

# ENFORCEMENT OF GOOD GOVERNANCE DETERMINANTS TEST AND CONSEQUENCES TO THE PREVENTION OF FRAUD

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## **ABSTRACT**

*This study aims to examine the determinants of enforcement good governance (the supervision of Regional House of Representatives/DPRD, the government's internal control system/SPIP, organizational commitment) and the consequences of enforcement good governance to the prevention of fraud. This research is using a quantitative approach while the type is explanatory research. Total population of 258 officials from echelon II, III and IV are working on SKPD Bappeda, BPKAD, Bapenda and Inspectorate County Government on the island of Lombok, while the total sample of 92 people is determined by purposive sampling method. Analysis of data using Smart PLS 3.0. The results showed that the government's internal control system (SPIP) positive and significant impact on the enforcement of good governance, while the supervision of DPRD and the commitment the organization has no significant positive effect. Other results showed that the enforcement of good governance is positive and significant effect on the prevention of fraud. The implications of this research could be useful for officials in local government on the island of Lombok to create policies that can increase employee commitment to the organization and to prevent fraud. The results of this study are also useful for DPRD to create policies that can strengthen oversight functions possessed by the DPRD.*

*Keywords : The supervision of DPRD, internal control system of government, organizational commitment, good governance, the prevention of fraud*

## **I. Introduction**

Decentralization and regional autonomy policies imposed after the 1998 reform brings fundamental change consequences, especially for the local government functions and powers as stipulated in the Law 23/2014 on Regional Government and amended by the Law 9/2015. Gismar, Hidayat, & Loekman, (2014: 1) states that the policy is expected to bring and improve the quality of public services to the community. In addition, decentralization provide a space for stakeholders at the local level to participate in the policy-making process in their respective areas more intensively.

The shifting of centers of power and the growing operations and other activities in the area then the logical consequence of the shift must be accompanied by increased good governance in the area (Sedarmayanti, 2012: 23). Implementation of good governance in the region can not be separated from the role of Parliament as part of the local government that exercises oversight of the implementation of the Regional Regulations, Local Government Policy and Budget (Aminudin, 2015). Besides that the provision of broad autonomy and decentralization should be followed by a strong control Mardiasmo (2009: 191). The strengthening of control can be done by the regent / mayor to organize government activities based on the government's internal control system (SPIP) so as to create the country's financial management is transparent, accountable, effective and efficient.

As a component of the government in the area of DPRD, Head of the Region and the whole devices districts should work together to implement and enforce the principles of good governance to realize good governance in the region. The reality is happening, based on measurements of governance in 34 districts / cities conducted by Indonesia Governance Index (IGI) in 2014 showed that the performance of governance at the district / city, classified as bad (average 4.92 on the scale 1-10). This proves that the government consisting of the head and deputy head of the region, the whole range of parliament and bureaucrats who implement policies (SKPD) and the public have not been together optimally reflect and interact to build the area (Gismar et al., 2014: 9).

Efforts to achieve good governance actually materialized in Indonesia is still constrained by the main problem is still a lot of abuse of power by government officials to commit fraud in the form of corruption. Based on data from the Corruption Eradication Commission (KPK) since KPK stands

there are at least 56 (fifty six) cases of legal of head region and 2 (two) of them is the head of the region comes from the island of Lombok NTB (Khabibi, 2015). The problem of corruption occurs in almost all local governments both provincial and districts in Indonesia. For local government in the island of Lombok itself, based on research conducted by the People's Solidarity for Transparency (Somasi NTB, 2015) the case of the Corruption Court judgment in the District Court (PN) Mataram, corruption cases during 2011 up to 2015, can be seen in the following table:

Table. 1  
Total Performers and State Loss of 2011 up to 2015  
Districts Government In The Island Of Lombok

<b>Distric/Town</b>	<b>Performers (Org)</b>	<b>Losses State (Rp)</b>
West Lombok	30	9.069.335.138,92
Central Lombok	33	2.255.602.660,00
East Lombok	18	10.399.939.323,38
Nort Lombok	3	1.300.613.780,00
<b>Total</b>	<b>91</b>	<b>23.025.490.902,30</b>

Source: Secondary data is processed (2017)

Some early research that examine the factors that influence good governance in the regions has been done by previous researchers and there are still differences in the conclusions of research. Factors about supervision of DPRD ever researched by Taufik (2010) dan Habibie (2013). Factors internal control systems of government (SPIP) has been studied among others by (Habibie, 2013; Ruspina, 2013; Saptapradipta, 2013; Sari, 2013; Wiratno Pratiwi, and Nurhikmah, 2013; Ristanti, Sinarwati, and Sujana, 2014; Wiliyanti, Sari, & Edfan, 2014; Rosita, 2015 and Syafrion, 2015). And one of the factors that also allegedly influence is organizational commitment, which has been studied by (Wiratno et al., 2013; Ristanti et al., 2014; Rosita, 2015 and Syafrion, 2015).

Refers to the phenomena related to good governance in areas not yet a fully materialized and differences in the different conclusions of previous studies. Then there are several reasons while motivating and makes the originality of this research. Firstly, until now good governance is the most prominent issue in the management of state finances that are still strived its manifestations so it is interesting to study. Secondly, we examine the determinants of enforcement of good governance from the perspective of local government about supervision of DPRD, SPIP and organizational commitment that in previous studies tended to be tested separately. Secondly, we examine the determinants of

enforcement of good governance from the perspective of local government about supervision of DPRD, SPIP and organizational commitment that in previous studies tended to be tested separately. Third, this study also explores the impact of governance enforcement on the fraud prevention where such research model is still not a done deal.

Based on the above arguments, the formulation of the problem of this study is does supervision of DPRD, SPIP and organizational commitment have an influence on the enforcement of good governance and whether enforcement of good governance have an impact on the prevention of fraud.

While the purpose of this study is to examine and provide empirical evidence of the influence of supervision of DPRD, SPIP and organizational commitment to uphold good governance. Furthermore, this study also examines the consequences for the prevention of fraud in local governments throughout the island of Lombok.

## **2. Theoretical Framework and Hypothesis Development**

### *2.1 Theoretical Framework*

#### *2.1.1 Agency Theory*

The theory of agency is defined as the principles about a relationship that is contained in a contract in which one or more persons (the principal) give a mandate to another person (the agent) to perform a service on behalf of the principal and authorized the agency to make the best decision for the principal (Jensen & Meckling, 1976).

Agency theory (agency theory) is used to explain that fact happening opportunistic behavior of the executive in the budget process that caused the executive has the advantage in terms of mastery of information than the legislative (information asymmetry). These advantages come from the factual condition that executive is implementing all the functions of local government. Problems will arise when an executive agency tends to maximize his personal gain that starts from the budgeting process, the decision-making up to present a fair financial statements to show that the executive has worked well. Effort that need to be made local government are to present financial statements in a transparent and accountable guided by SPIP and DPRD to oversee the optimal began to of the budgeting process, implementation and accountability.

### *2.1.2 Goal-Setting Theory*

Goal-setting theory advanced by Locke (1968), is one form of motivation theory emphasizes the importance of the relationship between the goals set and the resulting performance. Goal-Setting Theory suggests that an individual committed to the goal (Robbins, 2008). If an individual has a commitment to achieve its objectives, then it will affect his commitment and affect performance.

Goal setting theory is used to explain the effect of organizational commitment on specific objectives will influence the actions and influence the performance and achievement of one's job. The overall objective of this study was to establish good governance.

### *2.1.3 New Public Management (NPM)*

New Public Management (NPM) was originally introduced by Hood (1991). When viewed from a historical perspective, modern management approach in the public sector at first appear in Europe in the 1980s and 1990s as a reaction to the inadequacies of the traditional model of public administration. Mardiasmo (2009: 13) explains that the use of the paradigm of New Public Management (NPM) will lead to some consequences for the government among which is a demand to improve efficiency, cut costs, and the tender competition.

### *2.1.4 Supervision of DPRD*

Supervision is one of the main functions inherent in DPRD in addition to the functions of legislation and the budget. According to Law 23/2014 article 153, the oversight function DPRD embodied in the form of supervision over: 1) Implementation of Regulation Regency / City and regulations regent / mayor; 2) Implementation of the provisions of other laws and regulations related to the regional administration districts / cities; and 3) Implementation of the follow-up results of the examination of financial statements by the Audit Board of the Republic of Indonesia (BPK).

### *2.1.5 The Government's Internal Control System (SPIP)*

According to Government Regulation No.60/2008, the Internal Control System is an integral process in actions and activities carried out continuously by the management and all employees to provide reasonable assurance for the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security state assets, and compliance with laws and

regulations. While the government's internal control system (SPIP) is a system of internal control conducted thoroughly in the neighborhood of the central government and local governments.

#### *2.1.6 Organizational Commitment*

Organizational commitment can be defined as: "(1) A strong desire to remain as members of any particular organization; (2) The desire to strive according to desire of the organization; and (3) certain beliefs, and acceptance of the values and goals of the organization. In other words, this is an attitude that reflects the organization's employee loyalty and continuous process in which members of the organization expressing his attention to the organization and success and sustainable progress "(Luthans, 2006: 249).

#### *2.1.7 Good Governance*

According to the Public Administration Institute (LAN) and BPK (2000: 8) good governance is governance management of solid and responsible, as well as efficient and effective, by keeping kesinerjian constructive interaction between dominant-dominant government, private sector, and society are interconnected and perform its functions each. The principle of good governance in accordance with Law 23/2014 on Regional Government article 58 On The Governance Principles, namely: legal certainty, the orderly administration of the state, public interest, transparency, proportionality, professionalism, accountability, efficiency, effectiveness and fairness.

#### *2.1.8 Fraud Prevention*

Fraud prevention is an action that can be taken to avoid people to lie, plagiarize, steal, blackmail, manipulation, collusion and deceive others with the aim of enriching themselves or people / groups unlawfully (Suradi 2006 in Taufik, 2010b). Experts estimate that the fraud was revealed a small part of the whole fraud actually happens therefore, it shall main effort is on prevention (Tuanakotta, 2010: 271).

Corruption is a form of cheating / fraud were rife in the public sector. Tauficqurrahman Ruki, in Triyuwono, Djamhuri, Mulawarman & Prawironegoro (2016: 314) states that there are three steps in fighting corruption, namely: 1) Increase the arrest and investigation of corruption, 2) Prevention, by applying the principles of good government, 3 ) Increasing community participation.

## 2.2 *Hypothesis Development*

### 2.2.1 *The Influence Of Supervision DPRD to the Enforcement of Good Governance*

Agency theory (Jensen & Meckling, 1976) focuses on two individuals, namely principal and agent where both the principal and the agent both have different interests, they tend to maximize their own interests, so that if the principal can not observe an agent well there will be a problem agency (agency problems) that the information asymmetry in the form of moral hazard and adverse selection. To prevent that the principal must supervise the work of the agent so that organizational goals can be achieved effectively and efficiently and to enhance public accountability.

Law No. 23/2014 on Local Governments states that the DPRD and the Head of the Region serves as an equal partner who has a different function. It was necessary to create good local governance, as offset by an effective monitoring system and efficient through the mechanism of checks and balances.

The study results Habibie (2013) found that the supervision DPRD positive and significant impact on the good governance. While studies conducted Taufik (2010) found that the supervision DPRD positive effect is not significant to local governance is good so that the advice given by researchers is that DPRD encouraged to pursue its duties and responsibilities in accordance with the standards of conduct (code of conduct) and standard of work been determined. On the basis of the description, the first hypothesis in this study are :

**H1:** *The Supervision DPRD Positive Influence To The Enforcement Of Good Governance.*

### 2.2.2 *The Influence of Government's Internal Control System (SPIP) To The Enforcement Of Good Governance*

The basic concept of agency theory (Jensen & Meckling, 1976), which requires the fiduciary (agent) to provide accountability, serving, reporting, and disclose all activities and activities that are its responsibility to the mandate giver (principal). Accountability makes the principal will judge that the agency has been working well, the strengthening of the internal control system is necessary to ensure accountability ratings agencies that can be seen in the financial statements are prepared if already are arranged with adequate internal controls.

Purpose of Government Internal Control System (SPIP) according to Government Regulation No. 60/2008 is to provide reasonable assurance that the organization's activities are carried out effectively and efficiently, the financial statements are arranged reliably, safely guarded state assets and compliance with laws and regulations. Achievement of these objectives will certainly be able to realize good governance and also in accordance with what is expected by the legislature as a principal.

Earlier studies conducted by Habibie (2013), which examines internal controls to good governance found results that internal controls and a significant positive effect on good governance. This is in line with studies carried out by (Wiratno et al, 2013; Saptapradipta, 2013; Sari, 2013; Ristanti et al, 2014; Wiliyanti et al, 2014; and Syafrion, 2015) Different results found by Ruspina (2013) and Rosita (2015) who found that SPIP no effect on good governance. On the basis of the description, the second hypothesis in this study are:

**H2:** *The Government's Internal Control System (SPIP) Positive Influence To The Enforcement of Good Governance*

### *2.2.3 The Influence of Organizational Commitment To The Enforcement Of Good Governance*

The basic concept of goal setting theory advanced by Locke (1968) is someone who is able to understand the objectives expected by the organization, such understanding will affect its behavior. Goal Setting Theory signaled that an individual committed to the goal (Robbins, 2008). If an individual has a commitment to achieve its objectives, then it will affect his commitment and affect performance

Wiratno et al. (2013) perform testing the influence of of organizational commitment on good governance, based on the results of these tests showed that the organizational commitment and significant positive effect on the implementation of good governance, this indicates that organizational commitment gives kontribusi significantly to the implementation of good governance. Similar results were also found by Ristanti et al. (2014) and Syafrion (2015), while the different results are found by Rosita, (2015) which found that organizational commitment has a positive influence and not significant to the implementation of good governance.

Each individual has a different motivation that will affect his commitment to the organization. Individuals who have high motivation for organizational purposes it will have a high organizational



commitment also will undertake the maximum effort and a strong desire to achieve organizational goals. Therefore personnel who have high organization commitment will then be able carry out its work in accordance with the principles of good governance. On the basis of the description, the third hypothesis in this study are:

**H3:** *Organizational Commitment Positive Influence To The Enforcement Good Governance*

#### *2.2.4 The influence Enforcement of Good Governance To The Fraud Prevention.*

New Public Management (NPM) can be viewed as a new concept which wants to eliminate inefficient monopoly services are carried out by agencies and government officials. Implementation of New Public Management raises some consequences for the government among which is the change in the budgeting approach from traditional budgeting into a performance-based budgeting, the demands for efficiency, cost-cutting and the tender competition when optimally undertaken will support the creation of good governance and prevent fraud.

Studies conducted Beawiharta & Rahayu (2014) showed that the implementation of good government governance positive and significant effect on the prevention of fraud, which means that the better implementation of good governance, then the act of cheating will be prevented. But, different results are found by Wiliyanti et al. (2014) who found that good governance does not affect the level of fraud occurring in the government, because in reality officials do not apply these principles in themselves, so that good governance can not be achieved. On the basis of the description, the fourth hypothesis in this study are:

**H4:** *The Enforcement of Good Governance Positive Influence The Fraud Prevention*

### **3. Research Method**

#### *3.1 Types Of Research*

This study uses a quantitative approach and based on its type, this research is an explanatory research. Explanatory research is research that aims to test the hypothesis that a causal relationship between two or more variables (Sukandarrumidi, 2012: 105).

### 3.2 Population and Sample

The population in this study are all structural officials who worked on the Regional Development Planning Board (Bappeda), Financial Management Board and Asset (BPKAD), Board of Revenue (Bapenda) and the Inspectorate of the district throughout the island of Lombok consisting West Lombok, Lombok Central, East Lombok and North Lombok.

The number of samples is determined by purposive sampling technique. The samples in this study based on the criteria in accordance with the focus of this study were: (1) structural echelon II officials is Head SKPD; (2) echelon III officials who served as Secretary, Head of Division and Assistant Superintendent (Urban) Inspectorate

Based on the description above, the total population and the sample can be seen in the following table:

Table 2  
Total Population and Sample

No	Position	Population	Sample
1	Chiefs of Office	16	16
2	Sekretary of Office	16	16
3	Head of Division	60	60
4	Chiefs of Secion	166	-
	Total	258	92

Source: Primery data is processed (2017)

### 3.3 Variable and Measurement

#### 3.3.1 Variables

Based on the theories and hypotheses of the study, the variables used in this study are as follows: Exogenous variables consisting of DPRD supervision (X1), the government's internal control system (X2), organizational commitment (X3). and endogenous variables: is good governance (Y1) and prevention of fraud (Y2).

#### 3.3.2 Measurement of Variables

##### 1. Supervision of DPRD

Measurement of DPRD supervision in this study using indicators of research Habibie (2013), adaptation of Regulation No 13/2010 and the elaboration of researchers, namely: (1) of DPRD examines the suitability of the budget between RKA with KUA PPAS, (2), of DPRD examines proposed budget both in terms of prices, output and outcome, (3) of DPRD control, with a working visit to the field, (4)

the of DPRD did commission work meetings with the leadership of SKPD, (5) DPRD oversight and monitoring to local governments on the Implementation of the follow-up results of the examination of financial statements by BPK (6) DPRD give a boost to the local government in order to obtain and maintain an unqualified opinion (WTP).

## *2. The Government Internal Control System (SPIP)*

Measurement of SPIP using indicators of research Habibie (2013), Syafrion (2015) and adaptation of the PP 60 of 2008: (1) The action is fast and precise in addressing the problem, (2) an effective organizational structure, (3) consideration of the risks / barriers, (4) conduct a meeting / conference to address the risk, (5) the division of tasks, ( 6) restrictions on access to resources, (7) the financial information provided timely, (8) giving the direction of the leadership of the SPIP, (9) monitoring the effectiveness of control activities, (10) the monitoring of audit results.

## *3. Organizational Commitment*

Measurement of organizational commitment is an adaptation of research instruments Syafrion (2015) and the elaboration of researchers, namely: (1) ownership of the organization, (2) a sense of pride in the organization, (3) remain a member of the organization because suitability income, (4) remain a member organization because suitability of expertise and desire, (5) tried to work properly (competent) (6) lengths / maximum within the organization (professional).

## *4. Good Governance*

Measurement of good governance in this study using an indicator which is an adaptation of the Act No. 23/2014, the research instrument Habibie (2013) and Syafrion (2015), namely: (1) legal certainty, (2) order of state officials, (3) public interest, (4) transparency, (5) proportionality, (6) professionalism, (7) accountability, (8) efficiency, (9) the effectiveness and (10) justice.

## *5. Prevention of Fraud*

Measurement of fraud prevention in this study using an indicator which is an adaptation of research Beawiharta & Rahayu (2014) and the elaboration of researchers, namely: (1) a culture of honesty, (2) openness, (3) assistance to employees who get in trouble, (4) the consideration of education and integrity of personnel, (5) the active role of the inspectorate, (6) the provision of strict sanctions.

### *3.4. Measurement Scale Variable*

Variables measured using the measurement semantic differential scale developed by (Osgood, 1957 in Strunga, 2014). Semantic differential scale an attitude measurement method using a seven-point grading scale verbally stating the two poles (bipolar) extreme ratings (Indriantoro & Bambang, 2014: 105).

### *3.5 Data Collection Techniques*

In this research, data collection techniques used is by filling out the questionnaire (questionnaire). This study also uses an unstructured interview to get deeper information about the respondent and the matter is being investigated.

### *3.6. Analysis of Partial Least Square (PLS)*

Methods of data analysis used in this study is Partial Least Square (PLS) with the help of SmartPLS program version 3.0. PLS analysis using SmartPLS selected because it was one of the family Structural Equation Modeling (SEM) based variance and is recognized as one of the powerful program. According to Herman Wold in Wiyono (2011: 395) states that the PLS is a powerful analytical method because it can be applied at all scales of the data, does not require a lot of assumptions and the sample size should not be large.

## **4. Results and Discussion**

### *4.1 The Results Of Questionnaires*

The study was conducted by distributing questionnaires as many as 92 copies, of the distributed questionnaires were returned as many as 80 copies, the results of the complete deployment can be seen in in Table 3 below:

**Tabel. 3**  
**Questionnaires Deployment And Return**

No.	SKPD	Questionnaires			Response Rate (%)
		distributed	returned	no return	
1.	BAPPEDA on the distriscts in the island of Lombok	24	18	6	75,00
2.	BPKAD on the distriscts in the island of Lombok	23	20	3	86,96
3.	Bapenda on the distriscts in the island of Lombok	22	20	2	90,91
4.	Inspektorat on the distriscts in the island of Lombok	23	22	1	95,65
<b>Total</b>		<b>92</b>	<b>80</b>	<b>12</b>	<b>86,96</b>

Sources: Primary data is processed (2017)

based on Table 3 above there 12 kuesioener who did not return due to the respondents carry out tasks of official travel outside the region and busy work.

#### 4.2 Characteristics Of Respondents

Based on the questionnaire that has been collected is known characteristics of respondents who can be seen in Table 4 :

**Tabel. 4**  
**Characteristics of respondents**

No	Characteristics	Number of People	Persentase (%)
1.	Sex :		
	Male	60	75,00
	Female	20	25,00
	<b>Total</b>	<b>80</b>	<b>100,00</b>
2.	Education :		
	D III	0	-
	S1	48	49,48
	S2	30	30,93
	S3	2	2,06
	<b>Total</b>	<b>80</b>	<b>82,47</b>
3.	Working period :		
	10 - 15	7	7,22
	15 - 20	25	25,77
	> 20	48	49,48
	<b>Total</b>	<b>80</b>	<b>82,47</b>
4.	Position :		
	Eselon II (Chiefs of Office)	12	15,00
	Eselon III (Sekretary & Head of Division)	68	85,00
	<b>Total</b>	<b>80</b>	<b>100,00</b>

Sources: Primary data is processed (2017)

Based on Table 4 above, Characteristics of respondents by sex is dominated by men, by education more educational backgrounds S1, based on the working period is dominated by which has a working period of more than 20 years. Whereas based on position indicates that respondents echelon II, which consists

of Chief SKPD and inspectors totaling 12 people or (15.00%) and the echelon III consisting of the Secretary, Head of Division and Assistant Superintendent (Urban) totaling 68 or (85, 00%).

#### *4.3 Data Analysis PLS*

Analysis of data using SmartPLS 3.0 program, consisting of outer evaluation model and the evaluation of inner models.

##### *4.3.1 Evaluation Measurement Model (Outer Model)*

Measurement model (outer model) in principle is to test an indicator of latent variables, or in other words the indicators measure how far it can explain the latent variables. The evaluation process measurement model (outer model) by testing the validity and reliability, validity test using the convergent and discriminant validity, and reliability testing using composite reliability.

###### *a. Convergent Validity Test*

PLS Algorithm Results of Phase I, it is known that there are six indicators that have loading value  $< 0.60$ , that is indicators X2.6 (amounting to 0.477) on the government's internal control system variables (SPIP), indicator X3.3 and X3.4 (respectively 0.512 and 0.559) in the organizational commitment variable (KO), indicator Y1.4 and Y1.7 (respectively 0.408 and 0.529) in good governance variable (TKPB) and indicator Y2.3 (amounting to 0.526) in the fraud prevention variable (PK). Next, six indicators that do not meet the convergent validity test for loading value below 0.6 ( $< 0.6$ ) are removed from the model and then do a re-evaluation. The results of PLS analysis algorithm to second stage of the indicator variable supervision of DPRD, government internal control system, organizational commitment, good governance and fraud prevention has a loading value  $> 0.60$ , so it can be said to have met the test of convergent validity. means indicators of the constructs is valid.

###### *b. Discriminant Validity Test*

Discriminant validity test relates to the principle that the measurements (manifest variable) distinct constructs should not correlated Abdullah & Hartono (2015: 195). Discriminant validity reflective indicators can be seen in the cross loading between the indicator to construct. The results of PLS analysis algorithm known that the correlation of each variable with each indicator has a value higher than the loading cross correlation between the indicators of other variables. This shows that the indicator has met the discriminant validity or valid.

### c. Reliability Test

Reliability testing a construct with reflective indicators used composite reliability is better because it is considered in estimating the internal consistency of a construct (Salisbury et al., 2002 in Abdillah & Hartono, 2015: 196). Rule of thumb or composite reliability alpha value should be greater than 0.7 (Hair et al., 2008 in Abdillah & Hartono, 2015: 196). The results of PLS analysis by looking at the composite reliability algorithm shown in Table 7, the following:

**Tabel 7**  
*Composite Reliability*

No	Variabel	Composite Reliability	Information
1	supervision of DPRD ( $\xi_1$ )	0,890	Reliabel
2	government internal control system ( $\xi_2$ )	0,925	Reliabel
3	organizational commitment ( $\xi_3$ )	0,843	Reliabel
4	good governance ( $\eta_1$ )	0,936	Reliabel
5	prevention of fraud ( $\eta_2$ )	0,939	Reliabel

Sources: Output PLS, (2017)

Based on Table 7 above, that the individual indicators have shown variable composite reliability values > 0.7. That is, the entire statement item indicators for each variable is declared reliable.

#### 4.3.2 Structural Model Evaluation (Inner Model)

Inner Model Testing conducted to examine the relationship between the latent variables (hypothesis). Testing for the structural model in this study include:

##### a. R-square ( $R^2$ )

R-square value is used to describe the effect of latent variable exogenous to endogenous latent variable whether have a substantive effect (Ghozali & Latan, 2015: 78). The evaluation results of inner models to see the R-square values are presented in Table 8, the following:

**Tabel 8**  
*Nilai R-Square ( $R^2$ )*

No	Hubungan Variabel	$R^2$
1	PD, SPIP, KO $\longrightarrow$ TKPB	0,766
2	TKPB $\longrightarrow$ PK	0,794

Sources: Output PLS, (2017)

According to the table above, it was concluded that the variables of good governance (TKPB) can be explained by variable PD, SPIP, KO by 78.0% (strong), while 22.0% is explained by other variables

outside the model built in this study. Variable fraud prevention (PK) can be explained by the variable (TKPB) amounted to 81.2% (strong). Meanwhile 18.8% explained by other variables outside the model built in this study.

*b. Predictive Relevance ( $Q^2$ )*

PLS models were also evaluated by looking at Predictive Relevance ( $Q^2$ ) which indicates that the exogenous latent variables have predictive relevance on an endogenous variable that is affected.

Relevance predictive value ( $Q^2$ ) obtained by the following formula:

$$Q^2 = \{(1 - Rx_1^2) (1 - Rx_2^1)\}$$

Based on this formula, the value predictive Relevance ( $Q^2$ ), is as follows:

$$Q^2 = \{(1 - Rx_1^2) (1 - Rx_2^1)\}$$

$$= 1 (1-0,780) (1-0,812)$$

$$= 1 (0,220) (0,188)$$

$$= 0,959$$

Based on the above calculation, it can be explained that the Q-square predictive relevance in this study 0,959. This means that the model in this study deserve to explain the endogenous variables that is good governance and the prevention of fraud.

*C. Hypothesis Testing*

After analysis of the model is done, the subsequent analysis is hypothesis testing. This analysis is done by comparing the value of the T-table with T-statistics values resulting from the process of bootstrapping in the PLS. To see the value of T-statistics are shown in Table 9 below:



Tabel 9  
Path Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics ( O/STERR )
<b>PD -&gt; TKPB</b>	0,098	0,109	0,095	0,095	1,037
<b>SPIP -&gt; TKPB</b>	0,785	0,777	0,085	0,085	9,234
<b>KO -&gt; TKPB</b>	0,061	0,065	0,064	0,064	0,951
<b>TKPB -&gt; PK</b>	0,901	0,899	0,028	0,028	31,761

Sources: Output PLS, (2017)

#### 4.4 Discussion

##### 4.4.1 The Influence Of The DPRD Supervision On The Enforcement Of Good Governance

The first hypothesis (H1) stated that surveillance DPRD positive effect on the enforcement of good governance. Table 9 shows the positive influence of 9.80% (which is based on the original value of PD samples -> TKPB with a value of 0.098) but not significant at ( $\alpha = 0.05$ ) with T-Statistic value of 1.04 (below 1.65), Based on these results, we can conclude that Parliament oversight positive effect is not significant to the enforcement of good governance. Based on the results of the first alternative hypothesis **(H1) is rejected.**

Based on observations and data from this study shows that supervision of DPRD have no significant effect on the enforcement of governance whether caused by the of DPRD is not yet optimal in controlling the Local Government that is monitoring the implementation of the follow-up results of CPC, and also because the paradigm of supervision of DPRD is a political oversight laden with the interests of many parties, the real cause of the supervisory function neglected.

The results of this study support and in line with research conducted by Taufik (2010) who found that the supervision of Parliament have a positive influence not significant to the enforcement of local governance is good. While the study was not consistent with the results of research conducted by Habibie (2013) who found that the supervision of Parliament positive and significant impact on good governance.

The results of this study illustrate that, Parliament is an important part of local government if parliament can not perform its role optimally, then the government's efforts to uphold good governance will be difficult to achieve.

#### *4.4.2 The Influence of Government's Internal Control System (SPIP) on The Enforcement Of Good Governance*

The second hypothesis (H2) stated that the internal control system of government a positive influence on the enforcement of good governance. Table 9 shows the positive effect of 78.5% (which is based on the original sample SPIP -> TKPB with a value of 0.785) and significant at ( $\alpha = 0.05$ ) with T-Statistic value by 9.23 (above 1.65). Based on these results, it can be concluded that the internal control system of government significant positive effect on the enforcement of good governance. Based on these results a second alternative hypothesis **(H2) is accepted.**

The results of this study are consistent with previous studies conducted by: (Habibie, 2013; Wiratno et al., 2013; Saptapradipta, 2013; Sari, 2013; Ristanti et al., 2014; Wiliyanti et al., 2014 and Syafrion, 2015), which found that SPIP positive and significant impact on good governance, While this study does not support the results of research conducted by Ruspina (2013) and Rosita (2015) who found that SPI has no effect on good governance, which is caused because there are several indicators SPI yet fully met or done well.

The results of this study illustrate that with improvements in the implementation of SPIP, it will be able to push the government to enforce good governance area. Therefore, the strengthening and effectiveness of the delivery of SPIP is very necessary to involve stakeholders such as the government's Internal Supervisory Unit (APIP) and external supervisory institutions, namely the Audit Board of the Republic of Indonesia (BPK).

#### *4.4.3 The Influence of Organizational Commitment On The Enforcement Of Good Governance*

The third hypothesis (H3) states that organizational commitment positively affects the enforcement of good governance. Table 9 shows the positive effect of 6.10% (which is based on the original value of samples KO -> TKPB with a value of 0.061) but not significant at ( $\alpha = 0.05$ ) with T-Statistic value of 0.95 (below 1.65) , Based on these results, we can conclude that organizational

commitment has a positive effect but not significant to the enforcement of good governance. Based on the results of the third alternative hypothesis **(H3) was rejected.**

Based on observations and data suggest that factors that allegedly affect when viewed from the perception of respondents were low at faktor income has not met expectations and the work has not been in accordance with the expertise, so the impact on the work that is not maximized, as can be seen on governance indicators which both have low values including openness, professionalism and accountability. The policy of good payroll, job security, and whether the tasks are done considering the competence turns determine employee commitment to the organization (Morris et.al, 1993 in Harsoyo, 2006: 110).

The results of this study are not consistent with the results of previous studies conducted by Wiratno et al. (2013), Ristanti et al. (2014) and Syafrion (2015) who found that organizational commitment and significant positive effect. While the results of this study are consistent with Rosita (2015) who found that organizational commitment does not have a significant effect on good governance.

The results of this study are not consistent with the goal setting theory asserts that individuals with more specific goals and challenges in terms of its performance will be better than if the objectives are not clear. The average value of the overall variable overall organizational commitment is high but proved to be no significant impact on the enforcement of good governance.

The results of this study illustrate that organizational commitment can be influenced by factors of income has not met expectations and the work has not been in accordance with the expertise, so the impact on the work that is not maximized, as can be seen in the indicators of good governance that have low values is a transparency , professionalism and accountability.

#### *4.4.4 The influence Enforcement of Good Governance of the Fraud Prevention.*

The fourth hypothesis (H4) stated that the enforcement of good governance has a positive effect on the prevention of fraud. Table 9 shows the positive effect of 90.1% (which is based on the original sample TKPB -> PK with a value of 0.901) and significant at ( $\alpha = 0.05$ ) with a value of 31.76 T-Statistic (above 1.65). Based on these results, it can be concluded that the enforcement of good governance

significant positive effect on the prevention of fraud. based on the results of the fourth alternative hypothesis **(H4) is received.**

The results are consistent with the results of research conducted by Beawiharta & Rahayu (2014) which concluded that the implementation of good government governance positive and significant effect on the prevention of fraud. While these results are not in line with the results Wiliyanti et al. (2014) who found that good governance does not affect the level of fraud, which means that the implementation of good governance can not afford prevent fraud.

The study provides an overview of the basic principles or characteristics that are inherent in good governance when actually implemented would be able to prevent fraud. The better enforcement of governance there should be further encouraged local governments to seek to prevent fraud can happen to a minimum.

## **5. Conclusion, Implication And Limitation**

### *5.1 Conclusions*

Based on the analysis of data and testing hypotheses about the influence of supervision of DPRD, the internal control system of government, the organization's commitment to the rule of governance good and its consequences on the prevention of fraud, some conclusions can be drawn from this study are as follows: (1) the supervision of DPRD influential no significant positive towards enforcement of good governance. (2) the government's internal control systems significant positive effect on the enforcement of good governance. (3) organizational commitment is not significant positive effect on the enforcement of good governance. (4) the prevention of fraud significant positive effect on the enforcement of good governance.

### *5.2. Implication*

The results of this study may contribute to the development of science in accounting, especially public sector accounting-related governance and fraud. The results of this study can be used as inputs to the government district in the Lombok Island to enforce governance good by continuing to improve the implementation of the internal control system of government, which proved highly support the establishment of governance good and also seeks to improve employees' commitment to organization

by improving welfare and deployment of staff in accordance with competence. In addition to the DPRD as partners in local government to be able to perform its role in overseeing the government optimally.

### *5.3. Limitation*

Limitations of this study are: (1) Measurement pemerintahan enforcement of good governance in this study are seen only from the perspective of officials from echelon II and III so that research results can not generalize to all structural others. (2) There are several questionnaires that can not be returned due to the many activities or bustle of strutural officials echelon II and III. (3) This study only examined three variables that affect the enforcement of good governance, namely: supervision of DPRD, the government's internal control systems and organizational commitment. So less explore other factors that may be influential. (4) The variable of organizational commitment in this study had no effect on the enforcement of good governance. This requires improvement on several indicators / statements used in this research in order to qualify convergent validity.

### *5.4 Recommendations*

Based on the limitations of existing, proposed suggestions include: (1) further research to increase the study sample, using also officials from echelon IV. (2) Further studies to pay attention to the time to first know the schedules of important events such as the implementation of activities MUSRENBAG in each district, so that the questionnaire can be rebuilt. (3) Subsequent studies to recommend to explore other factors that affect the enforcement of governance good and konsekunsinya to the prevention of fraud, such as replacing or adding the variable control of Parliament with the external audit conducted by the CPC, in terms of the rules or regulations can use the standard government accounting and of the organization can use the organizational culture. (4) For further research is expected to improve and add inidikator variable organizational commitment, because some of the items the statement issued from the model, the possibility is not yet clear statement item or not understood by the respondent that need improvement.

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## Appendix 1: Results of Algorithm Phase I and II

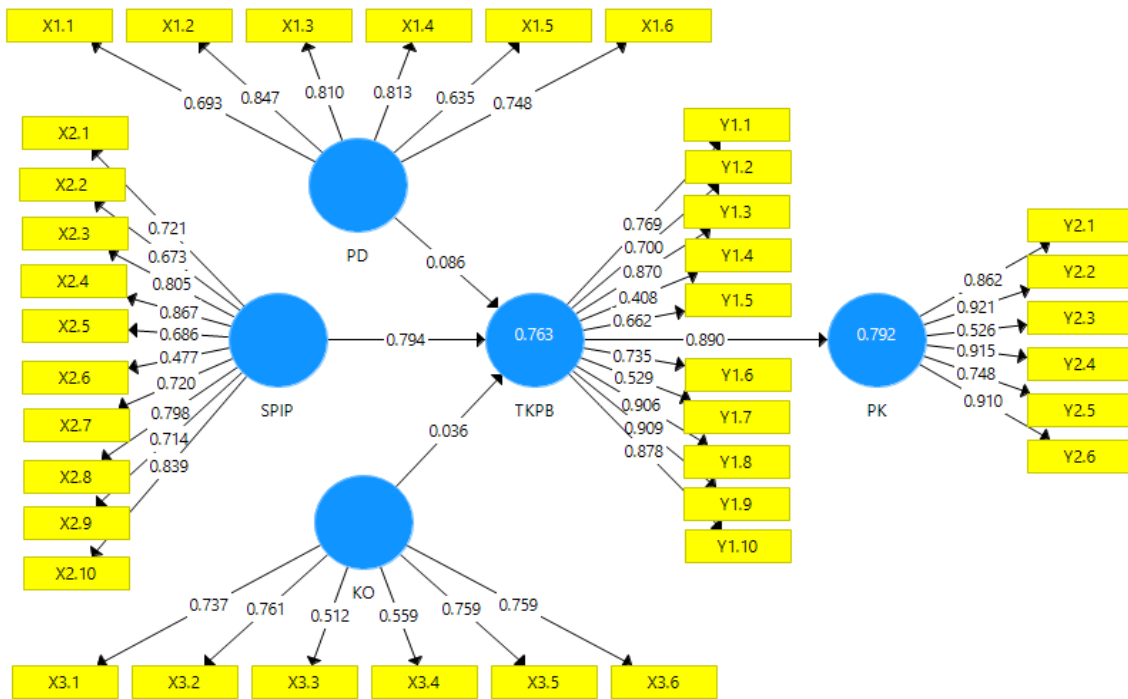


Figure 1 : PLS Algorithm Results - Phase I

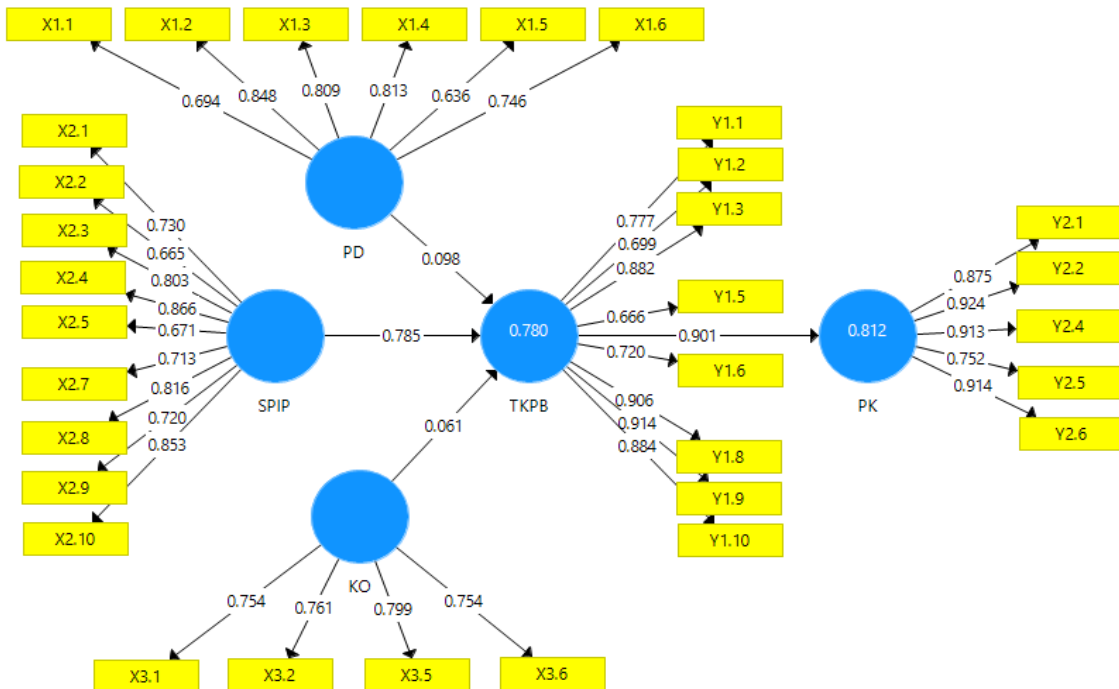


Figure 2 : PLS Algorithm Results - Phase II



## Appendix 2 : Cross Loading

Table : Cross Loading

	PD	SPIP	KO	TKPB	PK
X1.1	0,694	0,356	0,238	0,333	0,313
X1.2	0,848	0,564	0,323	0,554	0,519
X1.3	0,809	0,504	0,349	0,535	0,540
X1.4	0,813	0,519	0,257	0,526	0,509
X1.5	0,636	0,478	0,364	0,383	0,298
X1.6	0,746	0,660	0,142	0,605	0,564
X2.1	0,492	0,730	0,209	0,641	0,691
X2.2	0,587	0,665	0,324	0,586	0,510
X2.3	0,583	0,803	0,390	0,696	0,654
X2.4	0,638	0,866	0,269	0,721	0,750
X2.5	0,522	0,671	0,379	0,584	0,566
X2.7	0,492	0,713	0,354	0,598	0,557
X2.8	0,508	0,816	0,252	0,746	0,786
X2.9	0,429	0,720	0,296	0,637	0,655
X2.10	0,500	0,853	0,344	0,785	0,807
X3.1	0,343	0,394	0,754	0,297	0,363
X3.2	0,193	0,297	0,761	0,325	0,266
X3.5	0,316	0,295	0,799	0,357	0,297
X3.6	0,244	0,267	0,754	0,291	0,270
Y1.1	0,474	0,740	0,263	0,777	0,729
Y1.2	0,462	0,628	0,247	0,699	0,630
Y1.3	0,603	0,814	0,314	0,882	0,845
Y1.5	0,342	0,536	0,454	0,666	0,514
Y1.6	0,431	0,525	0,288	0,720	0,558
Y1.8	0,660	0,788	0,381	0,906	0,824
Y1.9	0,687	0,756	0,339	0,914	0,796
Y1.10	0,558	0,826	0,432	0,884	0,852
Y2.1	0,563	0,803	0,313	0,829	0,875
Y2.2	0,534	0,809	0,446	0,797	0,924
Y2.4	0,572	0,830	0,351	0,858	0,913
Y2.5	0,437	0,651	0,301	0,652	0,752
Y2.6	0,612	0,749	0,293	0,799	0,914

### Appendix 3 : Results Bootstrapping Process

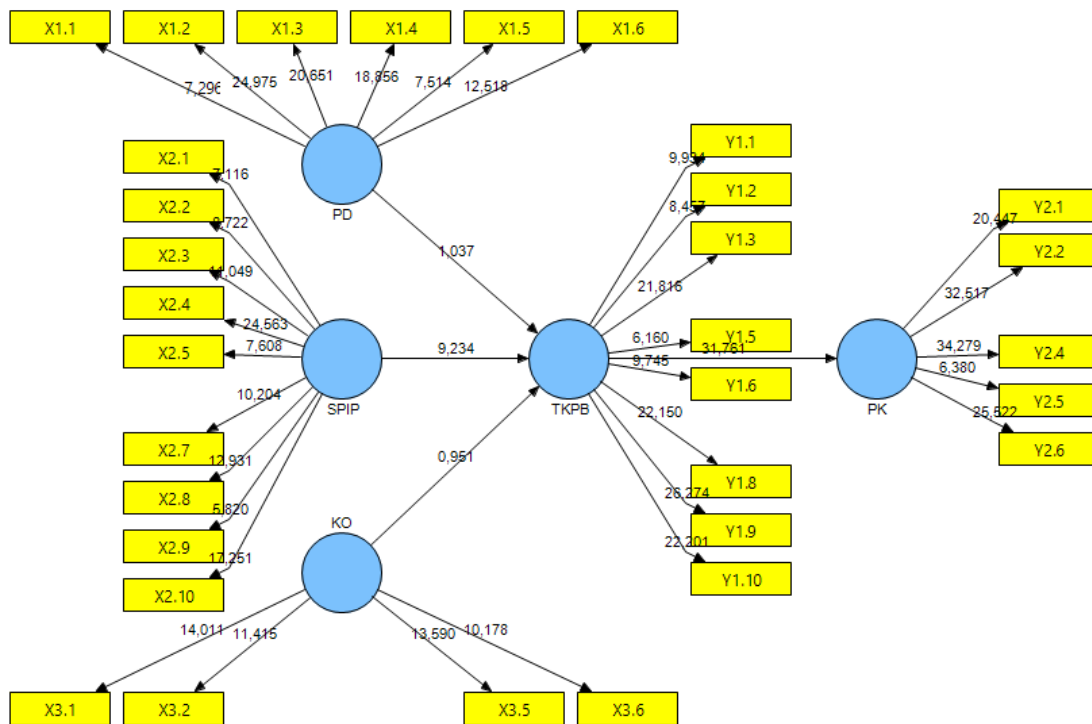


Figure 3 :Results Bootstrapping Process