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Mengungkap Kegagalan E-procurement dalam Mencegah *Fraud* Pengadaan Barang dan Jasa *EXPOSING E-PROCUREMENT FAILURES IN PREVENTING PROCUREMENT OF GOODS AND SERVICES FRAUD*

Edwin Saputra¹, Anis Chariri²

^{1,2}Universitas Diponegoro, Semarang, Indonesia
edwinsaputra1188@gmail.com¹

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ABSTRAK

Penelitian ini bertujuan mengungkap kegagalan *e-procurement* dalam mencegah *fraud* pengadaan barang/jasa dan menggali esensi makna dibalik praktik dan perilaku *fraud* tersebut. Penelitian ini menggunakan metode kualitatif dengan pendekatan fenomenologi interpretif. Pengumpulan data melibatkan wawancara mendalam dengan pendekatan semi terstruktur kepada delapan informan dan analisis dokumen organisasi. Analisis data dilakukan dengan menggunakan model yang dimodifikasi Sanders. Hasil temuan menunjukkan bahwa akar permasalahan pengadaan barang/ jasa adalah praktik patronase politik dan pelanggaran etika pengadaan. Anggaran pengadaan barang/ jasa diibaratkan seperti "pizza" yang dipotong beberapa bagian dan akan dibagikan kepala daerah sebagai patron kepada pihak pendukung sebagai klien. Melalui patronase politik, pokja pemilihan diintervensi untuk memenangkan penyedia yang diinginkan. Berbagai intervensi mengakibatkan terjadinya kolusi antara pokja dengan penyedia yang sangat rentan terjadinya korupsi. Perilaku *fraud* tersebut membentuk realitas sosial dalam organisasi yang tidak sesuai dengan etika pengadaan. Penelitian ini juga menemukan fungsi pencegahan atau deteksi dini dari inspektorat belum berjalan baik.

Kata kunci: patronase politik, etika pengadaan, kolusi, pengawasan pengadaan

ABSTRACT

This study aims to reveal the failure of e-procurement in preventing fraud in the procurement of goods/ services and to explore the essence of meaning behind these fraudulent practices and behaviors. The method used is a qualitative approach using an interpretive phenomenological lens. Data collection involved in-depth interviews with a semi-structured approach to eight informants and analysis of organization documents. Data analysis using a model modified by Sanders. The findings show that the root of the problems in the procurement of goods/ services are political patronage practices and violations of procurement ethics. The procurement budget is likened to a "pizza" which cut into several parts and distributed by regional heads as patrons to supporting parties as clients. Through political patronage, the selection working group intervened to win the desired provider. These various interventions have weakened the integrity of working group which has resulted in collusion that are very prone to corruption. This fraudulent behavior forms a social reality within the organization that is inconsistent with procurement ethics. This study also found that the function of prevention or early warning from the inspectorate had not gone well

Keywords: political patronage, procurement ethics, collusion, oversight of procurement

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* Corresponding author:

Address: Universitas Diponegoro, Semarang
E-mail: edwinsaputra1188@gmail.com

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INTRODUCTION

Public procurement or known as government procurement of goods/ services has an important role in the implementation of national development to improve public services and develop the economy (Peraturan Presiden Nomor 16 Tahun 2018). Therefore, the procurement of goods/ services involves a very large amount of money (Baldi et al., 2016), so that the government is referred to as the main consumer or the largest buyer of goods/services (*the largest buyer*) in a country (Hawkins et al., 2011; KPK RI, 2014; Neu et al., 2015).

Governments around the world spend around US\$ 9.5 trillion on procurement annually, which in many developing countries accounts for around 15-22 percent of Gross Domestic Product (GDP) (www.worldbank.org). In Indonesia, the average total government spending through the procurement of goods/ services is around 40% of the APBN/APBD per year (Wardiana, 2018). In 2019 the total spending on procurement of government goods/services amounted to IDR 1,168.4 trillion or 47.47% of the total state budget (LKPP, 2020). This means that almost half of the state budget is used for the procurement of goods and services.

With the large budget for the procurement, it often leads to inefficiency (Adjei-Bamfo et al., 2019;

Adjei-Bamfo & Maloreh-Nyamekye, 2019) and is an area of government activity that has a high risk of fraud (Auriol et al., 2016; Hawkins et al., 2011; Lio et al., 2011; OECD, 2016; Rustiarini, 2019).

Fraud is a general term and includes a wide variety of ways that human ingenuity can devise, perpetrated by one individual, to gain an advantage over another using misrepresentation (Albrecht et al., 2012). In the procurement of goods/ services, fraud is defined as fraud committed by both internal and external parties with the intent to influence each stage of the procurement cycle to gain financial advantage or cause losses (National Fraud Authority, 2011).

The issue of fraud in the procurement of goods/ services has hit Indonesia a lot. For example, the mega-corruption case in the electronic KTP procurement project which cost the state IDR 2.3 trillion (www.newsdetik.com, 2018), Hambalang case with a state loss of IDR 463.6 billion (www.bpk.go.id, 2013), and most recently, the case of procuring social assistance for handling Covid 19 in the Ministry of Social Affairs of the Republic of Indonesia with a total of 272 contracts worth IDR 5.9 trillion (www.newsdetik.com, 2020).

To distort the things mentioned above and achieve effectiveness and efficiency, the government

implements a goods/ services procurement system electronically or known as e-procurement. E-procurement is the use of information and communication technology in public procurement which is believed to be able to minimize the occurrence of corruption, collusion and nepotism practices (Artantri et al., 2016; Lio et al., 2011; Neupane et al., 2014) which in turn can create efficiency in state spending (Croom & Brandon-Jones, 2007).

However, e-procurement does not guarantee that the procurement is free from fraud. This can be seen from the results of the 2018 BPK RI audit which revealed a loss of IDR 503.48 billion in 81 Ministries/ Institutions in Indonesia related to the procurement of goods/ services (BPK RI, 2019). Apart from the central government, indications of fraud can also be seen in local governments, one of which is the XYZ Regency Government which has implemented an e-procurement system since 2012. Based on the results of follow-up monitoring of the BPK Representative Office examination results for Province A to the XYZ Regency Government in 2020, there were findings regarding the procurement of goods/ services in the 2018 fiscal year of IDR 1.367 billion and an increase in the 2019 fiscal year of IDR 3.357 billion with almost the same causes.

Therefore, the procurement of goods/ services is an interesting field to study, especially the e-procurement system. Neupane et al. (2014) found that e-procurement in government can reduce the risk of monopolistic practices by government officials, minimize information asymmetry between the government and bidders in the contract process, and increase the level of transparency and accountability which will ultimately help reduce opportunities for corruption.

Research by Neupane et al. (2014) reinforced by Artantri et al. (2016) revealed that e-procurement has a role in suppressing fraud in local government procurement of goods/services on Lombok Island where e-procurement can increase transparency and accountability in the procurement of goods/ services. In line with that, Azmi & Rahman (2015) found that e-procurement can be used as a "gatekeeper" to ensure all bidders comply with applicable rules and function to select contracts based on the best value (value for money), to stop political power and economics that disrupts the procurement process.

The various research findings above contrast with those found by Dávid-Barrett & Fazekas (2020), that the procurement process offers many ways to manipulate and direct contracts to preferred bidders or ask

for bribes, even though they have implemented an e-procurement system. In line with that, research by Gong & Zhou (2015) found that formal tender rules and policies can be modified, circumvented and replaced with informal ones to facilitate corruption.

However, studies so far have tended to measure the implementation of e-procurement through normative questionnaires and the fraud issues disclosed are only administrative, so substantive issues regarding fraud in the procurement have not been uncovered. In addition, previous research has not been able to answer why the phenomena of procurement fraud still occur frequently and tend to increase, so the question arises what is wrong with the implementation of e-procurement?

Moving on from that, the researcher wants to uncover the causes behind the failure of e-procurement in preventing fraud in the procurement of goods/ services in XYZ Regency and understand the essence of the meaning behind the fraudulent practice, so that new knowledge can be obtained about the reasons that encourage this fraudulent behavior through socio-political point of view and is expected to be material for evaluating the implementation of e-procurement in local governments and can assist the oversight function by auditors in

identifying the characteristics and nature of procurement fraud.

THEORY AND LITERATUR REVIEW

Electronic Procurement of Goods and Services (E-procurement)

E-procurement is the process of procuring goods/services carried out electronically using an information system consisting of an Electronic Procurement System (SPSE) and a support system (Peraturan Presiden Nomor 16 Tahun 2018). Public procurement is related to state/regional financial spending that aims to achieve value for money (Williams-Elegbe, 2012).

To get value for money, the parties involved in the procurement process need to apply procurement principles and ethics. Procurement principles consist of efficient, effective, transparent, open, competitive, fair and accountable. To carry out these principles, 8 (eight) ethics must be adhered to by procurement actors, namely order and responsibility, professionalism, independence and keeping secrets, not influencing each other, accepting and being responsible for all decisions, avoiding conflicts of interest, preventing waste, avoiding abuse of authority, and not accepting, offering/promising (PerPres Nomor 16 Tahun 2018).

E-procurement is carried out using e-tendering or e-purchasing. E-tendering is a procedure for selecting

providers that are carried out openly and can be followed by all providers of goods/services registered in the electronic procurement system (www.eproc.lkpp.go.id). While e-purchasing is a procedure for purchasing goods/services through an electronic catalog system.

With the implementation of e-procurement, it is expected to create a transparent, accountable and competitive goods and services procurement process and avoid fraud. This is by the objectives of e-procurement, namely to increase transparency and accountability, increase market access and fair business competition, improve the level of efficiency of the procurement process, support monitoring and audit processes, and meet the need for access to real-time information (www.eproc.lkpp.go.id).

Fraud in Procurement of Goods and Services

According to Black's Law Dictionary, fraud is defined as all kinds of ways that can be created by human ingenuity, and used by someone to get an advantage over others through wrong advice or hiding the truth, and includes all surprises, deception, cunning, concealment, and any other unfair way. Meanwhile, The Association of Certified Fraud Examiners (ACFE) defines fraud from aspects related to work (occupational fraud), namely the deliberate misuse of someone's

work for personal gain or stealing organizational resources (Singleton & Singleton, 2010: 41).

ACFE classifies fraud known as the fraud tree into three main categories, namely fraudulent statements, asset misappropriation, and corruption (Singleton & Singleton, 2010: 62). Of the three types of categories above, corruption is the most common fraud and causes the greatest losses in Indonesia with the organization that suffers the most from the government (ACFE Indonesia Chapter, 2020).

Corruption in the government sector is an act of using the power of public office for personal gain in a way that is inappropriate or contrary to the rules of the game (Jain, 2001). One area that is very vulnerable to corruption in the government sector is the procurement of goods/services (Artantri et al., 2016; Auriol et al., 2016; Hawkins et al., 2011; Lio et al., 2011; OECD, 2016).

Procurement fraud can occur in various ways, there are at least two main groups. First, collusion between employees and contractors. This procurement fraud often involves internal procurement staff such as employees working with or in collusion with outside providers to deceive employers in return for personal benefits such as kickbacks, bribes, gifts or other benefits. (Tan, 2013). Common collusion schemes between employees and providers,

including requirement recognition, bid adjustment, bid manipulation, bid leaking, bid splitting, and awarding of single source contracts that are not correct (ACFE, 2017).

Second, collusion among fellow contractors. This collusion is bidding fraud that occurs when business actors who are supposed to compete in private but conspire to avoid competition in the bidding process, raise prices (ACFE, 2017), or degrade the quality of goods, works or services offered at public auction (OECD, 2012). Common forms of these schemes include complementary or counterfeit bids, rotational or aristocratic bids, bid arrangement, and market allocation (ACFE, 2017).

Oversight of Procurement of Goods and Services

Government agencies as providers of goods/services procurement are obliged to build an internal control system and risk management including fraud risk, as well as form a unit that functions to ensure compliance or adherence to the system, as the first and second lines of defense (BPKP, 2019).

APIP is a government agency established with the task of carrying out internal supervision within the central government and/or local government, consisting of the Financial and Development Supervisory Agency (BPKP), the Inspectorate General, the Main Inspectorate, the

Provincial/Regency/City Inspectorate, and the Internal Control Unit. in other Government Legal Entities by statutory regulations (AAIPI, 2013). The APIP function is clearly stated in Government Regulation Number 60 of 2008 article 47, that "APIP as an internal auditor must carry out internal supervision over the implementation of the duties and functions of Government Agencies including accountability for state finances".

APIP's role is very relevant in supervising the procurement of goods/services to oversee the achievement of government goals. The inspectorate which is one of the APIPs that conducts internal supervision of the procurement of goods/services includes audits of goods/services procurement, probity audits, reviews, evaluations and monitoring to ensure (assurance) that the objectives of the procurement of goods/services are achieved, regulations and procurement procedures that apply complied with, the integrity of public services is increasing, the principles and ethics of procurement are well maintained (Peraturan BPKP Nomor 3 Tahun 2019).

The Patron-Client Theory

The term "patron" refers to a Spanish expression that etymologically means someone who has power (power), status, authority and influence while "client" means

subordinates or people who are ordered and ordered (Usman, 2004). According to Scott (1972), the patron-client relationship is an exchange relationship between roles defined as a dyadic bond (two people) involving mostly instrumental friendships in which an individual with a higher socioeconomic status (patron) exerts influence and own resources to provide protection and benefits to someone of lower status (the client) and in turn will reciprocate by offering general support and assistance, including personal service to the patron.

The patron-client relationship begins with the provision of goods or services in various forms that are very useful or needed by one of the parties, for the party receiving the goods or services is obliged to reciprocate. The relationship between patron-client is called patronage. Patronage is defined as goods and assistance provided by politicians in return for general elections which are distributed through clientelistic networks based on personal power relations. Clientelism is an exchange in which political rulers seek to increase and maintain their power by trading public decisions for private gain in exchange for citizen support (Arreola, 2015; Aspinall & Berenschot, 2019).

Clientelism can also be understood as a power relation

between a political actor who gives something (patron) non-programmatically and the party who receives it (client) which is based on giving loyalty by the recipient (paternalistic). The clientelistic distribution of state resources is regulated through party networks and is also often facilitated by persons occupying positions in the state apparatus (Aspinall & Berenschot, 2019).

The social system formed from the patron-client relationship will of course affect the goods/services procurement process. This is because a patron has the power to intervene in the government project budget for the desired provider company. As a result, the process of procuring goods/services becomes unhealthy and very vulnerable to fraud.

Goods/Services Procurement Fraud as a Social Construction

Discussion on the procurement of goods/services cannot be separated from a series of processes of socio-political interaction between the government, companies providing goods/services and the public. The government as the buyer of goods/services for the benefit of the community interacts and transacts with the goods/services provider. It is this interaction between the government and providers that can lead to fraud in the procurement of goods/services (Hui et al., 2011).

Even though the process of procuring goods/services has been carried out through e-procurement, fraudulent behavior still occurs and tends to increase. According to Chariri (2020), fraudulent behavior, especially corruption, tends to have a systemic nature and form a separate social system in society. Human behavior when interacting reciprocally is always continuous between cognitive, behavioral and environmental influences of society (Bandura, 1999). This social process is called the social construction of reality, namely the social process through actions and interactions in which individuals continuously create a reality that is subjectively owned and experienced together (Berger & Luckmann, 1991).

Government organizations represented by the procurement working group in the selection of goods/services providers interact with each other both within government organizations and with the private sector as goods/services providers. In addition, both working groups have leaders who are elected through a political process that makes interaction interdependence or symbiosis between bureaucrats, business people, elected politicians and political parties (Johnston, 2005; Rose-Ackerman, 1999). This interaction forms a social system that influences the regulation of

procurement of goods/services and encourages fraud.

METHODS

This study uses a qualitative method with an interpretive phenomenological approach. Interpretive phenomenology focuses on interpretation in obtaining the essential structure of consciousness or experience (Ehrich, 2003; Sanders, 1982). The purpose of this interpretive phenomenology is to reveal the causes of e-procurement failure in preventing fraud in the procurement of goods/ services in XYZ Regency and to explore the essence of the meaning behind the fraudulent practices and behavior based on experiences, feelings, perceptions and thoughts about the reality or problems that occur in the implementation of goods/services procurement.

Data collection involved in-depth interviews with a semi-structured approach to eight informants and analysis of organizational documents. The object of this research is the process of selecting providers through e-tendering conducted in XYZ Regency. The name of the regency is deliberately hidden to maintain confidentiality and ethics in this study.

Data analysis was carried out using a model modified by Sanders with the following steps: 1) describing

the phenomena revealed in the interview recordings, 2) identifying themes that emerged from the descriptions of phenomena, 3) developing noetic/noematic, and 4) abstracting the essence of correlation noetic/noematic.

RESULTS AND DISCUSSION

This study explores the experiences of five election working groups who have direct contact with the goods/services procurement process in XYZ Regency so that informants know how procurement fraud occurs. Apart from the selection of working groups, this research also reveals the experience of inspectorate auditors in supervising the implementation of goods/services procurement.

The purpose of this study is to reveal the causes of e-procurement failure to prevent fraud in the procurement of goods/services in XYZ Regency and to understand the essence of the meaning behind the fraud. From the research results, it was found that the causes of fraud problems in the procurement of goods/services in XYZ Regency were explained as follows:

Political Patronage in XYZ Regency

Fraud in the procurement of goods/services is a series of political patronage practices. Patronage is also interpreted as goods and assistance provided by politicians in return for

general elections which are distributed through clientelistic networks based on personal power relations (Arreola, 2015).

One that is often the "trade" of political officials is the awarding of government contracts. Political patronage in XYZ Regency was described by informant PJ1 through the following statement:

“this procurement involves a lot of money in it, so this is one of the weapons for regional leaders to repay the costs of sponsoring their candidacy, as well as to secure their political side ...”
(informant PJ1)

The Regional Head of XYZ Regency has the power to use resources such as the budget for the procurement of goods/services for his political interests as stated by informants PJ1 and PJ4 below:

“Actually, starting from the beginning, the political costs of nominating regional leaders were very expensive, so they tried to return the money, especially since there were sponsors who would ask for projects in return.”
(informant PJ1)

Regional heads routinely give projects to supporters and funders because government projects are the lifeblood of local politics in Indonesia (Aspinall & Berenschot, 2019). This patronage causes unhealthy competition in the process of procuring goods/ services. The

implementation of e-procurement is indeed needed, but the root cause of fraud in the procurement is political patronage which can damage the entire procurement system.

Intervention on Selection Working Group

Intervention is included in a series of processes carried out by regional heads in fulfilling their political patronage. Because of their authority, regional heads can intervene, which is called internal intervention. Apart from being internal, the selection working group also faced interventions from external sources, including providers and law enforcement officials. In selecting providers through e-tendering in XYZ Regency, very strong interventions were carried out in XYZ Regency as illustrated by the following PJ2 informant's answers:

“...The Working Group cannot be separated from various interests, there are other policies and interventions from certain parties... Because of the many interests, many intervene, from within the regional government itself as well as from outsiders. As I have experienced, from APH, we were invited to his office but in the end, we asked for a package or asked for the company he brought to win. From within, usually, most of the KDP have brought their companies as entrusted to them, from the boss,

from the council, even from the regent.” (informant PJ2)

The intervention was carried out in various ways, even the selection working group experienced intimidation and pressure, including being transferred to a remote place, being terrorized and being examined by APH (law enforcement officials) as described by the PJ3 informant below:

“Surely all have been intervened both internally and externally, but more from externals, such as from contractors, SP 6, APH and those on their behalf. If it's internal, it's most bluff to move to ABC (a remote location). It was from the contractor that we were threatened, terrorized into coming to our house, all kinds of things. So if the APH is difficult, it's difficult for us not to include it, if it is included we will be subject to it too. If he loses, be prepared to be summoned by them.” (informant PJ3)

Similar to the PJ3 informant, the intervention was also experienced by the PJ5 informant who said:

“My experience at that time was that this leader had a package order from someone or a higher boss, so he insisted on this package.” (informant PJ5)

From the interventions described by the informants above, it can be concluded that the process of procuring goods/services cannot be

separated from the interests of various parties, both internal and external. Interventions carried out to influence the procurement process can undermine the principles and ethics of procurement.

Collusion in Procurement of Goods and Services

The collusion that occurs in the process of procuring goods/services in XYZ Regency is grouped into two types, namely collusion between employees or procurement executors with providers and collusion between providers. First, the collusion of procurement executors with providers involves a data leak scheme as disclosed by the following PJ1 informant:

“So the package documents are usually given to the partners they bring with them, so our working group sees that the offers are appropriate ...” (informant PJ1)

Based on this statement, it is known that the procurement documents to be tendered have already been distributed before it starts so that the supplier wishing to win can adjust the bid documents.

The selection Working Group is inseparable from collusive practices with providers through data leakage schemes such as statements of informants PJ1 and PJ5:

“As for the most subtle cheating, one of the potential participants asked to be accompanied by the

Working Group to make an offer, a kind of cooperation. When it was in the system, it couldn't be read, so we evaluated that the bid document was good... For example, cementation package, airing for 6 days, this potential provider could be involved with one of the working groups for those 6 days... This is because the working group was assisted, so the results of the bids must have been neat, clean...” (informant P5)

This statement is reinforced by the results of the analysis of documents collected by researchers, namely on NGO reports to the High Court which were forwarded to the inspectorate regarding alleged irregularities in the process of selecting goods and service providers in the tender package 7 in XYZ Regency where two of the five complaint points were related to the collusion of the Working Group with the provider, namely:

“1. It is suspected that the Working Group has a certain closeness to the company won so that the project has been conditioned from the start; 2. the alleged gratification commitment fee of 4% between the XYZ Regency ULP Working Group and the corporation that won the auction.” (Laporan LSM Nomor: 088/DPD/A.XX/LP-TH-2021 tanggal 3 Mei 2021)

The statement and complaint report above imply that the selection working group colluded by acting as a consultant or mentor of providers in making offers. It is almost certain that the provider involved in the collusion will win the tender because the required documents and the number of bids from other providers have been leaked by the selection working group. This scheme is very difficult to trace because it is carried out outside the e-procurement system.

Second, collusion between providers occurs when business actors who are supposed to compete in private, but they conspire to avoid competition, and raise prices. (ACFE, 2017; The World Bank, 2013), or degrade the quality of goods, works or services offered at public auction (OECD, 2012). This collusion was revealed by the following informant:

“Indications of fraud occurring outside the electronic procurement system, such as participants conspiring to obtain auction packages.” (informant PJ2)

Collusion among providers involves a complementary bidding scheme as described by the PJ1 informant below:

“The partners certainly don't carry just one flag, usually, there are two or three shadow companies, so one is equipped and the other is for a complement.” (informant PJ1)

Prospective providers work together to get government contracts, they make bids with several providers for one procurement package. Even after the winner was announced, the provider was still trying to get a contract with the mode disclosed by the PJ3 informant who revealed that:

“Provider collusion is so structured that it is difficult to prove. For example, in an auction we have got 1st, 2nd and 3rd winners, then we invite them to prove the three companies. It turned out that the three companies were still managed by one person, so automatically the other 2 winners would have voluntarily resigned. And my experience has also been that companies that we invite to prove have been seduced or forced to resign. If you are persuaded to retreat, of course, there will be deals or compensation.”(informant PJ3)

The various statements of the informants above can be interpreted that collusion can occur both between procurers and providers and between providers. Collusive practices are very difficult to prove because they occur outside the e-procurement system, as long as collusive activities are not detected and not punished, collusion can become a habit that is detrimental to the economy (Kawai & Nakabayashi, 2022).

Weak Integrity of Procurement Executors

Human resources that manage procurement must be competent and have integrity. If integrity is weak, it will damage the procurement system that has been built in such a way. In the procurement of goods/services carried out in XYZ Regency, two factors made the integrity of the procurement executors, especially the selection working group, weak. The first is that various interventions carried out by both internal and external parties have weakened the integrity of the selection working group, as stated by the informants below:

“...our working group is under pressure due to intervention from various parties so we are no longer independent.” (informant PJ1)

“...the main factor is that integrity was no longer there, starting from the top leadership, down to the lower executives ... No matter what system is created, if all parties involved in the procurement process have no integrity, fraud will still occur.” (informant PJ2)

The informant's statement above implies that integrity is a special challenge for procurement executors, including regional heads. The second factor is the character and behavior of the procurement executors themselves. There are also

election working groups who dare to "play" as explained by the PJ5 informant below:

“No matter how good the system is, it's back to the person carrying out the procurement. It's like this if the system can be controlled and if the working group is playing, the system can automatically be tricked by playing outside the system... It's undeniable that there are also friends playing, yes they play outside the system like I said earlier, they become consultants for potential providers.” (informant PJ5)

A low level of integrity in the procurement of goods and services can lead to corruption, this can be characterized by several actions ranging from bribery, facilitation, and collusion, to violations of conflict of interest rules, bid rigging and influence trading. (Transparency International, 2010).

Violation of Procurement Ethics

Procurement ethics is an important matter in the implementation of goods/services procurement, especially in the process of selecting providers through e-tendering. Ethics according to the Big Indonesian Dictionary (KBBI) has the meaning of knowledge about what is good and what is bad and about moral rights and obligations (*akhlak*)

(<https://kbbi.web.id/>). In procurement, ethics is a norm or rule that is the main guideline that must be possessed by procurement executors (Hamkah & Purwanto, 2018). Procurement actors must comply with the procurement ethics stipulated in Presidential Regulation Number 16 of 2018, namely order and responsibility, professionalism, independence and keeping secrets, not influencing each other, accepting and being responsible for all decisions, avoiding conflicts of interest, preventing waste, avoiding abuse of authority, and not accept, offer/promise.

From the themes that emerge, namely political patronage, intervention in working groups, collusion in procurement and weak integrity, they have interrelated meanings that lead to violations of procurement ethics. Political patronage is the result of a conflict of interest relationship and intervention that causes a lack of integrity is certainly not by the ethics of professionalism and independence. As a result, there is collusion by the procurement executors which is contrary to ethics and undermines all procurement systems that are built in such a way.

Procurement ethics is violated through the practice of political patronage carried out by regional heads, the selection working group intervenes to win the desired

provider. These various interventions have weakened the integrity of the election working group resulting in collusion between the working group and providers who are very prone to corruption and ultimately detrimental to state or regional finances.

Oversight of Procurement of Goods and Services

The monitoring system has an important role to prevent fraud in the procurement of goods/services. Control and supervision is one of the basic instruments in implementing an effective integrity system in the public sector, particularly in the procurement of goods/services (OECD, 2016). Oversight not only has an important role in supporting accountability and promoting the integrity of the procurement process but also generates valuable evidence of procedures and efficiency in the procurement cycle (OECD, 2016). Supervision of the procurement of goods/services is the responsibility of APIP as an internal auditor who carries out internal supervision of the implementation of the duties and functions of government agencies including accountability for state finances (PP No.60 Tahun 2008).

The inspectorate which is one of the APIPs that conducts internal supervision of the procurement of goods/services includes audits of the procurement of goods/services, probity audits, reviews, evaluations

and monitoring in the framework of assurance that the objectives of the procurement of goods/services are achieved, regulations and procurement procedures that apply complied with, the integrity of public services is increasing, the principles and ethics of procurement are well maintained (Peraturan BPKP Nomor 3 Tahun 2019).

Various oversight of the procurement of goods/services that have been carried out by the XYZ Regency Inspectorate includes audits for specific purposes, investigative audits and probability audits. Based on the interview results, the supervision carried out was not effective as described by the following informant who stated that:

“...We haven't focused on the procurement process yet and we also depend on requests that aren't routine. Routine supervision is only an audit on OPDs that carry out activities not in the auction process.” (informant A1)

“The nature of this supervision or audit is still awaiting and even then it is carried out partially or in parts. So there is no routine audit of the procurement of goods/services.” (informant A3)

The statement above shows that the function of prevention or early detection (early warning) of the XYZ Regency Inspectorate has not gone well because supervision is still like a

post-audit so fraud has occurred and then supervision has been carried out. This weakness means that the function of prevention or early warning has not run well.

Furthermore, the use of information technology and electronic transactions in e-procurement is a challenge for the auditor in conducting information technology-based supervision of the procurement of goods/services. The auditor's limited ability to carry out information technology-based supervision has resulted in the ineffectiveness of the supervision carried out.

DISCUSSIONS

Political Patronage Practices in the Procurement of Goods/Services

Cases of procurement of goods/services tend to increase and are the second largest after cases of bribery, and in the case of bribery itself, it is also related to the procurement of goods/services. (KPK RI, 2019). Goods/services procurement fraud is formed due to socio-political interactions between the government, goods/services provider companies and individuals involved in the goods/services procurement process. The relationship between bureaucrats, business people, politicians and political parties forms a social system that influences the regulation of

procurement of goods/services and encourages fraud (Hui et al., 2011).

The findings of this study can be explained through the patron-client theory put forward by Scott (1972). The results of this study describe a regional head (patron) using the goods/services procurement budget as a weapon to repay the sponsorship costs of his candidacy by providing government projects or contracts to parties who provide support (clients), which is called political patronage relations.

To realize his political patronage, the XYZ Regent influences the procurement process by intervening in the Procurement Section which is often connoted with a "policy" which means an order, directive or entrusted which means order or pressure, especially on the selection working group to win over a particular provider. Apart from that, to maintain his political power, the regent also distributes projects to unscrupulous law enforcement officials or companies brought by him under the pretext of "safeguarding".

This study also explains how the procurement of goods/services in XYZ Regency is regulated in such a way as to accommodate these "policies" and "safeguards". Researchers found the code code "SP 6, Siampang Kualo, AKBP and one door". SP 6 and Siampang Kualo have a meaning that is the address of the office of law enforcement officers,

while AKBP stands for the nephew of the regent. In order to regulate the respective "quota" above, a "one door" mechanism is needed which means all deposits, orders are managed by one person as a liaison (broker) who is a confidant of the regent and is still affiliated with the political party supporting the XYZ Regency. This certainly deviates from the principles and violates procurement ethics.

Violation of Procurement Ethics as a Social Construction

In the context of implementing good and clean goods/services procurement governance, all procurement actors must implement procurement principles and uphold procurement ethics. The aim is to ensure that economic and social interactions between related parties occur in a fair, transparent, professional and accountable manner (Peraturan Presiden Nomor 54 Tahun 2010).

Procurement ethics are norms or rules that are the main guidelines that must be owned by procurement executors (Hamkah & Purwanto, 2018). The findings of this study, namely intervention, collusion, and lack of integrity are certainly not by procurement ethics. This fraudulent behavior forms a social environment or within an organization that is not by applicable regulations, as well as an organizational environment that is used to commit fraud will affect the

behavior of individuals in that environment.

The findings of this study can be explained through the theory of social construction of reality. Government organizations represented by working groups in the selection of providers of goods/services interact with each other both within government organizations and with the private sector as providers of goods/services. In addition, both working groups have leaders who are elected through a political process that makes interaction interdependence or symbiosis between bureaucrats, business people, elected politicians and political parties (Johnston, 2005; Rose-Ackerman, 1999). Interactions between the election working groups, PPK, supply companies and even regional heads are carried out continuously to create a social reality that influences the regulation of procurement of goods/services and encourages fraud.

This study found that the procurement of goods/services in XYZ Regency led to violations of procurement ethics. First, political patronage and intervention are the results of a relationship that occurs due to a conflict of interest that affects the selection of providers to the desired company. Second, a lack of integrity is certainly not by the ethics of professionalism and independence. Third, collusion by

the procurement executor tricked the e-procurement system and looked for loopholes through the collaboration of the selection working group with one of the providers at the pre-bid stage, namely leaking procurement documents, locking specifications and qualifications to the provider you want to win. The working group even acts as a “consultant” for one of the providers. This of course goes against procurement ethics and undermines the entire procurement system.

The collusive practice described in the findings above is the result of the weak integrity of the procurement executors, especially the selection working group. The researcher found two factors that made the integrity of the election working group weak. The first is various interventions both carried out by internal parties and by external parties. The second is the character and behavior of the working groups themselves. A low level of integrity in the procurement of goods/services can lead to corruption, this can be marked by several actions ranging from bribery, facilitation, and collusion, to violations of conflict of interest rules, tender conspiracy, and influence trading. (Transparency International, 2010).

The research findings are in accordance with the research of Gong & Zhou (2015) who found that formal tender rules and policies can

be modified, circumvented and replaced with informal ones to facilitate corruption. Consistent with that, Dávid-Barrett & Fazekas (2020) mentions that even though e-procurement has been implemented, the procurement process offers many ways to manipulate and direct contracts to favored bidders or solicit bribes. This means that the e-procurement system cannot fully prevent fraud in the procurement of goods/services.

During this research period, researchers can see that accounting is a social reality that is not only related to procedural aspects but accounting can also be seen as a socio-political dimension. Based on the findings of this study, the researcher believes that fraud behavior cannot be separated from social values so it can have an impact on accounting practices, as well as forensic accounting. Accounting has various concentrations, one of which is forensic accounting. What is learned from forensic accounting is not only about how an organization becomes a victim of fraud, or how financial reports can be manipulated, but forensic accounting also studies the behavior of perpetrators of fraud.

CONCLUSION AND SUGGESTION

Conclusion

This research seeks to uncover the causes of e-procurement failure to prevent fraud in the procurement

of goods/services in XYZ Regency and to understand the essence of the meaning behind the fraud. The findings of this study reveal the root of the problem of fraud in the procurement of goods/services in XYZ Regency, namely 1) political patronage practices, 2) intervention against election working groups, 3) collusion in procurement, and 4) weak integrity of procurement executors, all of which conflict with 5) the ethics of procurement of goods and services, and 6) the ineffectiveness of oversight of the procurement of goods/services.

These findings contain interrelated meanings that lead to violations of procurement ethics. Through political patronage, the election working group intervened to win the desired provider. These various interventions have weakened the integrity of the election working group resulting in collusion between the working group and providers who are very prone to corruption and ultimately detrimental to state or regional finances. Apart from that, the ineffectiveness of the supervision carried out by the Inspectorate of XYZ Regency was also a contributing factor to fraud.

The results of this study describe the occurrence of patron-client relationships in the procurement of goods and services. This is certainly not by the principles of procurement in creating openness, transparency,

healthy and fair competition and leads to corrupt collusion between politicians, bureaucracy and businessmen. The researcher gives the term "pizza" for the goods/services procurement budget which has been cut into several parts and will be distributed by regional heads to their supporting parties.

Suggestion

The sensitivity of the problem of fraud, especially in the government sector, has limited access to UKPBJ so researchers only conduct interviews but cannot make in-depth observations. It is hoped that further studies can explore fraud in the procurement of goods/services through organizational culture and local culture approaches.

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