

Prevention of Goods and Services Procurement Fraud and Its Implications on Good Government Governance

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ABSTRACT

The fact that the number of corruption cases in Indonesia is increasing from year to year shows a phenomenon that has attracted the attention of a number of parties. Most of these cases involve the government, especially in terms of purchasing goods and services, which has implications for the development of effective governance. The purpose of this study was to examine the factors that influence fraud prevention in purchasing goods and services, as well as their influence on effective government management. The research data is primary data obtained through questionnaires and analyzed using SPSS IBM 26 software. The population of this study is employees Civil Servants (PNS) in the Mamberamo Raya Regency Regional Apparatus Organization (OPD) which has main tasks and functions in the procurement of goods and services as well as internal audits. The research sample is 70 samples using purposive sampling method. The results of the study show that internal control has no significant effect on the prevention of fraud in the procurement of goods and services, the effectiveness of internal audit has a significant effect on the prevention of fraud in the procurement of goods and services. Meanwhile, internal control and internal audit effectiveness have little effect on good government governance partially, and prevention of fraud in the procurement of goods and services has a significant effect on good government governance. The effect of internal control, internal audit on good government governance has a small effect if partially but if simultaneously it has a large influence while Internal control.

Keywords: Good Government Governance, Procurement of Goods and Services

INTRODUCTION

Cases of fraud in the monetary area do not always occur in private companies, but also occur in the public or authorities which can be very detrimental to society and the state. The

most common fraud among governments is corruption. As time goes by, fraudulent acts are increasingly complicated with various modes:



Figure 1: Organizations that are harmed because fraud

Source: ACFE Data

Association of Certified Fraud Examiners (ACFE) in its 2019 survey of 239 respondents showed that the most common fraud incidents in Indonesia were corruption with a percentage of 64.4% obtained from 154 respondents. The next type of fraud is misuse

of state or industrial assets/wealth with a presentation of 28.9% obtained from 69 respondents and the remaining 16 respondents for financial statement fraud (1). In simple terms it can be described as follows:



Figure 2: Most cases of fraud
Source: 2019 ACFE data

Even though the regulation that covers the process of procuring goods and services has undergone several metamorphosis, starting from Presidential Decree No. 80 and finally Presidential Decree No. 12 of 2021.

Data from the Corruption Eradication Commission (KPK) for 2019 revealed that goods and services procurement fraud accounted for 21% of cases handled by the KPK for the period 2004 to 2019 (2).

The various corruption cases in government circles investigated by the KPK, especially in the procurement of goods and/or services, show discrepancies and inconsistencies in the use of legal guidelines and policies, a weak internal management system, and conflicts of interest. . within the relevant ministries / institutions. this can open opportunities for

perpetrators to commit fraud. Tools A lack of internal controls can trigger or give someone the opportunity to commit fraud. and commit crimes (3).

The Government Internal Control System (SPIP) is based on the premise that the internal control system for each activity is influenced by the quality of existing human resources and must be socialized to ensure that each activity is carried out properly. The purpose of the SPIP is that every government activity from planning and implementation to inspection and accountability can be carried out in a controlled, orderly and efficient manner. good. Procurement integrity audit steps and procedures are regulated in the Integrity Audit Guidelines (4).

The implementation of good governance, especially in the procurement of goods and services in the Mamberamo Raya Regency Government, still requires internal control in accordance with the PP, which can be attached to every procurement activity. Regarding the Government's Internal Control System Article 60 of 2008 SPIP) which depends on the possibility of insider control at every movement and is influenced by the nature of existing human resources and must have the option to empower the local area so that every action succeeds positively. Many previous studies have been conducted regarding the implementation of goods and/or service procurement systems (e-procurement) and internal control systems as an effort to prevent fraud. Research related to goods and/or service procurement systems (e-procurement) (5).

The results of the study show that the implementation of e-procurement in Yogyakarta City in 2009 turned out to be feasible but now it is irresponsible (6). E-procurement has various roles in preventing fraud, especially reducing tender preparations, increasing protection and transparency, reducing the frequency of face-to-face meetings, and stopping the interference of other parties who are not interested (intervention) (7). E-procurement has a function in stopping the emergence of opportunities and pressures to commit fraud. E-procurement also has a function in procurement that is free from corruption, transparency, conflict, and objective criteria in

decision making. The results of various studies show that the gadget of inner control and organizational commitment has an effective impact on overall authority performance accountability and task authority has a good positive effect on fraud prevention. While product and/or provider procurement tools do not have a full-measurement effect on authority performance responsibilities, goods procurement and/or carrier tools, internal management tools, and organizational dedication do not have a major effect on fraud prevention (8,9).

The purpose of this study was to determine the effect of implementing internal controls and the effectiveness of internal audit on the prevention of fraud in the procurement of goods and services and their implications for good government governance in the Mamberamo Raya district government.

METHOD

The type of data in this research is included in the category of causal associative research using a quantitative descriptive verification approach.

The data sources used are primary data in the form of interviews and questionnaires and secondary data in the form of supporting documents and books.

The population in this research is Civil Servants (PNS) in the Regional Apparatus Organization (OPD) in the Mamberamo Raya Regency Government of Papua who have main tasks and functions related to the Procurement of Goods and Services and

Internal Control (Internal Audit) which are determined by the survey method.

The sampling technique used in this study was purposive sampling with a total sample of 70 people,

The variables measured in this study used a Likert scale, A score of 1, 2, 3, 4, or 5 is given for each question, from lowest to highest.

Data quality was tested by validity testing with the Pearson Product Moment formula

According to Sekaran quoted 0.6 is acceptable, and above 0.8 is very good. In calculating the reliability of the data carried out in this study, the researcher used the SPSS (statistical package social science) software tool for window version 17.0.

Data analysis using descriptive analysis method, verification analysis, path analysis, correlation coefficient, coefficient of determination.

The hypothesis was tested using a significant test, with the determination of the null hypothesis (Ho) and the alternative hypothesis (Ha). The formulation of the hypothesis in this study is:

H1 : There is an influence of Internal Control on the prevention of fraud in the procurement of goods and services in the Mamberamo Raya Regency Government

H2 : There is an influence of the Internal Audit on the prevention of fraud in the procurement of goods and services in the Mamberamo Raya Regency Government

H3 : There is an effect of preventing fraud on the procurement of goods and services on Good Government Governance in the Mamberamo Raya Regency Government.

H4 : There is an influence of Internal Control on Good Government Governance in the Mamberamo Raya Regency Government

H5 : There is an influence of Internal Audit on Good Government Governance in the Mamberamo Raya Regency Government.

H6 : There is an effect of internal control, internal audit on Good Government Governance both simultaneously in the Government of Mamberamo Raya Regency both simultaneously and partially.

H7 : There is an influence of internal control, internal audit on Good Government Governance through the Prevention of Goods and Services Procurement Fraud in the Government of Mamberamo Raya Regency

RESULTS AND DISCUSSION

Research result

Overview of Respondents

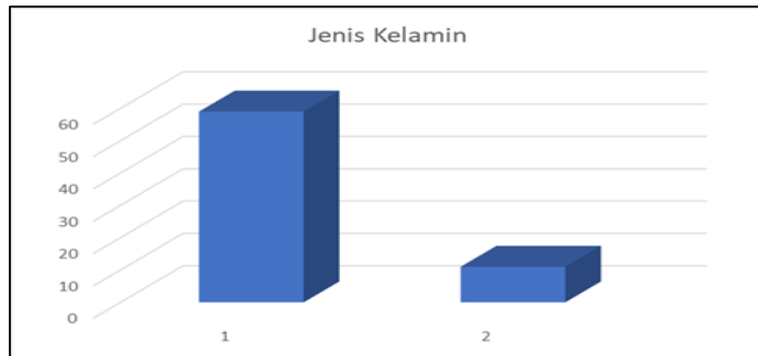


Figure 3: Gender of Respondents
Note: 1 = Male 2 = Female



Figure 4 : Educational level
Note: 1 = Strata 1 2 = Strata 2

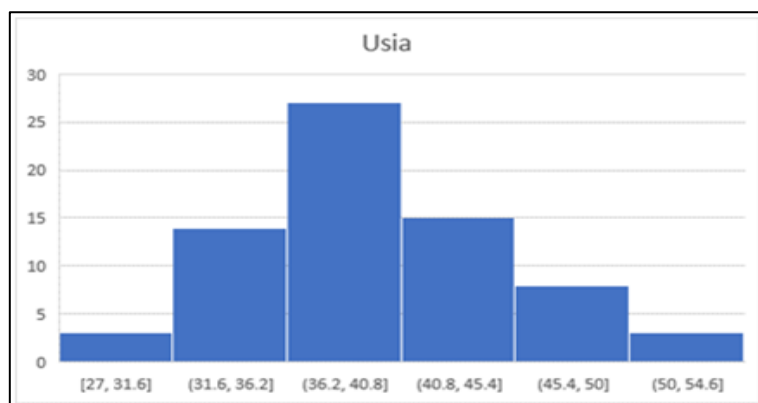


Figure 5 : Respondent's age

Respondent Opinion

Internal Control Variables

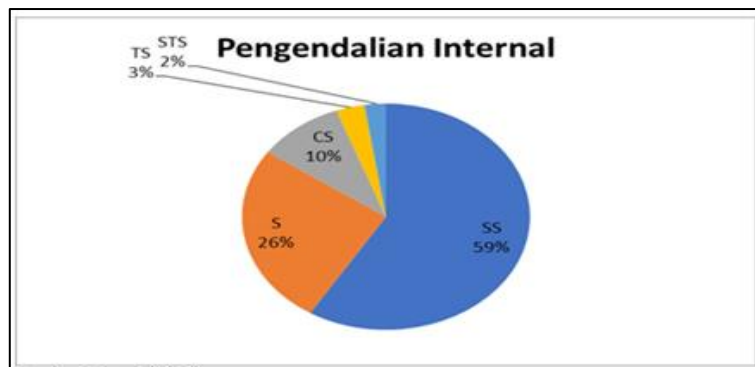


Figure 6 : Respondents on Internal Control
Source: Data processed

Based on figure 6, Approximately 59% of respondents stated that they strongly agreed, 26% stated that they agreed, 10% stated that they quite agreed, 3% stated that they did not agree, and 2% stated that they strongly disagreed.. So it can be concluded that the

responses of respondents regarding the statement of internal control variables in outline are very agree.

Internal Audit Effectiveness

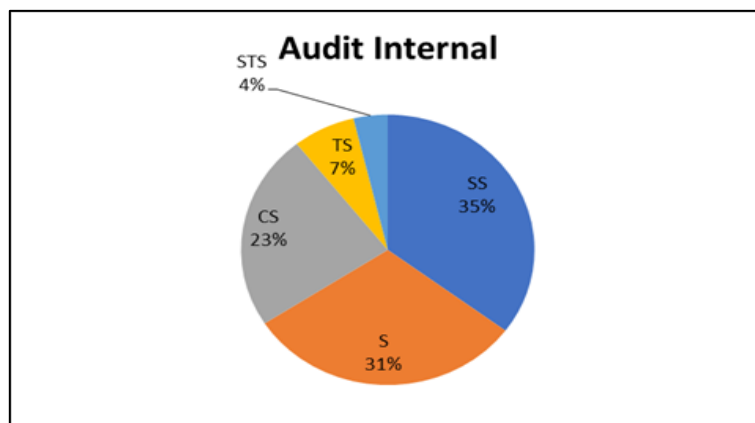


Figure 7 : Respondents on Internal Audit
Source: Processed data

Based on Figure 7 shows that about 35% of respondents strongly agree, 31% agree, 23% quite agree, 7% disagree, and 4% strongly

disagree. So it can be concluded that the responses of respondents regarding the statement of internal audit variables in outline are very agree.

Fraud Prevention Variables

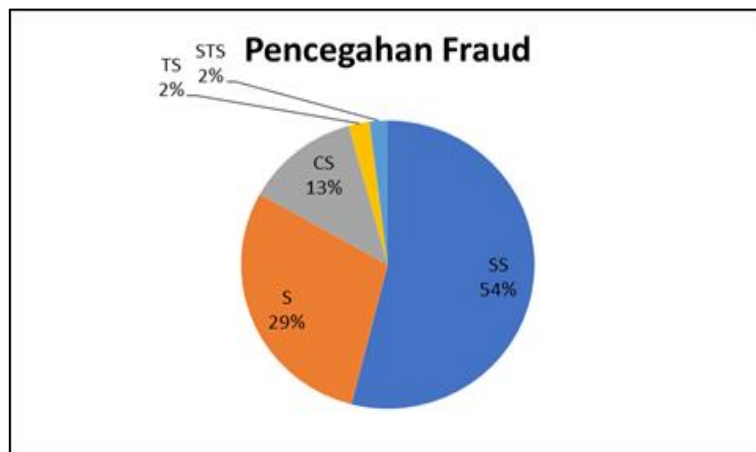
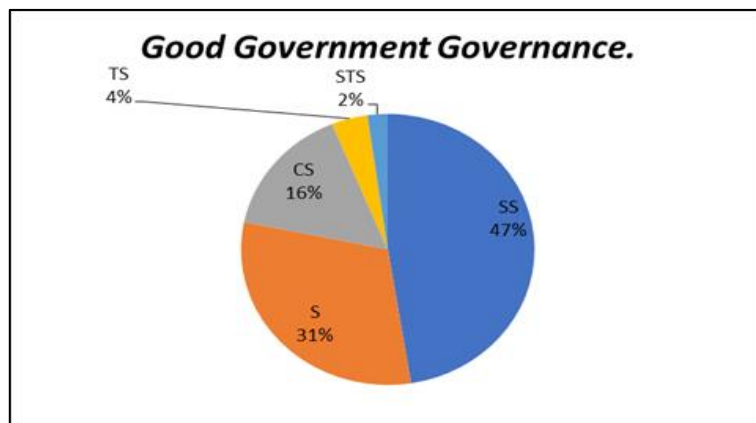


Figure 8 : Respondents on Fraud Prevention
Source: Processed data

Based on figure 8, around 54% stated that they strongly agreed, 29% agreed, 13% stated that they quite agreed, 2% stated that they did not agree, and 2% stated that they strongly disagreed. So it can be concluded that the

respondents' responses regarding the Fraud prevention variable statement in broad outline are very agree.

Variable Good Government Governance



Picture 9 : Top Respondent Good Government Governance
Source: Processed data

Based on Figure 9. about 47% stated that they strongly agreed, 31% agreed, 16% stated that they quite agreed, 4% stated that they did not agree, and 2% stated that they strongly

disagreed. So it can be concluded that the respondent's responses regarding the Good Government Governance variable statement in broad outline are very agree.

Table 1: Rentability Test

No	Variable	N of items	Cronbach's Alpha	Ket
1	Internal Control (IC)	22	0.954	In accordance
2	Internal Audit Effectiveness (ICE)	10	0.952	In accordance
3	Fraud Prevention (FP)	5	0.948	In accordance
4	Good Government Governance (GGG)	9	0.938	In accordance

Source: SPSS Data Processing

Normality Test Results

Table 2 : Normality test

	Statistics	df	Sig.
Internal control	.139	70	.253
Effectiveness. Audit. Internal	.106	70	.128
Prevention. Fraud	.221	70	.215
Good Government Governance	.126	70	.052

Source: SPSS Data Processing

The results of the Kolmogorov-Smirnov test in tables 1 and 2. above show the significance or probability value for the variables in this study that have a value greater than the significance level of 0.05, which is 0.253 for

Internal Control, 0.128 for Effectiveness Internal Audit, 0.215 for Fraud Prevention and 0.052 for Good Government Governance. This means that the available data is normally distributed in a normal population.

Correlation Matrix Results Between Variables

Table 3 : Correlation Matrix Between Variables

	IC	ICE	FP	GGG
IC	1	0.652 (Strong)	0.514 (Medium)	0.639 (Strong)
ICE	0.652 (Strong)	1	0.594 (Medium)	0.724 (Strong)
FP	0.514 (Medium)	0.594 (Medium)	1	0.921 (Very Strong)
GGG	0.639 (Strong)	0.724 (Strong)	0.921 (Very Strong)	1

Based on table 3, the relationship between variables between moderate to very strong. The lowest is the relationship between variable X1 and Y, which is 0.514, while the strongest is the relationship between variable Y and Z, which is 0.921.

Research Discussion

Descriptive Analysis of Internal Control and Internal Audit on the Prevention of

Goods and Services Procurement Fraud and Its Implications for Good Government Governance in the Mamberamo Raya District Government

Descriptive analysis was carried out referring to each indicator in each variable studied based on the following:

Table 5 : Criteria Percentage Value of Respondents Opinion

No	Percentage of Value (%)	Value category
1	0.00 – 19.00	Very Inappropriate
2	20.00 – 39.00	Inadequate
3	40.00 – 59.00	Proper
4	60.00 – 79.00	More appropriate
5	80.00 – 100	Very Fast

Source: SPSS data

Internal Control Variables

To find out the responses of respondents about internal control in the Mamberamo Raya Regency Government of Papua Province by using the formula:

$$\% \text{ skor aktual} = \frac{6707}{7700} \times 100\% = 87.10\%$$

The results of these calculations are responses related to internal control showing 87.10%. This shows that internal control in the Government of Mamberamo Raya Regency, Papua Province, includes very good criteria.

Internal Audit Effectiveness Variables

To find out the responses of respondents about the effectiveness of internal audit in the Mamberamo Raya Regency Government of Papua Province by using the formula:

$$\% \text{ skor aktual} = \frac{2711}{3500} \times 100\% = 77.45\%$$

The result of this calculation is a response related to internal audit showing 77.45%. This shows that the effectiveness of internal audit in the Mamberamo Raya Regency Government of Papua Province is included in the good criteria.

Fraud Prevention Variables

To find out the responses of respondents about Fraud Prevention in the Mamberamo Raya Regency Government of Papua Province by using the formula:

$$\% \text{ skor aktual} = \frac{1508}{1750} \times 100\% = 86.17\%$$

The result of this calculation is a response related to Fraud Prevention showing 86.17%. This shows that Fraud Prevention in the Government of Mamberamo Raya Regency, Papua Province, is included in the very good criteria.

Variable Good Government Governance

To find out the responses of respondents about Good Government Governance in the Mamberamo Raya Regency Government of Papua Province by using the formula:

$$\% \text{ skor aktual} = \frac{2629}{3150} \times 100\% = 83.46\%$$

The results of these calculations are responses related to Good Government Governance showing 83.46%. This shows that Good Government Governance in the Mamberamo

Raya Regency Government of Papua Province is very good.

Verification Analysis

The Effect of Internal Control on the Prevention of Goods and Services Procurement Fraud.

The results of the SPSS test for the coefficient of comparison of the t value to the value in the t distribution table. The value of $\alpha = 0.05$, $df = n-1 = 69$, so that a t table value of 1.667 is obtained. The calculated t value of the Internal Control variable (1.745) is greater than the t table value (1.667) so H1a is accepted so that the hypothesis proposed, namely "There is an Internal Control that influences Fraud prevention" is proven."

It is known that the significance value of the internal control variable is 0.086 (> 0.05) so it is concluded that the internal control variable has no significant effect on the fraud prevention variable, which means H1a is accepted.

The Influence of Internal Audit on Fraud Prevention in the Procurement of Goods and Services.

Comparison of the t value to the value in the t distribution table. The value of $\alpha = 0.05$, $df = n-1 = 69$, so that a t table value of 1.667 is obtained. Based on the table in 4.15 it is known that the calculated t value of the Internal Audit Effectiveness variable (3.545) is greater than the t table value (1.667) then H2a is accepted so that the hypothesis proposed namely "There is an influence of Internal Audit on Fraud Prevention" is proven.

The Effect of Goods and Services Procurement Fraud Prevention on Good Government Governance.

The calculated t value of the Fraud Prevention variable (15.238) is greater than the t table value (1.667) and a significant value of 0.00 from the significance value of the Fraud Prevention variable of 0.000 (< 0.05) then H3a is accepted so that the hypothesis proposed is "There is a significant influence Fraud Prevention Against Good Government Governance" is proven.

The Effect of Internal Control on Good Government Governance.

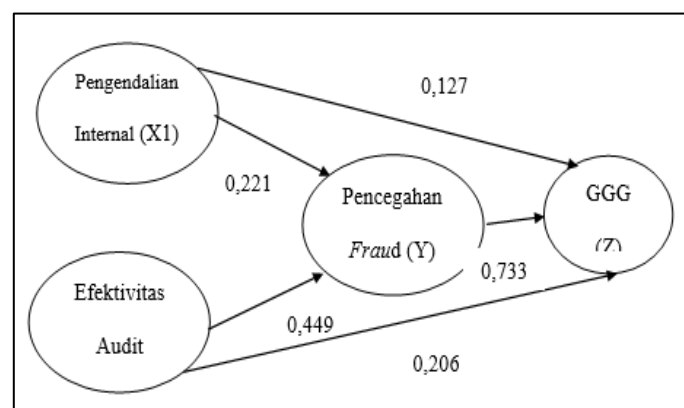


Figure 10 : Path Diagram Model
Source: Results of SPSS Data Processing

The interpretation based on Figure 10 is the direct effect of internal control through fraud prevention on Good Government Governance of 0.127 or 12.7%.

The Influence of Internal Audit on Good Government Governance.

SPSS results path coefficient X2 to Z and Figure 4.12 provides an explanation regarding the effect of internal audit on good government governance. The direct effect of internal audit effectiveness through fraud prevention on Good Government Governance is 0.206 or 20.6%.

The Effect of Internal Control, Internal Audit on Good Government Governance.

By using a significance level of 95% with $\alpha = 5\%$ and with $df_1 = k-1 = 4-1 = 3$ and $df_2 = nk = 70-4 = 66$, it is known that the F table is 2.51. Based on the table above, the calculated F value = 210.759, which is greater than F table 2.13. This means that H41 is accepted with the hypothesis that "There is an influence of Internal Control and Internal Audit on Good Government Governance through Fraud Prevention."

Understanding the guiding principles of good governance is essential to understand. Government performance will be measured against these guiding principles. If you have touched all aspects of the principles of good government governance, both good and bad governance can begin.

The Effect of Internal Control, Internal Audit on Good Government Governance Through Fraud Prevention.

It is known that the R square value is 0.381, which means that the influence contribution together with internal control variables and the effectiveness of internal audit on fraud prevention is 38.1%. Meanwhile, the value of ϵ can be found using the formula

$$\epsilon = 0.787 \cdot \sqrt{1 - 0,381}$$

Based on table 9. and figure 10. it is described as follows:

1. There is a partial influence between internal control variables on fraud prevention of 0.221 or 22.1%. Internal control has a small percentage, which is below 50%, this means supporting the statement (10).
2. There is a partial influence between internal audit variables on fraud prevention of 0.449 or 44.9%. Internal control and internal audit each have a small percentage, which is below 50%, this means that internal control and internal audit cannot stand alone on fraud prevention measures. Thus that fraud prevention needs support from other actions such as strict employee selection, a "sense of belonging", carrying out spiritual coaching, providing strict sanctions, and fostering a climate of openness (10).
3. And together the value of internal control variables and internal audit effectiveness (X2) on fraud prevention (Y) is 0.381 or

38.1% in view of the R square value and other effects of 78.7%.

This is consistent with previous research, as previously described conducting research on internal control systems (11). conduct research with a view to gathering significant data regarding internal control and the company's organizational commitment to procurement procedures. The findings show that the organizational commitment and internal control variables have a significant influence on the procurement fraud prevention variable (12,13).

Based on the explanation above, the overall model path diagram is formed as follows Model Path Diagram The overall effect of internal control through fraud prevention on Good Government Governance is $0.221 \times 0.733 = 0.161$. The indirect effect (0.161) is greater (>) than the direct effect (0.127) meaning that internal control through fraud prevention has a significant effect on good government governance.

Furthermore, the influence of internal audit through fraud prevention on Good Government Governance is $0.449 \times 0.733 = 0.329$. The indirect effect (0.329) is smaller (<) than the direct effect (0.449). This means that indirectly the internal control variable through fraud prevention does not have a significant effect on good government governance. This does not agree with Soleman's research (2013), Soleman states that internal control has a positive effect on fraud prevention. In addition, this study also concluded that Good Corporate Governance

has an effect on fraud prevention and Internal Control has an effect on Good Corporate Governance.

CONCLUSION

Internal control conditions for fraud prevention and Good Government Governance in the Mamberamo Raya district government are described very well, including internal audits. Internal control has a non-significant influence on the prevention of goods and services procurement fraud, on the other hand, Internal Audit has a significant influence on the prevention of goods and services procurement fraud. Then the prevention of procurement of goods and services fraud has a significant influence on Good Government Governance, partially Internal Control, Internal Audit has a small influence on the realization of Good Government Governance, but simultaneously has a large influence.

The influence of Internal control, Internal audit on Good Government Governance Through the prevention of fraud in the procurement of goods and services has little effect, this means that Good Government Governance has little possibility of being realized if Internal control, Internal audit is carried out through the prevention of fraud in the procurement of goods and services in the Mamberamo Raya Regency Government .

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