PREVENTING GOODS/SERVICES PROCUREMENT FRAUD IN HANDLING COVID-19 AND ITS IMPLICATION ON FINANCIAL PERFORMANCE IN SIGI DISTRICT

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ABSTRACT

This research aimed to determine: 1) The influence of the internal control system on preventing goods/services procurement fraud in handling covid-19 in Sigi District, 2) The influence of compensation suitability on preventing goods/services procurement fraud in handling covid-19 in Sigi District, 3) The influence of organizational commitment to the prevention of goods/services procurement fraud in handling covid-19 in Sigi District, 4) The influence of the internal control system on the financial performance of Sigi District, 5) The influence of compensation suitability on the financial performance of Sigi District, 6) The influence of organizational commitment on the financial performance of Sigi District, 7) The influence of preventing goods/services procurement fraud in handling COVID-19 on the financial performance of Sigi District. Type of the research was quantitative approach with a sample of 30 respondents. Data analysis technique used path analysis with purposive sampling technique. The results of the research indicate that the internal control system has a positive and insignificant influence on preventing goods/services procurement fraud in Sigi District; the suitability of compensation has a positive and significant influence on preventing goods/services procurement fraud in Sigi District; organizational commitment has a positive and insignificant influence on preventing goods/services procurement fraud in Sigi District; the internal control system has a positive and significant influence on preventing goods/services procurement fraud in Sigi District; compensation suitability has a positive and significant influence on the financial performance of Sigi District; organizational commitment has a positive and significant influence on the financial performance of Sigi District and the prevention of goods/services procurement fraud in handling COVID-19 has a positive and insignificant influence on the financial performance of Sigi District.

Keywords: Internal Control System, Compensation Suitability, Organizational Commitment, Fraud Prevention, Financial Performance.

INTRODUCTION

Entering March 2020, the Covid-19 corona virus which started from Wuhan, China, then spread to Indonesia and caused an extraordinary impact. The government, through Presidential Decree No. 12 of 2020 on April 13, 2020, then officially declared the corona virus outbreak (Covid-19) a national disaster. One of the Government's efforts in handling the Corona Outbreak, the Government of the Republic of Indonesia's Goods/Services Procurement Policy Institute issued Circular Letter Number 3 of 2020 concerning the Explanation of the Implementation of the Procurement of Goods/Services in the context of handling Corona Virus Disease 2019 (Covid 19), which regulates the procurement actors regarding the implementation of the procurement process for goods/services in an emergency situation in the context of handling COVID-19. The circular letter is issued with the aim of accelerating the process or stages of the procurement of goods/services that are different from the procurement of goods/services under normal conditions.

Fraud is a type of action that is carried out intentionally to obtain something by abusing his authority as a holder of trust. Cressey (1973) in Tuanakotta (2014:207) states that there are three causes or triggers for fraud, namely pressure (unshareable pressure/incentive), opportunity (perceived opportunity), and rationalization.
Fraud is defined as fraud which contains the meaning of a deviation and unlawful act, which is carried out intentionally for a specific purpose, such as deceiving or giving a false image (mislead) to other parties, which is carried out by people both from within and outside the company. from outside the organization. Fraud is designed to take advantage of opportunities dishonestly, which directly or indirectly harms other parties (Karyono, 2013: 4-5).

Fraud prevention is an integrated effort that can suppress the occurrence of factors causing fraud (fraud triangle), namely reducing the opportunity for fraud to occur, reducing pressure on employees to be able to meet their needs. As well as eliminating reasons to justify or rationalize the fraudulent acts committed (Astriani, 2016).

The implementation of the procurement of goods/services during the COVID-19 pandemic in Sigi Regency is carried out based on the Circular Letter of the Government Goods/Services Procurement Policy Institute (LKPP) Number 3 of 2020, namely the emergency method, where PPK directly appoints parties who carry out activities either through providers or self-management, without going through a selection or tender process to determine providers who have administrative and technical qualifications, so that the procurement process is relatively faster. The General Procurement Plan (RUP) is not announced on the LPSE website (electronic procurement service), there is no need for a price evaluation process and the implementing officials are directly PA (budget user), KPA (budget user power) and PPK (commitment maker official) to implementation of work and handover of work. With the convenience in the process of procuring goods/services above, it is very vulnerable to fraud or corrupt practices that cause state losses, this is because the audit process is carried out after the handover process and payment process to the provider as stated in part E number 5 of Circular Letter Number 3 of 2020.

The implementation of an adequate internal control system can prevent fraud in the procurement of goods/services. Sularso (2015) found that internal control has an effect on preventing fraud in the procurement of goods/services. Priyanto (2016) there is a positive and significant influence on the internal control system with the detection and prevention of fraud in companies or organizations. Ahriati (2015) The internal control system has no effect on the tendency of accounting fraud.

Internal control is a process designed to ensure the achievement of objectives related to operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable legal regulations. A good understanding of internal control is needed both by managers, users of accounting systems, designers of accounting systems, and evaluators of accounting systems (TMbooks, 2015:35).

Another factor that can also influence the occurrence of fraud is the suitability of compensation or incentives for employees. Thoyibatun (2009) found that the compensation system has a significant influence on accounting tendencies. Sularso (2015), the suitability of compensation affects the prevention of fraud in the procurement of goods/services but does not affect financial performance, Arifianti (2015) fraud in the procurement of goods/services is not influenced by the suitability of compensation.

Compensation is all income in the form of money, goods directly or indirectly received by employees in return for services provided to the company. Compensation in the form of money means that compensation is paid in currency to the employee concerned. Compensation is divided into two, namely: direct compensation in the form of salaries, incentives and bonuses. Indirect compensation or employee welfare in the form of benefits and services (Hasibuan, 2017).

In addition to the internal control system and compensation suitability, organizational commitment can also affect fraud prevention. Senda (2020) states that organizational commitment has a positive effect on the prevention of fraud in procurement of goods. Sularso (2015) states that organizational commitment does not affect the prevention of fraud in the procurement of goods/services.

One indicator of a good local government financial performance is the achievement of an unqualified opinion on an audit of regional financial management (Sularso, 2015). One of these opinions can be achieved if the process of procuring goods/services is carried out properly, in accordance with the laws and regulations. Based on this statement, it can be concluded that the high level of fraud in the procurement of goods/services will have an impact on financial performance.
Mardiasmo (2009) in Harun Blongkod (2021) describes the notion of financial performance is the achievement achieved by the company/government within a certain period that reflects the level of health of the company/government. Financial performance is an analysis conducted to see the extent to which a company/government has implemented it by using financial implementation rules properly and correctly.

**METHOD**

**Population, Sample, and Sampling Technique**

The population in this research were procurement actors in 9 Sigi District Regional Apparatus Organizations who were directly involved in handling and financing during the COVID-19 pandemic. Samples were taken as many as 30 people, consisting of budget users, power budget users, commitment making officials, procurement officials and the election working group. The sampling technique was carried out using the purposive sampling method, namely the technique of determining the sample with certain considerations (Sugiyono, 2013:122).

**Technique of Data Analysis**

Data analysis is a scientific method used to prepare, compile, present and analyze data in the form of numbers. To be able to measure the effect of the independent variable on the dependent variable, it is necessary to measure it using statistical analysis tools.

**Classic Assumption Test**

Classical assumption testing or called regression assumption aims to determine the feasibility of the resulting regression equation model and meet the requirements such as: Normality Test, Multicollinearity Test and Heteroscedasticity Test

**Path Analysis**

Path analysis is a development of regression analysis, so that regression analysis can be said to be a special form of path analysis (regression of the Special Chase of path analysis). Path analysis is used to describe and test the relationship model between variables in the form of cause and effect. Thus in the model of the relationship between these variables, there are independent variables called exogenous variables (Exogenous), and dependent variables called endogenous variables (Endogenous). Through path analysis, it will be possible to find which path is the most appropriate and short of an independent variable to the last dependent variable (Sugiyono, 2015: 297).

**RESULT AND DISCUSSION**

**Result**

The results of path regression analysis using the computer aided SPSS For Wind Release 16.0 obtained research results from 30 respondents with the alleged influence of the three independent variables (internal control, compensation suitability, and organizational commitment) on fraud prevention and financial performance in the context of prevention covid-19 in Sigi Regency, namely:

**Table 1: Variables Relationship**

<table>
<thead>
<tr>
<th>No</th>
<th>Relationship</th>
<th>Estimate</th>
<th>S.E</th>
<th>C.R</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Z ← X1</td>
<td>0.124</td>
<td>0.107</td>
<td>1.156</td>
<td>0.248</td>
</tr>
<tr>
<td>2</td>
<td>Z ← X2</td>
<td>0.152</td>
<td>0.090</td>
<td>3.927</td>
<td>0.000</td>
</tr>
<tr>
<td>3</td>
<td>Z ← X3</td>
<td>0.111</td>
<td>0.064</td>
<td>1.736</td>
<td>0.188</td>
</tr>
<tr>
<td>4</td>
<td>Y ← X1</td>
<td>0.286</td>
<td>0.107</td>
<td>2.666</td>
<td>0.008</td>
</tr>
<tr>
<td>5</td>
<td>Y ← X2</td>
<td>0.252</td>
<td>0.109</td>
<td>2.319</td>
<td>0.020</td>
</tr>
<tr>
<td>6</td>
<td>Y ← X3</td>
<td>0.199</td>
<td>0.085</td>
<td>2.348</td>
<td>0.019</td>
</tr>
<tr>
<td>7</td>
<td>Y ← Z</td>
<td>0.048</td>
<td>0.182</td>
<td>0.266</td>
<td>0.790</td>
</tr>
</tbody>
</table>

Source: Data processed 2022
Based on the table above, it can be explained the path relationship and the positive and significant influence hypothesis as follows:

1. First Hypothesis Testing
   For the internal control variable, the calculation results show that the path coefficient value is 0.124, while the probability level is 0.248. Thus the P value > 0.05 at the 95% confidence level. So it can be stated that the internal control variable has a positive but not significant effect on preventing fraud in the procurement of goods/services in the context of handling COVID-19. Thus, the first hypothesis which states “Internal control affects the prevention of fraud in the procurement of goods/services in handling COVID-19 in Sigi District” based on the result of path analysis turned out to be unproven.

2. Second Hypothesis Testing
   For the compensation suitability variable, the calculation results show that the path coefficient value is 0.352, while the probability level is 0.000. Thus the P value < 0.05 at the 95% confidence level. So it can be stated that the compensation suitability variable has a positive and significant influence on the prevention of fraud in the procurement of goods/services in the context of handling COVID-19. With the second hypothesis which states “the suitability of compensation affects the prevention of fraud in the procurement of goods/services in handling COVID-19 in Sigi District” based on the result of path analysis turned out to be proven.

3. Third Hypothesis Testing
   For the organizational commitment variable, the calculation results show that the path coefficient value is 0.111, while the probability level is 0.188. Thus the P value > 0.05 at the 95% confidence level. So it can be stated that the organizational commitment variable has a positive but not significant effect on preventing fraud in the procurement of goods/services in the context of handling COVID-19. With the third hypothesis which states “Organizational commitment affects the prevention of fraud in the procurement of goods/services in handling COVID-19 in Sigi District” based on the result of path analysis turned out to be unproven.

4. Fourth Hypothesis Testing
   For internal control variables, the calculation results show that the path coefficient value is 0.286, while the probability level is 0.008. Thus the P value < 0.05 at the 95% confidence level. So it can be stated that the internal control variable has a positive and significant influence on the financial performance of Sigi Regency. With the fourth hypothesis which states “Internal control affects the financial performance of Sigi Regency” based on the result of path analysis turned out to be proven.

5. Fifth Hypothesis Testing
   For the compensation suitability variable, the calculation results show that the path coefficient value is 0.252, while the probability level is 0.020. Thus the P value < 0.05 at the 95% confidence level. So it can be stated that the compensation suitability variable has a positive and significant influence on the financial performance of Sigi Regency. With the fifth hypothesis which states “Compensation suitability affects the financial performance of Sigi District” based on the result of path analysis turned out to be proven.

6. Sixth Hypothesis Testing
   For the organizational commitment variable, the calculation results show that the path coefficient value is 0.199, while the probability level is 0.019. Thus the P value < 0.05 at the 95% confidence level. So it can be stated that the organizational commitment variable has a positive and significant influence on the financial performance of Sigi. With the sixth hypothesis which states “Organizational commitment affects the financial performance of Sigi District” based on the result of path analysis turned out to be proven.

7. Seventh Hypothesis Testing
   For the fraud prevention variable, the calculation results show that the path coefficient value is 0.048, while the probability level is 0.790. Thus the P value > 0.05 at the 95% confidence level. So it can be stated that the fraud prevention variable has a positive and insignificant effect on the financial performance of Sigi Regency. With the fourth hypothesis which states “Internal control affects the financial performance of Sigi District” based on the result of path analysis turned out to be unproven.

From the relationship between the variables above, a path analysis image can be made as follows:
Discussions
The Influence Of The Internal Control System On The Prevention Of Fraud In The Procurement Of Goods/Services In Handling Covid-19 In Sigi District

The results showed that the internal control system had a positive but not significant effect on the prevention of fraud in the procurement of goods/services, meaning that the internal control system had a positive relationship with the prevention of fraud in the procurement of goods/services in the context of handling COVID-19. The better the implementation of the internal control system, the better the prevention of fraud is done, on the contrary, the worse the internal control system, the prevention of fraud will be difficult to do. In the process of procuring goods/services in the context of handling COVID-19 in Sigi Regency, it is different from the procurement of goods/services under normal circumstances, so this research is only carried out on organizations that directly handle COVID-19 and procurement actors who are directly involved, namely budget users, power users, budget and commitment-making officials, while for procurement officials and the selection working group who understand and carry out the procurement process to select providers who have the ability not to be directly involved in the procurement process of goods and services in an emergency even though they have competence in the procurement of government goods and services.

The Influence Of The Suitability Of Compensation On The Prevention Of Fraud In The Procurement Of Goods/Services In Handling Covid-19 In Sigi District

Based on the results of the research, it shows that the suitability of compensation has a significant and significant influence on the prevention of fraud in the procurement of goods/services in the context of handling COVID-19 in Sigi Regency. Compatibility of compensation that is given fairly and in accordance with the performance and workload of employees will be able to prevent fraud or budget irregularities. Management of fair and appropriate compensation will lead to satisfaction for employees, while the provision of inappropriate compensation will lead to employee dissatisfaction so that it will reduce performance, increase complaints, cause strikes and can lead to acts of irregularities or fraud, especially in the procurement of goods/services in the context of handling COVID-19.

The Influence Of Organizational Commitment On Preventing Fraud In The Procurement Of Goods/Services In Handling COVID-19 In Sigi District

The results of this study indicate that organizational commitment has a positive but not significant effect on the prevention of fraud in the procurement of goods/services. High commitment by procurement actors in the scope of the Sigi Regency Regional Government can reduce the occurrence of fraudulent acts in an organization. The results of respondents' responses indicate that procurement actors in Sigi Regency feel that they have an organization at their place or agency. This high sense of belonging reflects the employees' great commitment so that they will not act/fraud in the procurement of goods and services because they feel they have become part of the organization.
The Influence Of The Internal Control System On The Financial Performance Of Sigi District

The results showed that the internal control system had a positive and significant effect on the financial performance of Sigi Regency. The better the implementation of the internal control system, the better the financial performance obtained, on the contrary, the worse the internal control system, the better the financial performance obtained. This research is in accordance with one of the objectives of internal control, namely the achievement of the reliability of financial reporting.

The Influence Of Compensation Suitability On The Financial Performance Of Sigi District

The results showed that the suitability of compensation had a positive and significant effect on the financial performance of Sigi Regency. Based on these results, it can be understood that the suitability of the compensation received can affect the quality of financial statements or financial performance. By providing appropriate compensation to employees, it can provide satisfaction and motivation to employees at work, thus encouraging them to give their best for the agency where they work, as well as minimizing employee actions to commit accounting fraud through asset theft or other fraud that reduces the reliability of financial statements due to fraud. The welfare of employees is well considered by the government through the provision of appropriate and fair compensation.

The Influence Of Organizational Commitment On The Financial Performance Of Sigi District

The results of the study indicate that organizational commitment has a positive and significant effect on financial performance. The existence of a similar commitment between individuals and organizations will encourage these employees to work hard and exert all their abilities to achieve the success of the organization where they work, especially financial success that can be seen from their financial performance.

The Influence Of Preventing Fraud In The Procurement Of Goods/Services In Handling Covid-19 On The Financial Performance Of Sigi District

The results showed that the prevention of fraud in the procurement of goods/services in the context of handling COVID-19 had an insignificant and insignificant effect on the financial performance of Sigi Regency. Fraud can reduce effectiveness and efficiency and consume very high costs because of the losses it generates. The amount of the budget allocated in the context of handling COVID-19 must be managed properly in order to minimize the risk of fraud that occurs so that it will have a direct impact on the financial performance of Sigi Regency. Prevention of fraud in the procurement of goods/services in the context of handling COVID-19 in Sigi Regency is the responsibility of all parties involved in the procurement of goods/services.

CONCLUSIONS

1. The internal control system has a positive and insignificant influence on preventing fraud in the procurement of goods/services in handling COVID-19 in Sigi District.
2. Compensation suitability has a positive and significant influence on preventing fraud in the procurement of goods/services in handling COVID-19 in Sigi District.
3. Organizational commitment has a positive and insignificant influence on preventing fraud in the procurement of goods/services in handling COVID-19 in Sigi District.
4. The internal control system has a positive and significant influence on the financial performance of Sigi District.
5. Compensation suitability has a positive and significant influence on the financial performance of Sigi District.
6. Organizational commitment has a positive and significant influence on the financial performance of Sigi District.
7. Prevention of fraud in the procurement of goods/services in handling COVID-19 has a positive and insignificant influence on the financial performance of Sigi District.
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