Regional Financial Characteristics and Public Transparancy Towards Frequency of Fraud in The Local Government

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ABSTRACT

This study aims to look at the influence of both financial characteristics and regional public transparency towards fraud frequency in local governments at the provincial level. This research was carried out by quantitative descriptive method by looking at local government financial report data and reports from ACCH (Anti Corruption Clearing House). This study used secondary data, namely in the form of Indonesia Provincial Government's financial statements and the results of the ACCH report in 2017. The results of this study are expected to provide advice and input in regional financial governance in all the province to be able to reduce frequency fraud in local governments

Keywords:
Frequency fraud, local government financial reports, characteristics of regional finance, public transparency

INTRODUCTION

BACKGROUND TO THE PROBLEM

Fraud on various entities in both the public and private sectors has been a concern of the researchers. Research on fraud has been widely carried out, including research on fraud-causing factors carried out by Yang, Jiao and Buckland in 2017 (Yang, Jiao and Buckland, 2017) and (Chen *et al.*, 2016) and studies that conducted detection towards fraud by (Amara, Amar and Jarboui, 2013) or (Liao and Chen, 2014) and all of these studies have been carried out both from the private and public sector.

Corruption in Indonesia today has become a crucial problem that cannot be underestimated. Some news about the occurrence of corruption in the local government is quite concerned. Among them were the capture of 18 regional heads in Indonesia who were only 17 months as head of the region (Gabrillin, 2018). What is even more concerning is that the statement delivered by the Minister of Home Affairs also stated that during 2014 until 2017 there were 313 Regional Heads affected by corruption cases (Kuswandi, 2017)

According to Chairman of the Republic of Indonesia BPK, Harry Aziz,through Republika Online the fraud included assets, assistance issues and Official Travel Warrants (SPPD). These fraud has a direct impact on the state's losses. In his research, (Stalebrink et al., 2007) also summarized some forms of accounting fraud in the public sector which include misuse of assets, deliberately misstating financial statements, hiding budget realization surpluses, and misapplying accounting principles by shifting the current salary burden this happens to be used as a salary burden in the next period to fulfill the mandate of the stipulated budget.

Fraud is understood to be harmful for entity or State finances and damage the joints of the social culture. Even if fraud occurs in the government sector, then it becomes a serious problem because with resources originating from limited public taxes not being used for public services, and even worse will have an impact on the loss of public confidence in the leadership capabilities of government agencies (Ziegenfuss , 1996).

CHARACTERISTICS OF REGIONAL FINANCE

For detecting the possibility of fraud problems, various tools have been designed to assist financial report users in analyzing financial statements. One of the most common methods for financial analysis is ratio analysis (Dalnial, Kamaluddin, Sanusi, & Khairuddin, 2014); (Kaminski, Wetzel, Guan, & Kaminski, 2008). One of the tools to analyze the performance of local governments in managing their regional finances is by analyzing financial ratios on the APBD

that have been established and implemented (Heriningsih, 2013).

The characteristics of regional finance to be examined in this study are regional financial independence and the level of public investment from each local government:

Regional Financial Independence

One of the regional financial characteristics that can be used in conducting regional financial ratio analysis is the level of regional financial independence. Law No. 32 of 2004 states that the definition of regional financial independence is "Regional financial independence means that the government can carry out financing and financial accountability independently, implementing framework of the principle of decentralization by itself".

Yunanto (2010) states that the level of regional financial independence has a positive effect towards level of local governments accountability disclosure. Puspita Sari (2010), the level of regional dependency has a positive effect towards level of local government financial statements disclosure. It is expected that the better of local government disclosure level, it will be a sign of the decreasing level of local government fraud. From some of the studies mentioned above, it will be seen the consequences of the regional financial independence influence towards level of fraud in the Local government.

The regional financial independence ratio is calculated by comparing the total revenue of Regional Original Revenue divided by the total Regional Revenue itself. The higher the ratio number shows that the local government has higher financial independence in the region. The higher regional financial independence,it will increase regional disclosure and reduce fraud (Yunanto, 2010)

Level of Optimization of Public Investment

The ratio of optimizing public expenditure or public investment level illustrates how local governments prioritize their allocation of funds in apparatus spending and public spending optimally. The higher the allocation of funds provided for routine expenditure or shopping for regional apparatus means the percentage of capital expenditure or public expenditure to provide economic infrastructure for the community tends to be smaller (Halim, 2008).In this study the level of public investment is proxied by the level of public expenditure towards total expenditure in local governments.

Regional expenditures can be defined as all expenditures from the Regional General Cash Account that reduce current fund equity within the period of the relevant budget year which will not be repaid by the local government (Mahmudi, 2010).

High capital expenditures are expected to lead to community prosperity, where the level of prosperity can have an impact on the reduction of fraud in the local government.

LOCAL GOVERNMENT FINANCIAL REPORTING TRANSPARENCY

Law No. 28 of 1999 concerning the Implementation of a Clean and Free Country of Corruption, Collusion and Nepotism states that transparency and accountability are two of several principles that must be filled by the government including the local government.

To realize a clean and free state administration from corruption, collusion and nepotism must fulfill one of the principle of openness. The principle of openness is the principle that opens itself to the right of the community to obtain correct, honest and non-discriminatory information about the administration of the state while paying attention to the protection of personal rights, groups and state secrets (Law Number 21 of 1999). Likewise, Law No. 14 of 2018 concerning the Public Information Disclosure Act requires each government entity to publish its financial statements through their respective websites.

THE RELATIONSHIP OF TRANSPARENCY AND FRAUD

According to the study (Oktaviani, Herawati, & Tungga, 2017) transparency has a negative effect towards level of fraud. While accountability has a positive influence towards level of fraud in the local government. Based on the results of the research the researchers concluded that transparency had a negative and did not effect significantly towards level of corruption. The results of the study also indicate that increasing accountability in the financial statements of local governments cannot reduce the level of corruption of local governments. Based on the results of these studies.

THE RELATIONSHIP BOTH REGIONAL FINANCIAL CHARACTERISTICS AND FRAUD LEVELS

To measure the government's ability in mobilizing revenue according to what has been targeted by looking at the financial characteristics of local governments (Heriningsih, 2013). According to (Heriningsih, 2013) the GPA (perception perception index between 0- 10) is an illustration of the community's assumptions about corruption in their

area, the results of a survey conducted by Indonesian transparency agencies. From the GPA number, it can be stated that the higher the GPA, the better government performance, or a little level of corruption. The independence ratio is negatively related to the corruption level of local government represented by the corruption perception index (Heriningsih, 2013) whereas according to (Wulandari, 2015) the regional financial independence ratio is positively related to the corruption level of local government.

RESEARCH PROBLEMS

Research on local government fraud was also carried out (Heriningsih, 2013). This study examined the effect of Audit Opinion and Local Government Financial Performance towards Local government Corruption Level seen by the corruption perception index. The results of this study stated that the audit opinion variables and financial performance (independence ratio, activity ratio, and growth ratio) did not affect towards local government corruption level.

One of the principles of good governance government is the existence of transparency. Research (Khairudin & Erlanda, 2016) showed the results that transparency level had a negative effect on the local governments corruption level. This can be interpreted that the higher level of transparency will be able to reduce local government corruption level.

PREVIOUS RESEARCH

Fraud in the public sector or government is a scourge, because it has a significant impact on economic growth (Adebisi & Gbegi, 2015). Therefore there were several previous studies that had been carried out with the theme of fraud in the government sector

In developing countries, it is common for public sector auditors to report invalid expenditure findings, waste of state finances, violations of procedures that cause losses to state finances, etc. (Dye, 2007). In his research (Fitzsimons, 2011) revealed that countries that reform their public sector economies in transition, such as in Indonesia, had a significant increase in the number of corruption (one form of fraud).

Therefore this study examines the characteristics of regional finance which is currently still a contradiction among intermediate researchers (Heriningsih, 2013) which according to Heriningsih the results of the tests statistically proved that audit opinion and financial performance variables (independence ratio, activity ratio, and ratio growth) did not affect the level of corruption contrary to the results of the study according to (Wulandari, 2015) and the level of public transparency in the form of financial statement presentation in the local government website according to Minister of Home Affairs Regulation Number 59 of 2007 concerning Amendment to the Minister of Home Affairs Regulation Number 13 of 2006 concerning Guidelines for Regional Financial Management and Law No. 14 of 2008 concerning Public Information Openness that had never been examined by previous researchers.

Another novelty in this study is that the researchers will examine the level of local government fraud with data sources from each Provincial Government financial report and fraudulent data obtained from ACCH (Anti Corruption Clearing House) data. Data from the local government financial statements in the form of Regional Financial Independence Levels, Public Investment Optimization level,while the disclosure data of government Public financial statements are obtained from each of the provincial government websites.

RESEARCH CONTRIBUTIONS

This research is expected to be able to contribute positively to the study of fraud that occurred in the Local government. Especially related to regional financial conditions and the level of public transparency that must be carried out by the local government. Whereas practically, this research will be useful for local governments which currently have corruption cases in their area.

Since the significant impact that will be obtained from the existence of fraudulent financial reporting impact, in this study, the researcher proposed the title "The Effect of Regional Financial Characteristics and Levels of Public Transparency towards Fraud Frequency in Local Governments"

PROBLEM FORMULATION

The formulation of the problem in this study are :
1. Does the Factor of Regional Financial Independence Level affect fraud frequency of Local Government?
2. Does the Factor of Public Investment Optimization Level affect fraud frequency of the Local government?
3. Does public transparency level affecting fraud frequency of local government?

RESEARCH OBJECTIVES

The objectives of this study are :
1. To find out whether the Regional Financial Independence level factor influences the frequency fraud of Local government?
2. To see whether the Public Investment optimization Level influences the fraud frequency of the Local government?
3. To find out whether public transparency affects local government fraud frequency?

LITERATURE REVIEW

THEORY OF FRAUD TRIANGLE

The concept of the fraud triangle was introduced by Cressey (1953) in Skousen et al. (2009) concluded that cheating generally has three general characteristics. The Fraud triangle consists of three conditions that are generally present when fraud *occurs, namely pressure, opportunity, and rationalization*.

1. Pressure. According to SAS no. 99, there are four types of conditions that commonly occur at pressures that can lead to fraud. These conditions are financial stability, external pressure, individual financial needs, and financial targets. According to (Loebbecke, 1988) in his research stated that if the company is below the industry average, then management is likely to be able to manipulate financial statements to improve company performance.

   (Moeller, 2009) argues that situational pressure has the potential to arise because of financial obligations that exceed the limits of ability that must be resolved by employees / management, and the occurrence of failure of work relations both company and its employees in terms of regarding to access towards / the use of company assets, compensation which is not in line with expectations, as well as career / promotion including unclear future of employees at the company.

   The pressure referred to this study is the presence of external pressure from the local government in the form of political pressure, namely the people expectation of improvement towards community prosperity level, one of which is an increasing of local revenue amount. This causes pressure on the local government to always improve its performance. This also raises the opportunity to commit fraud if it cannot fill the demands of the community.

2. Opportunities (Opportunity). Opportunities are chances that allow to occur fraud. Fraudsters believe that their activities will not be detected. Opportunities can occur because of weak internal control, poor supervision management, and / or through the use of positions. Failure to establish adequate procedures for detecting fraud activities also increases the chance of fraud.

   In this study, what is meant by opportunity is the existence of regional autonomy which gives greater space to the regions and local political institutions to grow and dynamize political life (Bappenas, 2014). Regional autonomy also provides flexibility for regions to organize and manage financial conditions in each region. With the existence of high capital expenditure, there will be more opportunities to conduct work contracts with the private sector which creates opportunities for fraud. As stated in the report of the UGM Anti-Corruption Study Center (UGM Pukat) in the 2014 Trend Corruption Report :

   "The emergence of local government officials / employees as perpetrators of corruption is almost always together with the private sector. This means that there is a high probability that local government officials / employees often collaborate with the private sector to commit corruption. Local governments must deal with the private sector to fulfill facilities and infrastructure within the local government "(PukatUGM, 2014)

3. Rationalization (Rationalization) is an important element in the occurrence of fraud, where the perpetrator seeks justification for his actions. Rationalization is part of the fraud triangle that is the most difficult to measure (Skousen et al., 2009).

   The characteristics of rationalization according to Cressey are consistent with research (Hollinger & Clark, 1983) with the conclusion that employees who commit fraud are caused primarily by poor working conditions. Employees find it easier to rationalize their theft as compensation for unfavourable working conditions. '

   In this study researchers took the proxy rationalization as indicated by the existence of public transparency carried out by the local government with reporting through the local government website. With the existence of Law No. 14 of 2008 concerning public information disclosure, each local government is required to publish their financial statements on their respective provincial websites. With the existing local government conditions, this can be a rationalization for the local government that after they make publications, the local government will get a legitimacy that their financial administration has been running well.

CHARACTERISTICS OF REGIONAL FINANCE

The regional financial characteristics that will be seen in this study are :
Regional Financial Independence
        The definition of regional financial independence as stated in Act No. 32 of 2004 is "Regional financial independence means that the government can carry out financing and financial accountability by themself, implementing in the framework of decentralization principles by themself".
        The regional financial independence ratio is calculated by comparing the total revenue of Regional Original Revenue divided by the total Regional Revenue itself. The higher ratio number shows that the local government has higher financial independence in the region. According to the higher independence of regional finance, the disclosure will increase further.
        Regional Financial Independence Ratio = (Regional Income / Total Regional Income) x 100%

Level of Public Investment
        Expenditures for public investment should receive greater attention than routine expenditure, because investment / capital expenditures have a long-term effect, while routine expenditures have more short-term effects. Mistakes in making investment decisions will not only have an impact on the current budget, but will also burden the budget for the following years.
        The analysis of capital expenditures towards total expenditure is a comparison between the total capital expenditure and total regional expenditure. This ratio informs the reader of the report regarding the portion of regional expenditure allocated for capital expenditure. Governments with low regional income generally have a higher proportion of capital expenditure compared to high income local governments. This is because low-income local governments are oriented to capital expenditure as part of long-term capital investment.

Public Investment Level = (Realization of Capital Expenditures/Total Regional Expenditures) x100%

PUBLIC TRANSPARANCY LEVEL

        Transparancy by local government is very important because it is one form of accountability of local government as an entity that manages and is responsible for the use of regional wealth (Setiawan, 2012)..
        Public sector financial reports are an important component to create public sector accountability. The growing demand for the implementation of public accountability has implications for public sector management to provide information to the public, one of which is accounting information in the form of financial statements.
        In his research (Scott WR, 1997) explained that the permanence of an organization is determined by the ability to create information that is open, balanced and equitable for all stakeholders. Thus the extent to which the level of disclosure of local government performance through government accountability is important for the sustainability of local government.
        Law No. 14 of 2008 concerning Public Information Openness requires every government entity to disclose financial statements along with other mandatory information on each organization's website. The presence or absence of financial statements in reporting through the internet is one indication that a public sector entity has the potential to cause fraud or not.
        In his research Kothari revealed that managers have a preference for delaying disclosure of bad news compared to good news, as procrastinators of bad news can help protect them from personal negative results, terminations, demotion and small bonuses (Kothari, Shu, & Wysocki, 2009). In addition, Moehrle's research also states the same thing, namely that companies with losses experiences will have more potential to increase revenue compared to companies with positive net income. Managers who postpone bad news, usually the manager has more opportunity to convey misreporting (Moehrle, 2011)
        With this research, researchers assume that the presentation of financial statement disclosures on the local government website can be used as an indication of local governments to commit fraud by not displaying the financial statements on the local government website.

FRAUD

        Fraud (cheating) is an illegal act carried out by one person or group of people intentionally or planned that causes people or groups to benefit, and harm other people or groups. According to Tuanakotta (2012: 28), *fraud* is:
        "Any illegal act characterized by deceit, concealment or violation of trust. These acts are not dependent upon the application of threats of violence or physical force. Fraud are perpetrated by individuals, and organization to obtain money, property or service; to avoid payment or loss of services; or to secure personal to business advantage."
        According to the Association of Certified Fraud Examiners in Report to The Nations (Dorris, 2018), *fraud* is an unlawful act carried out intentionally for certain purposes (manipulation or giving false reports to other parties)

carried out by people from inside or outside the organization to get personal or group benefits that directly or indirectly harm the other party. ACFE divides fraud into three types or types of deeds.

Association of Certified Fraud Examiners (ACFE), one of the associations in the USA that has major activities in the prevention and eradication of fraud, categorizes fraud in three groups, namely: financial statement fraud, asset misappropriation, and corruption *(corruption)*.

Frequency Fraud in Local government
The type of *fraud* that often occurs in the government sector is corruption.

According to Sahetapy (2013) corruption has plagued Indonesia, rampant in almost all public agencies, all echelons of government, both at the center and in the regions. Almost without shame again if the person concerned is involved in a corruption case. Even private / non-government parties take part and cooperate with government employees in acts of corruption. Corruption scandals in Indonesia are even considered normal. Cases of corruption in government agencies not only involve people who have high positions, but also people who are under them, both in the central and local governments. Corruption actions that are often carried out include bribery, manipulation of financial statements, destruction / destruction of documentary evidence, and mark-ups that are detrimental to state finances. This fraudulent action is usually triggered by the opportunity to commit fraud.

Frequency fraud in local government is not yet widely known. This concept is to find out how many corruption cases occur in each local government. Frequency fraud data in this study were accessed from KPK data, namely in the KPK sub-organization named ACCH (Anti Corruption Clearing House).

VARIABLE LINKAGES

The existence of political pressure that comes from the expectations of the voters in regional elections can result in changes to the organization. Scott (1997) explains that the permanence of an organization is determined by the ability to create information that is open, balanced and evenly distributed to all stakeholders. Thus the extent to which the level of disclosure of local government performance through government accountability is important for the sustainability of local government.

The regional financial characteristics in this study are proxied by the Level of Regional Financial Independence and the Level of Optimization of Public Expenditure, as well as the existence of the level of Public Accountability demonstrated by the presentation of financial statements on each Local Government website are variables that influence the level of corruption in the local government.

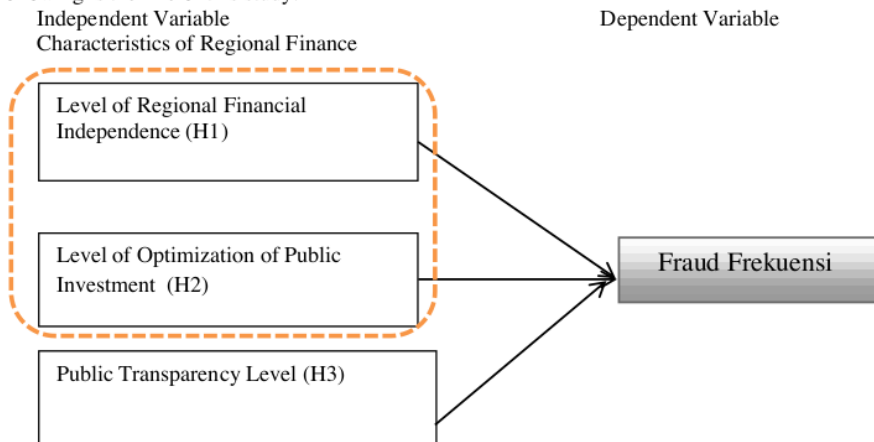## FLOW OF RESEARCH DESIGN

The following is the line of this study:

Independent Variable   Dependent Variable
Characteristics of Regional Finance

Level of Regional Financial Independence (H1)

Level of Optimization of Public Investment (H2)

Fraud Frekuensi

Public Transparency Level (H3)

Figure 1. Flow of research thinking

Hypothesis
H1 : There is an influence both level of regional financial independence towards the level of fraud in the local government

Regional Financial Characteristics referred to in this study is the level of regional financial independence indicated by the regional financial independence ratio calculated by comparing the total revenue of Regional Original Revenue divided by the total Regional Revenue itself. The higher the ratio number shows that the local government has

higher financial independence in the region. The level of regional financial independence is one sign of regional prosperity. By using the theory of fraud triangle where the presence of external pressure is the hope of the community where the level of prosperity is higher, it is expected that the level of fraud in the local government will decrease.

H2: There is an Influence both Level of Public Investment towards level of fraud in the Local government.

While the level of public investment seen from the analysis of capital expenditure towards total expenditure is a comparison both total capital expenditure and total regional expenditure. This ratio informs the reader of the report regarding the portion of regional expenditure allocated for capital expenditure. Governments with low regional income generally have a higher proportion of capital expenditure compared to high income local governments. According to (Heriningsih, 2013), the percentage of funds allocated for development expenditure (capital) means an increase in the sources of income spent on public welfare which is to increase the assets or wealth of the country so that it will cause corruption. So it can be hypothesized that a high level of public investment is likely to increase the level of fraud in the local government.

H3 : There is an influence both level of public transparency towards level of fraud in the local government.

According to Soepriyanto's research in (Soepriyanto & Aristiani, 2011) the level of disclosure of financial statements of local governments in Indonesia is still very low. Whereas in the research (Khairudin & Erlanda, 2016) states that the level of transparency of the financial statements of local governments can have an impact on the declining level of fraud in the local government. Likewise the research conducted by (Nurrizkiana, 2017) which examines the effects of financial report transparency and accessibility has a significant impact on the accountability and financial management of local governments. Because in this study researchers will see what the level of transparency is.

RESEARCH METHODS

RESEARCH VARIABLES AND OPERATIONAL DEFINITIONS

Dependent Variable
Dependent Variables are variables that are the main concern of researchers (Sekaran, 2006). Bound variables are variables that are influenced by other variables both positively and negatively (Sekaran, 2006). The dependent variable in this study is the level of local government corruption. The level of corruption that occurs in a local government has been investigated by the Anti-Corruption Clearing House, or commonly known as the ACCH portal, a web portal (acch.kpk.go.id) developed by the Corruption Eradication Commission (KPK).

Independent Variabel
Independent Variables are variables that affect other variables both positively and negatively (Sekaran, 2006). The independent variables of this study are Regional Financial Characteristics which are indicated by the level of Financial Independence and the Level of Optimization of Public Investment, as well as the Level of Public Transparency seen from the presence or absence of financial statement presentation on the local government website.

POPULATION

The population in this study is the provincial level local government in Indonesia

SAMPLE

The sample in this study was selected using census techniques, namely 34 provincial governments in Indonesia

TYPES AND DATA SOURCES

The type of data used in this study was secondary data. Secondary data used were provincial government financial statements throughout Indonesia and data on the number of corruption cases obtained from ACCH *(Anti Corruption Clearing House)*. While the data sources in this study were provincial government financial statements that will be accessed from the Audit Report of the Indonesian Audit Board and each provincial government website in Indonesia, as well as data on the level of corruption that will be accessed from the ACCH website.

OPERATIONAL DEFINITION

Operational Definition of Research

Variabel	Jenis	Skala Pengukuran	Kategori		Deskripsi	*Exp. Sign*
FF (Fraud Frekuensi) (Lukfiarini, 2018)	Terikat	Rasio	-		Jumlah Kasus Pidana Korupsi di tingkat daerah	
KKD (Kemandirian Keuangan Daerah) (Heriningsih, 2013)	Bebas	Rasio	Rasio Kemandirian Keuangan Daerah		Tingkat kemandirian keuangan daerah	-
TIP (Tingkat Investasi Publik) (Sari, 2013; Halim, 2004)	Bebas	Rasio	Tingkat Investasi Publik		Belanja modal / total belanja daerah	-
TTP (Tingkat Transparansi Publik) (Khairudin and Erlanda, 2016)	Bebas	Dummy	Tingkat Transparansi Publik		Penyajian Laporan Keuangan di website Pemda	-

METHOD OF COLLECTING DATA

Data is a description of variables in a number of objects (Purwanto, 2011). The data used in this research was secondary data. Data collection in this study was carried out by means of documentation and literature. Documentation is the process of obtaining documents by collecting and studying the document. The document acquisition process was carried out through electronic communication (e-mail) of the Supreme Audit Board of the Republic of Indonesia (BPK RI) to retrieve data that requires it to be taken directly (data on the Audit Result Report of the 2017 by BPK RI). The provincial government financial report data was directly accessed by researchers at each provincial government website in Indonesia in November 2018. The literature study to complete the information in this study is conducted by studying the literature and previous relevant research to this research.

ANALYSIS METHOD

Descriptive statistics

Descriptive statistics provide a general description of the research variable character. The parameters used in this study were the average value, standard deviation and range of scores (maximum and minimum) displayed in the descriptive statistics table.

Classic assumption test

a. Normality Test

Data Normality Test aims to test whether the regression model between the dependent variable and the independent variable has a normal distribution or not. The process of data normality testing is done by the Kolmogorov-Smirnov.

b. Multicollinearity Test The multicollinearity test aims to determine whether each independent variable is related linearly. Multicollinearity occurs when there are significant relationships between independent variables.

c. test. Heterocedasticity is the occurrence of unequal variances for different independent variables. Heterocedasticity can be detected by looking at the plot between the predictive value of the dependent variable (ZPRED) and the residual (SRESID).

RESEARCH MODEL / STATISTICAL EQUATION

The analysis technique used was multiple regression test as a method to test the influence of independent variables on the dependent variable. The regression models tested in this study are:

$$FF = \alpha + \beta_1 KKD + \beta_2 TIP + \beta_3 TAP + \varepsilon$$

FF : Fraud Frekuensi Pemerintah Daerah
KKD : Kemandirian Keuangan Daerah
TIP : Tingkat Investasi Publik

TTP : Tingkat Transparansi Publik
α   : Konstanta
Ɛ   : *Error term*

RESEARCH RESULT

DESCRIPTIVE STATISTICS

Descriptive statistics are used to show the amount of data used in this study and can show the maximum value, minimum value, average value and standard deviation of each variable. In this section we will present a statistical description of both the independent variable and the dependent variable. The variables used in this study were the level of regional financial independence, the level of public investment and the level of regional public accountability and the level of regional corruption. The following are the results of descriptive statistics from the data used in this study:

Descriptive Statistics Table

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Tingkat Korupsi	34	,00	75,00	14,3824	20,85740
Tk Kemandirian KeuDa	34	,07	,68	,3480	,15844
Tk Investasi Publik	34	,09	,31	,2075	,05735
Tk Akuntabilitas Publik	34	,00	1,00	,5294	,50664
Valid N (listwise)	34				

Source: secondary data processed (2018)

Variable Data Table

No	Provinsi	Tingkat Kemandirian Keuangan	Tingkat Investasi Publik	TAP	Frekuensi Korupsi
1	Aceh	0,159	0,221	1	14
2	Sumatera Utara	0,432	0,183	0	57
3	Sumatera Barat	0,352	0,151	0	1
4	Riau	0,425	0,263	1	0
5	Jambi	0,367	0,259	1	7
6	Sumatera Selatan	0,370	0,238	1	18
7	Bengkulu	0,287	0,248	1	22
8	Lampung	0,404	0,248	1	12
9	Kepulauan Bangka Belitung	0,315	0,193	0	0
10	Kepulauan Riau	0,337	0,179	0	40
11	DKI Jakarta	0,677	0,218	0	54
12	Jawa Barat	0,562	0,107	1	66
13	Jawa Tengah	0,529	0,090	1	39
14	DI Yogyakarta	0,364	0,250	1	0
15	Jawa Timur	0,580	0,143	0	75
16	Banten	0,593	0,197	1	0
17	Bali	0,567	0,151	1	5
18	Nusa Tenggara Barat	0,312	0,246	0	9
19	Nusa Tenggara Timur	0,223	0,104	0	5
20	Kalimantan Barat	0,361	0,210	0	0
21	Kalimantan Tengah	0,328	0,181	1	0
22	Kalimantan Selatan	0,507	0,290	1	10
23	Kalimantan Timur	0,562	0,172	1	17

24	Kalimantan Utara	0,216	0,308	0	0
25	Sulawesi Utara	0,307	0,244	0	7
26	Sulawesi Tengah	0,263	0,153	1	0
27	Sulawesi Selatan	0,406	0,147	0	5
28	Sulawesi Tenggara	0,228	0,280	0	5
29	Gorontalo	0,196	0,160	0	0
30	Sulawesi Barat	0,162	0,263	1	0
31	Maluku	0,153	0,205	1	4
32	Maluku Utara	0,144	0,263	0	0
33	Papua	0,078	0,294	1	17
34	Papua Barat	0,067	0,197	0	0

Source: secondary data processed (2018)

From the results of the descriptive statistics above, it can be seen that the average level of regional financial independence of the entire province, the average level of financial independence is 34% of total regional income. This shows that the average provincial government income is still dominated by transfers from the central government. While the lowest value of the level of regional financial independence is 7% and the highest is 68%. It can be interpreted that there is a provincial government that has the highest level of financial independence, namely 68%, namely DKI Jakarta and provincial governments with the lowest level of independence. namely 7%, namely the Government of West Papua Province.

Whereas from the level of public investment, it can be seen that the average level of public investment from each provincial government is at 20.75%, which means that the provincial government is still a little in spending capital in its financial management. Capital expenditure which is still at the level of 20.75% means that the remaining 79.25% is the routine or operational costs of the Local government, which includes spending on personnel expenditure. Likewise, from descriptive statistics, it can be seen that the highest level of public investment was carried out by the Government of North Kalimantan Province and the lowest level of public investment was carried out by the Central Java Provincial Government.

From the level of public transparency can be seen if the level of transparency carried out by the Provincial Government has now reached more than 50%, which is equal to 52.94%. This shows that the Provincial Government has more than a few who have implemented Law No. 14 of 2008 concerning public information disclosure. The provincial government has published local government financial reports on each of the local government websites.

CLASSICAL ASSUMPTION TEST RESULTS

Normality testing is done by using a test of each unstandardized residual normality. Test the normality of data through statistical analysis using the One-Sample Kolmogorov-Smirnov non-parametric statistical test. Data that is normally distributed is indicated by a significance value greater than 0.05 (Ghozali, 2006). The test results are presented in table 1. The results of the tests show that the Kolmogorov-Smirnov value is significant at 0.195. This shows that the residual data is normally distributed, because the significance value is more than 0.05.

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		34
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	16.27952166
Most Extreme Differences	Absolute	.127
	Positive	.127
	Negative	-.099
Test Statistic		.127
Asymp. Sig. (2-tailed)		.195[c]

MULTICOLLINEARITY TEST

A good regression model does not occur multicolonity between independent variables in the regression model (Ghozali, 2006). The VIF test results are as follows :

		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	Tk kemandirian keuda	.992	1.008
	Tk Investasi Publik	.999	1.001
	TAP	.991	1.009

Coefficients[a]

From the results of multicollinearity test shows the results of the independence of the youth, Public Investment Tk, TAP against TK Corruption tolerance value <1.0 or equal to VIF value> 1.0 So it can be concluded that there is no multicollinearity between the independent variables in the regression model.

AUTOCORRELATION TEST

Autocorrelation testing is done using the Run Test method. The results of the autocoleration test in the table below carried out using the Run Test show an Z value of -0.703 with the value of Asymp. Sig. (2-tailed) 0.482. Because the value of Asymp. Sig is greater than the 0.05 significance level, it can be concluded that the regression does not occur autocorrelation.

Runs Test

	Unstandardized Residual
Test Value[a]	-3.90826
Cases < Test Value	16
Cases >= Test Value	18
Total Cases	34
Number of Runs	15
Z	-.703
Asymp. Sig. (2-tailed)	.482

HETEROCEDASTICITY TEST

The results as can be seen in table 2 which shows that the results of the analysis of heteroscedasticity test with the glejser test show the value of Sig. independence level variable is 0,003, Public Investment level variable is 0,024 smaller than alpha value 0.05 which means the regression model is affected by heteroscedasticity, TAP variable is 0,077 is greater than alpha value 0.05 which means the model regression not affected by heteroscedasticity symptoms. This means that there is no heterocedasticity in the regression model in this study.

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	15.823	4.728		3.347	.002
	Tk kemandirian keuda	22.676	6.969	.475	3.254	.003
	Tk Investasi Publik	-48.280	20.206	-.348	-2.389	.024
	TAP	-4.987	2.715	-.268	-1.836	.077

HYPOTHESIS TESTING RESULTS

Regression Analysis

The following are the results of the regression analysis that has been carried out :

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5454.906	3	1818.302	6.218	.002[b]
	Residual	8480.730	31	292.439		
	Total	13935.636	34			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	8.261	10.454		.790	.436
	Tk kemandirian keuda	61.679	15.410	.582	4.003	.000
	Tk Investasi Publik	-71.199	44.681	-.231	-1.593	.122
	TTP	-5.608	6.004	-.136	-.934	.358

$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + ,,,,,,,b_3Xn$

Tk Frekuensi Korupsi $= 8.261 + 61.679TKK - 71.199TIP – 5.608TTP$

Based on the above equation can be explained as follows:

1. The value of the regression constant is 8.261 with a positive sign which means that if all independent variables (the level of regional financial independence, The Level of Public Investment, TTP) are assumed to be constant, the Corruption Rate Frequency variable will increase by 8,261 units.
2. Variable regression coefficient (The level of regional financial independence) is 61,679, which means that each increase (the level of regional financial indepence) is 1 unit then it will increase the Fraud Frequency Level by 61,679 units
3. Variable regression coefficient (the level of Public Investment) is equal to - 71,199 which means that each independent increase (the level of Public Investment) of 1 unit will reduce the Corruption Frequency Rate by - 71,199 units
4. The variable regression coefficient (TTP) is equal to - 5,608 which means that each independent increase (TTP) of 1 unit will decrease the TK of Corruption Frequency by - 5,608 units.

Simultant Significant Test

From the results of the F test (simultaneous) it shows the results of the variable that the variable of level regional financial independence, level of Public Investment, TAP is 0.002 smaller than the significance level of 0.05 (5%). This shows that the variable of the level of independence of regional financial, level of Public Investment, TAP has an effect simultaneously and has a significant effect on the Corruption Level.

Partial Significant Test (t)

From the results of the t test (partial) shows the results of variables that the level of independence of the youth is 0,000 smaller than the significance level of 0.05, it can be concluded that the level of independence of the youth has a significant effect on TK Corruption. Whereas the Public Investment and Public Transparency Tk are greater than the 0.05 significance level. It can be concluded that the Public Investment Tk and Public Transparency Tk have no significant effect on Corruption Tk.

RESEARCH RESULTS AND DISCUSSION

The results of this study indicate that from all variables assumed to influence the level of corruption, it turns out that only the level of regional financial independence has a significant influence on the level of corruption. The level of regional financial independence affects the level of corruption or fraud in local governments in line with research from (Wulandari, 2015). The study stated that the higher level of regional financial independence as seen from the level of public awareness to pay taxes was also higher, but this did not reduce the opportunity for fraud or corruption in the Local government. It is different from the research (Heriningsih, 2013) which states that the level of regional financial independence does not affect the level of fraud at the local government.

While other variables, namely the level of public investment as indicated by the amount of capital expenditures incurred by local governments on total regional expenditures, apparently did not affect the level of fraud at the local government. The results of this study are in line with the results of the study (Heriningsih, 2013) which examined the influence of audit opinion and financial performance of local governments (empirical studies on district and city

governments on the island of Java). From this study it can be seen that the size of the level of regional expenditure does not have an impact on the increase or decrease in the number of corruption cases in local governments.

While the variables that have never been examined by previous researchers are the variable financial statement presentation on the local government website which is a mandatory disclosure according to Law No. 14 of 2008 concerning public information disclosure and one of the characteristics of good government governance also does not affect the level of fraud that occurs in Local government. The presence or absence of financial reports that are displayed on the local government website does not affect the amount of fraud in the Local government. For example, some provincial governments have financial statement presentations on local government websites but there is still fraud of local government can be seen in the table of variable data above.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSION

This study concludes that the level of prosperity of the people as seen from the indicators of the level of regional financial independence turned out to have a positive effect on the occurrence of fraud in the local government. This shows that the greater the original income of a region and the more people are aware of paying taxes so that it raises local revenue, this does not reduce the occurrence of corruption by both local government officials and the private sector that conduct transactions with local governments. Even when the higher local revenue will have an impact on the increasing fraud of the local government. The results of this study are in line with the research (Wulandari, 2015) and in contrast to research (Heriningsih, 2013).

Likewise, the higher level of public investment made by the government to provide welfare to the people with high capital expenditure will not affect corruption. The results of this study are in line with the research (Heriningsih, 2013) which states that the activity ratio consisting of operational expenditure and capital expenditure does not affect the level of corruption of the local government. This study shows that the opportunity for increased capital expenditure or the presence of increasingly large opportunities does not affect the level of fraud in the local government. This has also been proven by (Dorminey *et al*., 2012) which states that income levels do not affect the occurrence of fraud. This research proves that the opportunity in the form of high capital expenditure does not affect the presence or absence of fraud in the local government.

Whereas the hope of increasing public transparency by presenting financial reports that can be accessed by the public does not affect the occurrence of corruption or fraud in the Local government. This is contrary to the research conducted by (Khairudin & Erlanda, 2016) and research (Nurrizkiana, 2017) which states that the presentation of financial statements can increase transparency and accountability of local governments. This research proves that the presence or absence of the presentation of local government financial statements on the website does not affect the existence of fraudulent local government.

Suggestion

Suggestions in this study are needed to be explored more deeply about other variables that significantly affect the existence of fraud in the local government, besides that it also needs to be explored more deeply about the perpetrators of fraud that most often occur to the local government, whether because of regional heads private actors who commit fraud against local government officials relating to government affairs that are being carried out. In addition, it is also necessary to develop the potential for fraud committed by financial administrators and budget users. So that later a supervisory mechanism can be obtained as well as a formula for prevention and detection of fraud at a reliable local government level. Besides that, it is necessary to develop aspects of transparency assessment that can be done in each local government not only by looking at the existence of financial statement presentation.

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Regional Financial Characteristics and Public Transparancy Towards Frequency of Fraud in The Local Government