

ABSTRACT

Fraud can be found in both private and public areas. Fraud in the form of corruption within the government sector there were 25 corruption cases in 2022 with a potential state loss value of Rp 78 billion. Both central and regional failure of state control will have a significant impact on the tendency of national development. Corruption occurs not only within the central government, but also within the local government in East Java. The fraud triangle theory is used to determine the causes of corruption, which consist of pressure, opportunity, and rationalization. This study aims to analyze the factors that cause corruption in local governments in East Java using the fraud triangle theory, which is proxied using regional financial performance, regional revenue, regional capital expenditure, internal audit capability, and local employee expenditure variables.

This study uses quantitative methods and purposive sampling methods using secondary data. The sample in this study is the district / city level local government in East Java Province for the 2018-2022 fiscal year which has a corruption case and has been decided by the first level court, has been audited by BPK, has an APIP Capability assessment, and has a complete LKPD. The data analysis method in this study used SPSS with the logistic regression method.

The results of this study indicate that Regional Financial Performance has no effect on corruption in local governments, Regional Original Revenue has a significant positive effect on corruption in local governments, Regional Capital Expenditure has no effect on corruption in local governments, Internal Audit Capability has no effect on corruption in local governments, and Regional Employee Expenditure has no effect on corruption in local governments.

Keywords: Corruption, Fraud Triangle, Regional Financial Performance, Local Revenue, Regional Capital Expenditure, Audit Capability, Employee Expenditure, East Java