the establishment of clean and accountable governance. Therefore, it is essential to identify concrete indicators that reflect the quality of governance at the regional level, one of which is the audit results issued by the Audit Board of Indonesia (*Badan Pemeriksa Keuangan/BPK*).

Law Number 22 of 1999 and Law Number 25 of 1999 marked the initial milestones in the decentralization of government and regional financial management in Indonesia. These regulations were later revised through Law Number 23 of 2014 and Law Number 1 of 2022, which shifted the accountability of local governments from a vertical model—towards the central government—to a horizontal one, directly accountable to the public through the Regional House of Representatives (DPRD). This transition has intensified the demand for transparency and accountability in regional financial governance. A central focus of these policy reforms is the necessity of financial reports that are open, clearly presented, and easily understood by the public. External audits conducted by the Audit Board of Indonesia (BPK) play a pivotal role in assessing the integrity and compliance of local government financial management.

Transparency practices in regional financial management include the public disclosure of information related to revenues, expenditures, and budget realization. Such openness functions not only as a mechanism of accountability but also as a form of social control that strengthens public trust.⁵ In this regard, the audit opinions issued by the Audit Board of Indonesia (BPK), particularly the Unqualified Opinion (*Wajar Tanpa Pengecualian*), serve as a key indicator of a public institution's success in complying with governmental accounting standards. An Unqualified Opinion reflects the quality of financial statements that are free from material misstatements and prepared by applicable accounting principles.⁶ This study aims to examine how the issuance of an Unqualified Opinion can be associated with the realization of clean governance at the regional level.

Referring to the Law Number 15 of 2004 on Audit of State Financial Management and Responsibility (Law Number 15 of 2004), the opinion given by The Audit Board is not only in the form of Unqualified Opinion, but there are 3 (three) other types of opinions given by The Audit Board on the Examination of Government Financial

3 Imam Suryadi and Aminatuzzuhro Aminatuzzuhro, "PENGARUH GOOD GOVERNANCE DAN STANDAR AKUNTANSI PEMERINTAH TERHADAP AKUNTABILITAS KEUANGAN DENGAN KOMITMEN ORGANISASI SEBAGAI PEMODERASI," *INCOME* 2, no. 2 (December 31, 2021): 86–98, doi:10.38156/akuntansi.v2i2.96.

4 Abas, *Birokrasi Dan Dinamika Politik Lokal* (Yogyakarta: Lontar Mediatama, 2020).

5 Andreas Putranta Sitepu, *Transparansi Pengelolaan Keuangan Daerah* (Pasaman Barat: CV Azka Pustaka, 2022).

6 Rina Widyanti, "Analisis Akuntabilitas Dan Transparansi Pengelolaan Dana Desa Pada Nagari Ulakan Kecamatan Ulakan Tapakis," *Menara Ilmu: Jurnal Penelitian Dan Kajian Ilmiah* 12, no. 11 (October 25, 2018).

Statements, namely Qualified Opinion, *Adversed Opinion*, dan a statement refusing to give an opinion (Disclaimer of Opinion).⁷

The Audit Board of Indonesia (BPK) issues four types of audit opinions based on the examination of financial statements: Unqualified Opinion (*Wajar Tanpa Pengecualian*), Qualified Opinion (*Wajar Dengan Pengecualian*), Adverse Opinion, and Disclaimer of Opinion. These opinions are determined by the level of compliance with Government Accounting Standards (SAP) and the integrity of financial statement presentation. Among them, the Unqualified Opinion is the most desirable for regional governments, as it signifies professional and transparent financial governance. Conversely, opinions other than the Unqualified Opinion may indicate weaknesses in financial management and public accountability.⁸ This highlights the need for academic inquiry into whether the attainment of an Unqualified Opinion truly reflects improvements in clean and accountable governance.

Several previous studies have examined the relationship between BPK audit opinions and aspects of regional government financial or political performance. However, most of these studies have focused primarily on technical financial factors, such as budget absorption, internal audit effectiveness, and follow-up on audit findings. First, Widha Adinata et al. in *Indonesian Treasury Review: Jurnal Perbendaharaan, Keuangan Negara dan Kebijakan Publik* attempted to examine the relationship between audit opinions and community welfare using an econometric approach; however, the study did not address institutional or governance-related aspects.⁹ This indicates that audit-related research rarely establishes a direct link to good governance, even though one of the core objectives of bureaucratic reform is to create a clean and accountable government. The absence of a conceptual framework that connects audit outcomes with governance principles represents a significant gap in the academic literature. Therefore, this study proposes a novel approach by employing the Unqualified Opinion (WTP) as a proxy for assessing the success of good governance implementation at the local level. This constitutes the main novelty of the present research in comparison to prior studies.

Second, Awaludin Nur Ihfan in *Jurnal Bina Mulia Hukum* highlighted that the attainment of an Unqualified Opinion (WTP) from the Audit Board of Indonesia contributes to strengthening anti-corruption efforts, although its effectiveness still requires further institutional review.¹⁰ Third, Junita Angelina et al. in *The Contrarian: Finance, Accounting, and Business Research* examined the influence of audit opinions on regional performance and corruption levels, yet did not explicitly connect these findings to the concept of clean governance.¹¹ These studies reinforce the argument that audit opinions can serve as important indicators, but they have not been systematically employed in governance measurement frameworks. Therefore, this study aims to establish an evaluative framework that links financial audit outcomes with clean and

7 Badan Pemeriksa Keuangan Republik Indonesia, "Ragam Opini BPK," *Opini BPK*, July 13, 2020, <https://www.bpk.go.id/news/ragam-opini-bpk>.

8 Chatarina Endang Srimranani, "Peranan Pemerintah Kabupaten Klaten Dalam Melaksanakan Anggaran Berbasis Kinerja Dalam Mewujudkan Tata Kelola Pemerintahan Yang Baik" (Universitas Atma Jaya Yogyakarta, 2022).

9 Widha Adinata, Teguh Puspandoyo, and Mei Ling, "Pengaruh Opini Audit Laporan Keuangan Pemerintah Daerah Terhadap Kesejahteraan Masyarakat Di Daerah," *Indonesian Treasury Review: Jurnal Perbendaharaan, Keuangan Negara Dan Kebijakan Publik* 8, no. 3 (September 30, 2023): 219–34, doi:10.33105/ITREV.V8I3.566.

10 Awaludin Nur Ihfan, "THE CORRELATION BETWEEN THE UNQUALIFIED OPINION BY THE AUDIT BOARD OF INDONESIA AND ANTI CORRUPTION ACT," *Jurnal Bina Mulia Hukum* 8, no. 1 (September 30, 2023): 128–43, doi:10.23920/jbmh.v8i1.1239.

11 Junita Angelina, David Paul Elia Saerang, and Jessy D. L. Warongan, "The Influence of Audit Opinion, Characteristics of Regional Head, and Levels of Corruption on Performance of Local Government in Indonesia," *The Contrarian : Finance, Accounting, and Business Research* 3, no. 2 (July 26, 2024): 96–112, doi:10.58784/cfabr.160.

democratic governance. It seeks to offer both theoretical contributions to the literature on public sector governance in Indonesia.

Therefore, based on the above background, Indonesia's experience with governance crises has shown how weak financial management and oversight mechanisms erode public trust. In response, reforms were introduced to promote transparency and accountability through clean governance practices. A key benchmark in this process is the unqualified audit opinion (*Wajar Tanpa Pengecualian*/WTP) issued by the Audit Board of Indonesia (BPK). While WTP reflects compliance with accounting standards, its broader role in signifying governance reform remains underexplored.

Previous studies often link audit opinions to fiscal performance or budget absorption, but rarely integrate them with governance outcomes. This study fills that gap by positioning WTP as a proxy indicator of governance quality. Accordingly, the research addresses two questions: (1) What is the relationship between unqualified audit opinions and efforts to achieve clean governance? (2) How do unqualified audit opinions contribute to promoting transparent, accountable, and just governance reform?

This study employs a normative legal research method, which was operationalized by conducting in-depth literature-based analysis of legal norms, regulations, and theoretical frameworks related to the impact of Unqualified Opinions (*Wajar Tanpa Pengecualian*/WTP) from the Audit Board of Indonesia (BPK) on clean state governance. Throughout the research process, I systematically collected and reviewed legal texts and academic literature relevant to state financial accountability and public governance. The normative method enabled me to examine legal obligations and institutional responsibilities as formulated in various laws and legal doctrines. I did not conduct fieldwork or empirical interviews, but relied on authoritative legal sources to understand how WTP audit outcomes are interpreted within the national legal framework. The entire research process was structured to evaluate not only what the law says, but how it aligns with real-world governance expectations.

To guide the analysis, two legal approaches were applied: the statutory approach and the conceptual approach. In applying the statutory approach, I conducted a focused review of legislative texts such as Law No. 15/2006 on BPK, Law No. 17/2003 on State Finance, and Law No. 23/2014 on Regional Government, as well as relevant government regulations and internal audit standards. These sources were selected to map out how audit responsibilities are defined and to assess the legal authority attached to audit opinions, particularly WTP. Meanwhile, through the conceptual approach, I integrated scholarly views and legal doctrines from leading academic sources to interpret the theoretical foundations of public sector auditing and clean governance. I examined how concepts such as transparency, accountability, and bureaucratic reform are developed in legal thought, especially about the meaning and impact of audit outcomes. The combination of these two approaches allowed for both legal norm analysis and theoretical reflection.

Legal materials in this study consist of both primary and secondary legal materials. Primary legal materials used include statutory regulations, government audit reports, and judicial decisions issued by relevant legal institutions, which were accessed through official legal databases such as *peraturan.go.id* and the BPK's audit publication portal. I paid specific attention to recent BPK reports and legislative amendments that regulate financial oversight and governance ethics. For secondary legal materials, I reviewed legal commentaries, doctrinal writings, journal articles, and institutional policy papers. I focused on recent scholarship that critiques the reliability of WTP audit status in ensuring good governance, and consulted academic works from experts in administrative

law, audit law, and governance studies. These sources were essential to enrich the normative interpretation and validate critical viewpoints in the discussion.

The method of analyzing legal materials applied in this research is qualitative and interpretative. Legal texts and academic sources were not only read, but also compared, categorized, and linked to specific governance challenges identified in real audit cases. I selected and examined several cases where regional governments received WTP status but were later involved in corruption scandals or administrative failures — for instance, the cases of Jambi Province and BPK audit findings in DKI Jakarta. These cases were analyzed to expose the gap between normative audit results and actual bureaucratic integrity. I also mapped legal inconsistencies or blind spots where WTP status may be misused for political legitimacy rather than reflecting true accountability. This interpretive method allowed for a critical evaluation of both the legal text and its application, forming the basis for the discussion and recommendations in this research.

2. ANALYSIS AND DISCUSSION

2.1 Linkage between Auditor Board's Unqualified Opinion Results and Attempts to Improve Clean State Governance

Within the framework of bureaucratic justice, at least three dimensions are relevant. First, procedural justice: the extent to which decisions are made through clear, consistent, and non-discriminatory rules. An unqualified opinion requiring adequate internal controls, orderly documentation, and compliance with standards forces organizations to tidy up lines of authorization, segregation of duties, and audit trails; this reduces the space for arbitrary discretion and narrows opportunities for “special treatment” that violates equality before procedure. Second, distributive justice: the degree to which the benefits and burdens of policy are allocated proportionally to need and contribution. Credible financial information (which underpins an unqualified opinion) enables planners and overseers to evaluate whether spending truly favors vulnerable groups, lagging regions, or essential services, rather than merely reproducing historically unfair spending patterns. Third, interactional justice: the way the bureaucracy treats citizens and businesses in the service process. Discipline in procurement, timely payments, and documented grievance channels, which typically strengthen as entities pursue and maintain an unqualified opinion, encourage treatment that is more dignified, transparent, and predictable for external parties.

The most important convergence between an unqualified opinion and bureaucratic justice appears in the post-audit phase: follow-up on recommendations must be translated into process changes that safeguard fairness, not merely close accounting findings. For example, when an audit uncovers weaknesses in asset management or goods spending, remediation should go beyond fixing records; it must include service time standards, explicit prioritization criteria, and queue transparency so that access to services is not influenced by proximity, political pressure, or lobbying capacity. Likewise, strengthening controls in procurement must be accompanied by equal access for MSMEs and suppliers from peripheral areas, with non-discriminatory tender documents and a responsive challenge mechanism. In other words, the unqualified opinion provides the “reliability infrastructure” that enforces procedure; the task of governance is to fill it with fair design, avoiding procedures that appear neutral but produce unequal impacts.

From a policy perspective, the information that yields an unqualified opinion also opens space for “equity budgeting.” Data on unit costs of services, per-capita spending

distribution, and measurable output–outcome achievements make it possible to analyze whether remote areas receive funding proportional to geographic hardship and social needs, whether health and education programs reach low-income households, and whether systemic biases leave certain groups behind. An audit opinion on the fairness of financial statements does not automatically judge the justice of allocations; therefore, management needs to link audit follow-up action plans to equity indicators, for instance, reducing inter-regional service coverage gaps, increasing the share of contracts awarded to small suppliers, or decreasing service complaints from vulnerable groups.

At the organizational level, bureaucratic justice also concerns internal relationships among leaders, staff, and oversight functions. The pursuit of an unqualified opinion often drives clearer performance governance (roles, targets, and accountability), which in turn improves perceptions of fairness among employees: evidence-based performance appraisals, transparent incentives, and consistent sanctions for violations. This matters because internal justice correlates with external compliance and integrity; a bureaucracy that feels fairly treated tends to follow procedures, serve the public respectfully, and be reluctant to collude in violations. Thus, the unqualified opinion becomes an anchor for arranging “procedural justice” internally, which radiates outward as fair services.

It remains necessary, however, to guard against “compliance myopia”: an organization can achieve an unqualified opinion while maintaining substantively unjust policies. Fair financial statements do not eliminate the possibility of biased allocations, administrative costs that burden the poor, or service requirements that inadvertently discriminate against certain groups (for example, documentation obligations that are difficult for remote communities to meet). For this reason, the linkage design must include safeguards to ensure accounting compliance does not substitute for justice. Approaches include applying an equity impact assessment to every procedural change arising from audit follow-up; integrating justice indicators (equity, accessibility, affordability) into performance dashboards; and opening service and procurement data in machine-readable formats so that the public can audit them, allowing inequities to be detected earlier.

A corrective dimension is also part of bureaucratic justice. When an audit uncovers state losses or services that fail to meet standards, remedial steps should not stop at administrative sanctions or system fixes; citizens who have been harmed need to receive proportional redress. Mechanisms such as compensation, service corrections at no additional cost, or prioritized re-service are concrete examples of corrective justice that connect audit findings to restoration for affected parties. Without this dimension, improvements often feel abstract to citizens, so public trust does not recover even when an unqualified opinion is achieved.

Finally, ethical leadership and public communication determine whether an unqualified opinion truly advances bureaucratic justice. Leaders must convey that the opinion is a tool to ensure fair procedures, allocations responsive to needs, and treatment that respects human dignity, not merely a symbolic accolade. This commitment is reflected in how performance targets are set (for example, not only “maintaining an unqualified opinion,” but also “closing 100 % of audit recommendations that affect service access” or “reducing disparities in essential service spending across regions”) and in how the organization responds to public criticism. By explicitly linking an unqualified opinion to procedural, distributive, interactional, and corrective justice, this section underscores that clean governance is incomplete unless it is also just, both in how the bureaucracy makes decisions, distributes resources, treats people, and restores harm.

Based on Article 16, paragraph (1) of Law Number 15 of 2004 states that “*Laporan hasil pemeriksaan atas laporan keuangan pemerintah memuat opini* (The audit report on the government’s financial statements contains an opinion)”. The parameters of reasonableness of information that must be met to support an opinion include, among others:

1. Conformity with government accounting standards (SAP)

The management of government financial statements requires the Government Accounting Standards (hereinafter referred to as GASB). SAP applicable in Indonesia is based on Article 1 Paragraph (3) of Government Regulation Number 71/2010 as follows: “Government Accounting Standards are accounting principles applied in preparing and presenting government financial statements. The principles referred to are accounting basis, historical value, Realization, Substance over form, periodicity, consistent full disclosure, and fair presentation”.

2. Compliance with laws and regulations

The definition of internal control system according to Article 1 paragraph (1) of Government Regulation of the Republic of Indonesia Number 60 of 2008 on the Government Internal Control System, hereinafter abbreviated as Government Regulation Number 60/2008, the internal control system is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate assurance of the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding State assets and compliance with laws and regulations. The elements of internal control, according to Article 3, Paragraph 1 of Government Regulation Number 60/2008, are

- a. Control Environment

The control environment creates an atmosphere of control in an organization and affects the organization’s personal awareness of control. The control environment is the foundation for all internal control components that form discipline and structure. The control environment is defined as a set of standards, processes, and structures that provide the basis for implementing internal control throughout the organization.

- b. Risk Assessment

Risk assessment involves a dynamic and interactive process to identify and assess risks to the achievement of objectives. Risk itself is understood as the likelihood that an event will occur and affect the achievement of the entity’s objectives, and the risk to the achievement of all objectives of the entity is considered relative to the established risk tolerance. Therefore, risk assessment forms the basis for determining how risks should be managed by the organization.

- c. Control Activities

Control activities are actions established through policies and procedures that help ensure that management’s directives to reduce risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages in the business process, and over the technological environment. Control activities have a wide range of objectives and are applied in a variety of organizational actions and functions. Control activities include different activities such as: authorization, verification, reconciliation, analysis, job performance, keeping company property safe, and separation of functions.

- d. Information and Communication

That information is very important for each entity to carry out internal control responsibilities to support the achievement of its objectives. The information required by management is relevant and quality information from both internal and external sources, and information used to support the functions of other components of internal control. Information is obtained or generated through a process of communication between internal and external parties that is carried out continuously, repeatedly, and shared. Most organizations build an information system to meet the need for reliable, relevant, and timely information.

e. Monitoring Activities

Evaluation activities with several forms, whether continuous, separate, or a combination of both, are used to ascertain whether each of the five components of internal control affects the function of the function within each component, is present, and functioning. Continuous evaluation is built into business processes at different levels of the entity to provide timely information. Separate evaluations are performed periodically, and will vary in scope and frequency depending on the risk assessment, effectiveness of ongoing evaluations, and other management considerations

3. Disclosure Financial Report

Hendriksen revealed that there are three general concepts in disclosure, namely:¹²

- a. Adequate disclosure is the disclosure of information by the company to fulfil its obligation to provide information. The information disclosed is by the minimum required standards, especially information that, according to the relevant institutions, must be presented. This type of disclosure is mostly done by companies.
- b. Fair disclosure is disclosure made by the company by presenting several information that the company believes can satisfy potential users of financial statements. The minimum required information and other additional information are needed to produce a fair presentation of the Financial Statements.
- c. Full disclosure is disclosure that presents all relevant information. The information disclosed is the minimum required information plus other information disclosed voluntarily.

SAP is the basis for management that applies the principles of Good Financial Governance and is the basis for financial management as stipulated in Article 32 of Law Number 17 of 2003 on State Finance which states that the form and content of the accountability report for the implementation of the State Budget (APBN) / Local Budget (APBD) are prepared and presented by government accounting standards. SAP is prepared by an independent standards committee and stipulated by Government Regulation after first receiving consideration from the Auditor Board. It can be understood that an Unqualified Opinion means that the financial statements are fairly presented in all material respects, the financial position, results of operations, and cash flows of the entity by the principles of SAP as a provision of generally accepted accounting principles in Indonesia. Thus, the predicate of an unqualified opinion is that it has met the standards in the principles of good governance, which, among others, are issued by the auditor under the following conditions:¹³

12 Eldon S. Hendriksen and Michael F. Van Breda, *Accounting Theory*, 5th Edition (Pennsylvania: Richard D. Irwin Inc, 1992).

13 Brilliant Willis, Lanny Kusumawati, and Wafia Silvi Dhesinta Rini, "Keterkaitan Opini Wajar Tanpa Pengecualian Dari Badan Pemeriksa Keuangan Terhadap Prinsip Good Financial Governance," *Al Qodiri: Jurnal Pendidikan, Sosial Dan Keagamaan* 21, no. 2 (July 31, 2023): 389–405, doi:10.53515/QODIRI.2023.21.2.405-421.

- a. All balance sheets, income statements, statements of changes in equity, and cash flow statements are contained in the financial statements.
- b. In the performance of the engagement, all general standards can be met by the auditor.
- c. Sufficient evidence can be gathered by the auditors, and the auditors have performed the engagement in such a way as to enable them to perform the three standards of field work.
- d. The financial statements are presented by Indonesian accounting principles.
- e. There are no circumstances that require the auditor to add explanatory paragraphs or modify the wording in the audit report.

Several types of financial statements audit can be done by the Auditor Board the as Article 6 paragraph (3) of Law Number 15/2006 states that “*Pemeriksaan BPK mencakup pemeriksaan keuangan, pemeriksaan kinerja, dan pemeriksaan dengan tujuan tertentu* (BPK’s audit includes financial audit, performance audit, and audit with a specific purpose).”

- a. Financial audit is an examination of the financial statements of the central government and local government. This financial audit is conducted to provide a statement of opinion on the level of fairness of the information presented in the government’s financial statements.
- b. Performance audit is an examination of economic and efficiency aspects, as well as aspects of effectiveness, that are commonly carried out for the benefit of management by the government’s internal control apparatus.
- c. Examination with a specific purpose, namely an examination carried out with a specific purpose outside the financial examination and performance examination, for example, an examination of other matters related to finance and investigative examination.

The unqualified opinion (WTP) issued by the Audit Board of Indonesia (BPK) represents the outcome of a formal audit process focused primarily on assessing the fairness and conformity of government financial statements with applicable accounting standards. At its core, the issuance of a WTP opinion is a professional judgment concerning the accuracy and completeness of financial reporting—not a direct endorsement of governance quality or institutional integrity. While such opinions are often publicly interpreted as markers of clean and effective governance, this interpretation can be misleading when not critically examined in light of broader institutional contexts.

A major concern arises when the WTP opinion is used as a proxy for clean governance without a parallel assessment of governance practices, ethical compliance, or the effective use of public funds. In several instances, institutions that received WTP status were later exposed for corruption or maladministration, revealing a disconnect between audit outcomes and actual bureaucratic behavior. This misalignment risks eroding public trust in the audit system and obscuring the deeper structural issues in governance, such as regulatory loopholes, lack of enforcement, and weak internal controls.

Therefore, efforts to improve clean state governance must move beyond reliance on audit outputs alone and must instead involve integrated reforms that link audit mechanisms with accountability systems, public participation, and robust internal supervision. The unqualified opinion should be seen as a starting point, not an endpoint, in evaluating institutional performance. Policymakers must ensure that WTP is complemented with substantive governance indicators—such as transparency

in procurement, responsiveness to audit findings, citizen oversight, and measurable bureaucratic reform outcomes.

In this light, audit institutions themselves have a normative responsibility to contextualize their findings, issue more nuanced assessments where necessary, and push for follow-up mechanisms that strengthen governance integrity. Clean governance requires a holistic approach, wherein audit opinions are embedded within a broader ecosystem of transparency, accountability, justice, and ethical leadership. Without such integration, the unqualified opinion risks becoming a symbolic recognition that may mask persistent governance failures rather than drive systemic improvement.

2.2 The Role of Unqualified Audit Opinions in Promoting Accountable, Transparent, and Just Governance Reform

The role of the unqualified audit opinion (in Indonesia often referred to as WTP—*Wajar Tanpa Pengecualian*) can be understood through a bridge between theory and cross-disciplinary empirical evidence that links information quality, control architecture, and political-bureaucratic incentives to governance outcomes that are transparent, accountable, and just. From a principal-agent perspective, an unqualified opinion reduces agency costs by increasing the credibility of reporting and shrinking information asymmetries between government (agent) and the public/legislature (principal), thereby making allocation decisions and oversight more data-driven and precise, this is the core Jensen & Meckling logic that agency costs fall when monitoring and reporting mechanisms are trustworthy.¹⁴

At the same time, the unqualified opinion functions as a governance quality signal: consistent with Spence's signaling theory, a costly, high-quality certification (a standards-compliant audit culminating in an unqualified opinion) conveys credible information about the organization's "type" to the political marketplace and the public, improving expectations and stakeholder behavior.¹⁵ In the realm of managerial behavior, stewardship theory adds that when organizational aims, public-service values, and accountability mechanisms are aligned, managers act as stewards pursuing collective interests; the unqualified opinion then becomes a trust-enhancing coordination device rather than merely a punitive tool.¹⁶ Bovens's operational definition of accountability, as a relationship between an actor and a forum that entails the duty to explain, the forum's examination and judgment, and potential consequences provides a frame in which the unqualified opinion chiefly strengthens the "information" phase and triggers the "discussion" and "consequence" phases in the post-audit cycle (follow-up, sanctions/rewards, and policy correction).¹⁷ To support those phases, contemporary institutional frameworks, the Institute of Internal Auditors' Three Lines Model, place independent internal audit as the "third line" assuring governance and risk management, while the COSO framework underscores internal control as the foundation for achieving objectives, mitigating risks, and enabling sound decisions; the unqualified external opinion is both an output of assurance and feedback that nudges all three lines and the

14 Michael C. Jensen and William H. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," *Journal of Financial Economics* 3, no. 4 (1976): 305–60, [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X).

15 Michael Spence, "Job Market Signaling," *The Quarterly Journal of Economics* 87, no. 3 (1973): 355–74, <https://doi.org/10.2307/1882010>.

16 James H. Davis, F. David Schoorman, and Lex Donaldson, "Toward a Stewardship Theory of Management," *The Academy of Management Review* 22, no. 1 (1997): 20–47, <https://doi.org/10.2307/259223>.

17 Mark Bovens, "Analysing and Assessing Accountability: A Conceptual Framework," *European Law Journal* 13, no. 4 (2007): 447–468, <https://doi.org/10.1111/j.1468-0386.2007.00378.x>.

control system toward higher maturity.¹⁸ The public relevance of an unqualified opinion is also reinforced by public-sector auditing standards (e.g., ISSAI 100), which stress the credibility, quality, and professionalism of Supreme Audit Institutions, thereby fostering process consistency and trust in the opinion's output.¹⁹

At the level of evidence, experimental and quasi-experimental research shows that audit transparency has tangible consequences: intensifying government audits reduces “missing expenditures” in village road projects (top-down oversight effects can exceed those of community participation without formal audit), while publicizing corruption findings from randomized audit programs reduces incumbents' reelection prospects, indicating that when corruption information is exposed through audits, voters penalize offenders; further results show randomized audits raise the behavioral costs of corruption and are associated with tighter enforcement. These findings illustrate how unqualified opinions and the audit ecosystem discipline behavior through reputational channels, electoral politics, and enforcement.²⁰ Beyond accountability, unqualified opinions interlock with transparency via open procurement. OECD recommendations on public procurement, public-investment integrity frameworks, and open contracting practices (OCDS) advocate end-to-end publication of tender and contract data in open formats, increasing competition, lowering collusion risk, and strengthening social auditing; tying post-opinion follow-up to a contract-openness agenda creates a data value chain from planning through contract management, that is auditable, extending the impact of the unqualified opinion from accounting into spending integrity.²¹ The justice dimension requires that the outcomes of an unqualified opinion be translated into equity-sensitive budgeting; the spread of gender budgeting across OECD countries exemplifies instruments that connect performance-financial data with equality impacts (service access, costs borne by vulnerable groups, cross-regional benefits), ensuring that audit recommendations do not stop at bookkeeping but guide corrective allocation and non-discriminatory service design.²²

Even so, the literature warns of two conceptual risks when the unqualified opinion becomes a narrow target. First, Goodhart's Law: when a metric becomes a target, it ceases to be a good measure; if “achieving/maintaining an unqualified opinion” is the sole KPI, “window dressing” may emerge without substantive improvements in service integrity or equity. The antidote is a package of multi-dimensional indicators (closure of material recommendations, decline of repeat findings, openness of contract data, and outcome/justice metrics) and a complementary mix of financial, performance, and compliance audits.²³ Second, institutional theory on “myth and ceremony” and isomorphism cautions against decoupling, organizations may adopt formal structures to gain legitimacy while separating them from work practices; to prevent the unqualified opinion from becoming an administrative ritual, public managers should hard-wire

18 Institute of Internal Auditors, “The IIA's Three Lines Model: An Update of the Three Lines of Defense” (Florida, 2024).

19 International Framework for Professional Pronouncements, “ISSAI100: Fundamental Principles of Publicsector Auditing,” 2019, <https://www.issai.org/wp-content/uploads/2019/08/ISSAI-100-Fundamental-Principles-of-Public-Sector-Auditing-1.pdf>.

20 Benjamin A. Olken, “Monitoring Corruption: Evidence from a Field Experiment in Indonesia,” *Journal of Political Economy* 115, no. 2 (2007), <https://doi.org/10.1086/517935>.

21 Organisation for Economic Co-operation and Development, “Integrity in Public Procurement,” 2020, <https://www.oecd.org/en/topics/sub-issues/integrity-in-public-procurement.html>.

22 Organisation for Economic Co-operation and Development, “Gender Budgeting,” 2022, <https://www.oecd.org/en/topics/sub-issues/gender-budgeting.html>.

23 C. A. E. Goodhart, “Problems of Monetary Management: The UK Experience,” in *Monetary Theory and Practice* (London: Palgrave Macmillan, 1984), 91–121, https://doi.org/10.1007/978-1-349-17295-5_4.

audit recommendations into SOPs, information systems (e-budgeting/e-procurement), and citizen feedback mechanisms that change behavior and service results.²⁴ Within the accountability frame, the audit “expectation gap”, the difference between what the public expects and what auditors reasonably promise, must also be managed through public communication and a broadened audit spectrum (financial, performance, and compliance), so the unqualified opinion is not misread as a “fraud-free” guarantee. Scholars such as Porter have structured this gap into components of reasonableness of expectations, adequacy of standards, and auditor performance; work since Liggio underscores the need to educate stakeholders that an unqualified opinion assures fair presentation, not an absolute certificate of integrity.²⁵

Synthesizing principal-agent theory (reducing information asymmetry), signaling theory (the unqualified opinion as a credible credential), stewardship (alignment of values and roles), Bovens’s accountability (information–discussion–consequences), the Three Lines Model & COSO (control and assurance architecture), alongside institutional insights and Goodhart’s warning (guardrails against metric ritualism), and linking these to robust evidence from randomized audits plus open-contracting and gender-budgeting agendas, this section positions the unqualified opinion as an “actionable leading signal” for reforms that are transparent, accountable, and just. Practical implementation requires: (i) integrating audit recommendations into the planning–budgeting–implementation–reporting cycle, (ii) strengthening independent risk/compliance functions and internal audit, (iii) expanding openness of spending and contract data for public auditability, (iv) embedding justice dimensions (access, affordability, equity) in performance indicators, and (v) clear communication to close the expectation gap. Thus, the unqualified opinion is not treated as a final medal but as a catalyst for institutional learning that converts accounting compliance into public value that is measurable and broadly felt. In operational terms, the opinion’s role as a reform lever must be locked in by guardrails: integrating recommendations into PPBS with outcome-oriented KPIs; widening measurement from financial compliance to service performance (service time, output quality, satisfaction/complaints, and measurable program outcomes); applying equity-impact assessments to procedural changes; ensuring equal access in procurement (non-discriminatory tender documents, SME-friendly packaging, responsive challenge mechanisms); protecting safe, confidential whistleblowing channels; and frank public communication to dampen over-expectations and educate on the opinion’s meaning. Success also hinges on “tone at the top” and institutional governance: leaders should tie the target of “maintaining an unqualified opinion” to meaningful derivative targets, such as closing 100 % of material recommendations that affect service access, eliminating repeat findings within two budget cycles, narrowing per-capita spending gaps for essential services across regions, increasing the share of contracts awarded to small/peripheral suppliers, and shortening resolution times for public complaints.

Technically, an indicator matrix linking transparency–accountability–justice should be crafted: (i) transparency, open, machine-readable data on budget realization, contracts, and performance; (ii) accountability, rates of audit follow-up completion, reduction of repeat findings, and consistency of sanctions/rewards; (iii) justice, need-based funding equalization, equal access to services and procurement markets, administrative affordability, and the presence of remedies for harmed citizens. To sustain momentum,

24 John W. Meyer and Brian Rowan, “Institutionalized Organizations: Formal Structure as Myth and Ceremony,” *American Journal of Sociology* 83, no. 2 (1977): 340–63, <https://www.jstor.org/stable/2778293>.

25 Brenda Porter, “An Empirical Study of the Audit Expectation-Performance Gap,” *Accounting and Business Research* 24, no. 93 (1993): 49–68, <https://doi.org/10.1080/00014788.1993.9729463>.

an institutional learning loop must be built: unqualified-opinion findings, action plan, implementation, data-driven evaluation, SOP, and internal-regulation refinement, re-audit that ratchets up standards. With this architecture, the unqualified opinion provides a reliable infrastructure that makes openness meaningful, enables objective performance accountability, and shapes fair procedures, provided the signal is translated into measurable managerial action, guarded by independent institutions, carried by service-oriented leadership, and supported by open data. In short, the role of the unqualified opinion in advancing transparent, accountable, and just reform is optimized when it becomes the lever that integrates compliance, performance, and equity: compliance supplies the language and foundation; performance ensures resources generate public value; and justice guarantees that value is shared without bias, realizing governance that is both clean and fair.²⁶

Regarding creating clean and transparent state governance, one important effort is through audits by the Audit Board, which provides an Unqualified Opinion. The Unqualified Opinion indicates that the financial statements of the government agency or institution have been presented fairly in all material respects by applicable accounting principles. The effect of this audit result will be:

1. Improving Transparency and Accountability

By obtaining a Unqualified Opinion from The Auditor Board, the government demonstrates a commitment to transparency. Financial reports that are considered proper by the Auditor Board provide evidence that the use of the budget has been carried out properly by accounting standards and applicable laws.

The Unqualified Opinion given by the Auditor Board plays an important role in strengthening public sector transparency and accountability, which are important elements of good governance. Based on agency theory, the government, as an agent, has a moral and professional obligation to provide transparent financial reports to the public as the principal. The issuance of a Unqualified Opinion by the Auditor Board shows that an agency's financial statements have met applicable government accounting standards, giving confidence to the public that the financial information is reliable. According to Mardiasmo, this Unqualified Opinion is proof that public financial management is carried out with the principle of transparency, which in turn encourages public participation in monitoring and assessing government performance more critically.²⁷

According to an accountability perspective, Achmad Supriyadi states that the Unqualified Opinion is not only a recognition of technical compliance, but also a representation of the government's responsibility in managing public funds responsibly. This approach is in line with the theory of public accountability, which emphasizes that the government must be able to account for its use to the public and demonstrate a commitment to carrying out good financial management. In addition, according to Winarno, the Auditor Board's Unqualified Opinion encourages the improvement of internal control systems and compliance, thereby creating continuous self-evaluation for government agencies.²⁸ This is important in supporting effective governance, where

²⁶ Institute of Internal Auditors, "The IIA's Three Lines Model: An Update of the Three Lines of Defense."

²⁷ Anggito Abimanyu and Andie Megantara, *Era Baru Kebijakan Fiskal: Pemikiran, Konsep, Dan Implementasi* (Jakarta: Penerbit Buku Kompas, 2009).

²⁸ Sri Nurhidayati, "Pengaruh Desentralisasi Fiskal, Kinerja Penyelenggaraan Pemerintah Daerah Dan Tindak Lanjut Rekomendasi Hasil Pemeriksaan BPK Terhadap Opini Laporan Keuangan Pemerintah Daerah Di Indonesia. Nurhidayati, Sri" (Universitas Lampung, 2017).

transparency and accountability must be carried out in a unified system to ensure the prevention of fraud and budget abuse.

Unqualified Opinion is also an important element in reducing the potential for corruption and fraud in the public sector. In Tjiptohadi S.'s view, the presence of an audit with a Unqualified Opinion indicates that budget management is carried out with an accountable process. This opinion implies compliance with financial regulations and the implementation of good internal controls, which can minimize the space for fraud. In addition, the Unqualified Opinion is also an indicator of the implementation of good governance, as explained by Azhar Susanto, where transparency is considered part of credible and professional management.²⁹ The Unqualified Opinion basically confirms that the government has demonstrated a commitment to maintaining budget information disclosure, which increases public and investor confidence in state financial management. This not only affects the transparency and accountability aspects, but also contributes to the country's economic and political stability, both of which support each other in achieving development sustainability.

2. Promoting Financial Management Oversight and Efficiency

Audits conducted by The Auditor Board not only serve as an assessment but also as a supervisory tool. Government agencies seek to improve the quality of financial management so that there are no irregularities, for example, through savings or better asset management.

The Unqualified Opinion from The Auditor Board has a significant impact in encouraging supervision and efficiency of financial management in the public sector. Based on the theory of public accountability, the Unqualified Opinion is an instrument that strengthens the external and internal control system because it shows that budget management has met standards and can be accounted for. According to Mardiasmo, the Unqualified Opinion provides a positive signal to internal supervisory institutions and the public to be more active in monitoring the use of public funds.³⁰ This positive effect creates an impetus to maintain the quality of financial management, which then results in a stronger and more effective oversight mechanism.

In addition, Supriyadi emphasized that the Unqualified Opinion from The Auditor Board is not just an assessment, but also an implicit recommendation for government agencies to improve efficiency in every step of financial management.³¹ Managerial efficiency theory supports this view, where agencies that obtain an unqualified opinion tend to be more efficient in resource allocation because they have met compliance and internal control criteria. Furthermore, according to Winarno, the existence of an Unqualified Opinion can encourage efforts to improve budget policies by minimizing waste, optimizing the use of funds, and tightening internal supervision. This is in line with the value for money principle that is the focus of public sector management, where every expenditure must provide maximum benefits for the community.

The Unqualified Opinion also has a direct effect on improving budget discipline, which is an important component of good governance. According to the opinion of Tjiptohadi S, budget management that receives an unqualified opinion shows a commitment to transparency and compliance, which will form a more systematic and sustainable

29 Azwar Susanto, *Sistem Informasi Akuntansi Struktur Pengendalian Resiko Pengembangan* (Bandung: Linggar Jaya, 2013).

30 Abimanyu and Megantara, *Era Baru Kebijakan Fiskal: Pemikiran, Konsep, Dan Implementasi*.

31 Akhmad Syarifudin, "Pengaruh Kompetensi SDM Dan Peran Audit Intern Terhadap Kualitas Laporan Keuangan Pemerintah Daerah Dengan Variabel Intervening Sistem Pengendalian Internal Pemerintah (Studi Empiris Pada Pemkab Kebumen)," *Jurnal Fokus Bisnis* 14, no. 2 (December 2014).

supervisory culture.³² Thus, the Unqualified Opinion acts as a control mechanism that encourages effective supervision and efficient use of public funds, creates higher accountability, and provides encouragement for the government to prioritize accurate and efficient financial management.

3. Reducing Corruption and Irregularities

The strict audit process carried out by the Auditor Board is expected to identify and prevent potential irregularities. Thus, the Unqualified Opinion also plays a role in minimizing corrupt practices within the government. The Unqualified Opinion given by the Auditor Board has an important effect in reducing corrupt practices and irregularities in the public sector. According to financial supervision theory, the Unqualified Opinion not only assesses the feasibility of financial statements, but also reflects success in implementing a strong internal control system and compliance with applicable accounting standards. In Mardiasmo's view, the Unqualified Opinion creates a climate of more open and transparent financial management, which encourages actors in the public sector to be more careful in the use of funds and avoid irregularities.³³ This clarity increases accountability and reduces opportunities for individuals to commit acts of corruption, as every use of the budget can be audited and closely monitored.

This opinion is reinforced by Supriyadi, who states that the Unqualified Opinion serves as a deterrent to potential corruption by tightening financial management procedures.³⁴ The Auditor Board, through a thorough audit process, ensures that entities receiving an unqualified opinion have fulfilled all obligations related to transparency and internal control, which makes any potential abuse easier to detect. As such, the Unqualified Opinion also serves as a risk mitigation tool in public sector financial management, supporting corruption prevention theories that emphasize the importance of transparency and effective oversight.

The implementation of good financial management standards, as reflected in the Unqualified Opinion, indicates the lack of gaps for irregularities. The Unqualified Opinion shows that the agency has followed the appropriate procedures, which means that every expenditure can be traced and controlled. This has implications for improving fiscal discipline and oversight, which creates a cleaner and more accountable work environment. Within the framework of good governance theory, the Unqualified Opinion is an indicator of the government's success in implementing the principles of transparency and integrity, which ultimately reduces the room for corruption and irregularities in the management of state finances.

4. Building Public Trust

In the case when the government consistently receives an Unqualified Opinion, it can increase public confidence in the government's performance and commitment to managing the state budget.

5. Encouraging Bureaucratic Reform

Unqualified Opinion is a motivation for various institutions to make improvements in their bureaucratic systems, such as adopting technology, strengthening competent human resources, and conducting effective budget planning. Overall, the Unqualified

32 Kemal Hidayah et al., "The Role of Regional Inspectorate of Samarinda City In Maintaining Unqualified Opinion," *Jurnal Borneo Administrator* 15, no. 2 (August 6, 2019): 221–36, doi:10.24258/jba.v15i2.538.

33 Jamaluddin Majid, *AKUNTANSI SEKTOR PUBLIK*, Cetakan 1 (Sulawesi Selatan: CV Berkah Utami, 2019).

34 Syarifudin, "Pengaruh Kompetensi SDM Dan Peran Audit Intern Terhadap Kualitas Laporan Keuangan Pemerintah Daerah Dengan Variabel Intervening Sistem Pengendalian Internal Pemerintah (Studi Empiris Pada Pemkab Kebumen)."

Opinion from The Auditor Board symbolizes the government's success and real efforts in creating clean, accountable, and trustworthy state financial governance.

3. CONCLUSION

The issuance of an Unqualified Opinion (*Wajar Tanpa Pengecualian*/WTP) by the Audit Board of Indonesia (BPK) reflects that the government's financial statements have been prepared by Government Accounting Standards (SAP), comply with prevailing laws and regulations, and are presented fairly and transparently. However, beyond its technical nature as an assessment of financial reports, the Unqualified Opinion also carries a strategic dimension in the context of public governance. The correlation between the WTP and efforts to realize clean governance lies in how the opinion signals compliance with internal control systems, administrative integrity, and accountability in public financial management. When a public institution consistently obtains a WTP opinion, it can indicate the existence of governance practices aligned with the principles of transparency, efficiency, and protection of public assets. Therefore, the WTP serves as an initial indicator (proxy indicator) for assessing the extent to which clean governance principles are being implemented, although it should be complemented by a substantive evaluation of non-financial aspects such as bureaucratic ethics and the effectiveness of public services.

The impact of The Auditor Board's Unqualified Opinion audit results is: First, increasing transparency and accountability, because the government, as an agent, has a moral and professional obligation to provide transparent financial reports to the public as a principal. Second, it encourages supervision and efficiency of financial management, namely, strengthening the external and internal supervision system, because it shows that budget management has met standards and can be accounted for. Third, reducing corruption and irregularities, in this case, the Unqualified Opinion not only assesses the feasibility of financial statements, but also reflects success in implementing a strong internal control system and compliance with applicable accounting standards. Fourth, it builds public trust. Fifth, encouraging bureaucratic reforms, such as adopting technology, strengthening competent human resources, and conducting effective budget planning.

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