

FACTORS AFFECTING THE GOVERNMENT PROCUREMENT FRAUD: THE INDEPENDENT AUDITOR'S POINT OF VIEW EVIDENCE FROM INDONESIA

Zulaikha*, Imam Ghozali*, Paulus T. Hadiprajitno*

*Accounting Department, Diponegoro University, Indonesia

Abstract

The objective of this study was examining the factors affecting the government procurement fraud. Based on the fraud triangle and the theory of planned behavior, this study proposed seven hypothesis, those are tested by regression analysis. This study used primary data gathered by surveys to members of The Boards of the Republic Indonesia- Financial Auditors, who act as external auditors for the Government. They were asked to assess factors influencing the government procurement of goods and services fraud. There were 297 auditors of the Boards that participated in this survey. The result showed that the procurement frauds were influenced by lack of procurement committee quality, the weakness of procurement control, and the intentions to engage fraud. The intentions to engage fraud were significantly influenced by attitude toward fraud, subjective norms, and the perceived behavioral control. Furthermore, other elements of fraud triangle, the financial pressure, did not influence to the procurement fraud.

Keywords: Procurement Fraud, The Attitudes, Subjective Norms, Perceived Behavioral Control, Intentions To Engage Fraud, Fraud Behavior

1. INTRODUCTION

Corruption crimes in Indonesia are still numerous for many recent years. Many of them are procurement fraud in the government expenditures. The report of The Boards of the Republic Indonesia-Financial Auditors (BRIFA) *insisted* that they found 12.947 cases of fraud indication which were estimated of Rp9, 72 billion government lost (Poernomo, 2013a). The BRIFA's Chairman, Poernomo (2013a) said that this detected frauds were a large amount of rupiahs and happened on various opportunities every year, so the Government should have a power of force to work on and resolves this findings.

Hehamahua (2011) explained that fraud happened due to the lack of *integrity*, the lack of transparency in the procurement procedures, and lack of independency of the procurement committee of the government goods and services procurements. Cressey (1973) found that frauds were driven by three factors. They are the present of a pressure, opportunities, and rationalization, called as the fraud triangle.

Pressure is frequently identified as a financial pressure that drives someone to do financial fraud. Rijkeghem and Weder (1997), and Lambsdorff (1999) showed that there is a positive effect of the low income person on the corruption or fraud intensity. The low income of government employees can drive frauds and corruptions (BRIFA, 1999). The second factor is the opportunities. It is the factor that someone intentionally conduct fraud or corruption in his or her authority, that is not easily to be detected. This opportunities happen because of lack internal control systems improperly, ethics and environment

situations that belief the selected officer will not conduct a fraud. Purnomo (2013) stated that a weak control system promote an opportunity for the officers or committees to carry out frauds.

The third aspect of fraud triangle is rationalization. Rationalization is a perception that someone is trusted, so when he or she conduct a fraud, he or she will not feel himself or herself as the fraudster. Thus, when the fraud is exposed, he or she feels as a victim of an improper systems or unfavorable environment and a fraud tolerance. This third factor is interesting to be viewed as factor that is related to the moral and psychological motive, the most importance thing to realize is the reason why someone is doing a non ethical conduct prior to a fraud (Cohen, Ding, Lesage, and Stolowy, 2010).

In social psychology literature, Ajzen (1991) emphasized the role of intentions to explain the behavior. He stated that a behavioral intention was affected by attitudes toward the behavior, subjective norms and perceived behavioral control. This is known as the theory of planned behavior (TPB) (Ajzen, 1991).

This research adopts two theories, the fraud triangle concept (Cressey, 1973) and the TPB (Ajzen, 1991), to review the opportunity, financial pressure and rationalization, a factor that emphasizes the moral and psychological aspects. Based on the TPB, this research develops rationalization factor as the proxy of (1) the attitudes toward the behavior, (2) subjective norms and (3) perceived behavioral control (Ajzen, 1991; Cohen et al., 2010). These three variables were proposed to promote the intention to engage fraud.

The procurement frauds are frequently founded by the independent or external government auditors, i. e. the board of government financial auditors. This research used the external auditor as the respondents to consider their perceptions of factors that affecting the procurement fraud in government goods and services in Indonesia. The data is examined and reviewed based the fraud triangle concepts and the TPB.

2. PROBLEM FORMULATION

There are observable facts in the procurement frauds in the government goods and services (corruption, bribery, regulation divergence, and others), and furthermore there are many frauds that can be sentenced as corruption crimes by Indonesia Anti Corruption Committee. Government goods and services procurement are the most amount of government expenditures, but the procurement systems still do not protect from the conduct fraud and corruptions. Why this phenomenon repeatedly occur? Uses the fraud triangle (Cressey, 1991), there are three factors affecting those with fraud, i.e. pressure, opportunity, and rationalization.

In this study, opportunity is as proxy of systems, procedures, and quality of the procurement committee variables. Moreover, from the perspective of theory of planned behavior (TPB), rationalization factor is developed in some variables: (1) the attitudes toward the behavior, (2) subjective norms and (3) perceived behavioral control, which are essentially affected to the intention to engage fraud, and this intention will realize as a fraud behavior (Ajzen, 1991; Cohen et al., 2010). Based on the above argument, the research question can be formulated as follows:

1. Does the attitude toward the fraud behavior, the subjective norms, perceived behavior control affect to the intention to engage fraud?

2. Do the financial pressure, the weak system and procedures of procurement, the quality of the procurement Committee's, and the intention to engage fraud have impacts to fraud behavior?

Examining and understanding the factors that influence the fraud is important (Albrecht, Albrecht, dan Albrecht 2004). The examiners or auditors can consider those factors to detect the possibility of fraud. The findings of this studies empirically can give evidence were analyzed using fraud triangle and the TPB. The purpose of this research was to analyze factors that affect fraud in government procurement of goods and services, by adopting the fraud triangle (Cressey, 1973) and The TPB (Ajzen, 1991).

3. LITERATURE REVIEW

Fraud is one of the forms of risk in an organization. Fraud gives an advantage for those who do. However, it might impact of the losses for institutions. Cressey (1973) developed fraud triangle, he explained things that encourage the occurrence of fraud, it is cited below:

"Trusted persons become trust violators when they conceive of themselves as having a financial problem which is non-shareable, are aware this problem can be secretly resolved by violation of the position of financial trust, and are able to apply to their own conduct in that situation verbalizations which enable them to adjust their conceptions of

themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property"

Cressey (1973) stated that fraud occurred because of three elements i.e., pressure, opportunity, and rationalization. Pressure becomes a motivation of a person or an individual to seek opportunities of fraud. Examples of pressure include personal financial problems, excessive debt, as well as the deadlines and targets unrealistic work. In general, the factors that encourage fraud are the need or financial concerns. However, many things are driven by greed. Fraud may be executed in the environment when the internal control is weak, supervision is minimum, and the opportunity of misuse authority is available.

The third element of fraud triangle is the rationalization. The fraud perpetrators have reasons for justifying his actions, that is called rationalization. This is a crucial element in the occurrence of fraud, where the reason those other co-workers also do the same activity and they do not receive any sanction of the fraud. Rationalization is the element that relates to the attitude. Based on the TPB, it includes: (1) the attitudes toward the behavior, (2) subjective norms, and (3) perceived behavioral control (Cohen et al. 2010). The planned behavior theory is much applied in the health literature, management, marketing, and consumer behavior (Xiao and Wu, 2008). It is also used to describe the factors that influence the fraud (Cohen et al. 2010).

Theory of planned behavior developed by Ajzen (1991), proposes a model to measure how one individual acts or behaves. This theory predicts the occurrence of a behavior due to an intent. Intention to behave has antecedent which affect the target behavior, which here is the fraud behavior. The first antecedent variable of the intention to behave is attitudes towards behavior. It is a positive or negative evaluation process of the individual against behavior (Xiao and Wu, 2008). The second is subjective norms. They are the perception of the individual concerned agree or disagree with a behavior. The third variable is perceived behavioral controls. This variable describes the perception of the extent to which difficulty to behave (Xiao and Wu, 2008) or the perception of whether doing behavior easily (Cohen et al. 2010). When one looks at or perceives it is easy to execute fraud then he or she would have had the intention to engage fraud, the later, he or she will conduct fraud.

3.1. Government Procurement Fraud

Procurement for goods and services regulation of Indonesia government is set up by Presidential Regulation No. 54/2010. It is about a government-procurement of goods/ services, subsequently amended in Presidential Regulation No. 35/2011 and No. 70/2012. They regulate the government procurement of goods and services. It is an activity to obtain goods and services needed for the government based on the government planning before. The regulation should be implemented and adhered by all the parties that involve in the government procurement. In practice, those implementation processes are often not carried out due to fraud.

3.2. Theoretical Framework and Hypothesis Development

The financial pressure that occurs on procurement committee may be a factor that affects the intention toward fraud behavior. Low income usually may lead to financial pressure (Lambsdorff, 1999). For some procurement committee members, the money they earned sometime is perceived unfair with the procurement high risk and workload, then often they justify to intent toward fraud (Cressey, 1973). Similarly, Rezaee (2005) states that the low incentives are inadequate (low). It may have an effect on the presentation financial reporting fraud. From the framework, it is formulated the proposition that low incomes may be a reflection of the financial pressure that may affect the action of fraud. Based on the point of views, it is proposed the first hypothesis as follows:

H₁: Financial pressure would be positively associated with fraud behavior.

System and procedures will provide good guides to the members involved in the process of government procurement. They can work for directing and achieving the objectives of efficient and effective procurement. Thai (2001) States that the systems and procedures of procurement are important as the success factor of government-procurement of goods/services. Further, Tsing (2006) reveals that the lack of system and procedures not effective, and lack of supervision may allow occurrence of fraud acts. In Indonesia, it is often perceived that, bribery, gratuities, are common. They make control environments and also system and procedure ineffective. Based on the above reasoning, hypotheses proposed is that:

H₂: ineffective system and procedures for procurement were expected to positively relate to fraud actions

Procurement members are they who execute the government procurement. They determine the process of procurement work how they select the suppliers and make contractual agreements with them who will carry out the works (Celentani and Ganuza, 2001). Arrowsmith (2010) stated that the quality of professionalism of procurement members may be viewed of several dimensions, they are integrity, competence, independence, objectivity, where all of which may be affect the fraud behavior. Because of many corruption phenomenon and Indonesia, it is promoted empirically examine the proposition that the less quality of procurement committees the more fraud will occur. The next hypothesis proposed is that.

H₃: lack of the quality of the procurement committee were expected to positively relate to fraud actions

The third aspect of the fraud triangle is rationalization. It is an aspect of moral and psychological of fraud perpetrators. It is closely related to attitudes, that are reflection of judgment relating to an object, event, or public (Robbins, 1996). The attitudes have elements of cognition and intention toward behave. Based on Cohen et al. (2010) study, this research proposes that rationalization is

proxied by attitude toward fraud behavior, subjective norms, and perceived behavioral control. This three variables is argued will affect the intention to engage fraud.

Telgen (2006) revealed that the characteristics of procurement in the public sector claimed the attitude of the exemplary official behavior of government. An exemplary behavior is not only in terms of standards, but also in terms of the efficiency and effectiveness of their operations. On the contrary, the attitude that gives tolerance of fraud will encourage individuals to have the intention to do and behave on fraud.

Further, Cohen et al. (2010) stated that the attitude toward the behavior of fraud is the attitude that supports actions that lead to fraud behavior. The next hypothesis proposed that:

H₄: the attitude toward fraud was expected positively relate to the intention to engage to procurement fraud.

The next variable of rationalization is the subjective norms. It is a component of the theory of planned behavior describing the view or the subjective norms that are believed by individuals (Cohen et al.2010). In many cases it is found that somebody do fraud because any control environment supports as collation manner. These subjective norms become personality concern. It may encourage to fraud behavior. A collection of subjective norms will form an environment that may rationalize an action, also fraud.

Thai (2001) studied that the environment is one of the factors that affect the system ability to work. Lack of proper subjective norms that support procurement fairness and integrity may increase the intent toward fraud behavior. If there are subjective norms toward fraud it will drive the individual intention to engage fraud behavior. The next proposed the hypothesis that the:

H₅: subjective norm would be positively associated with fraud action

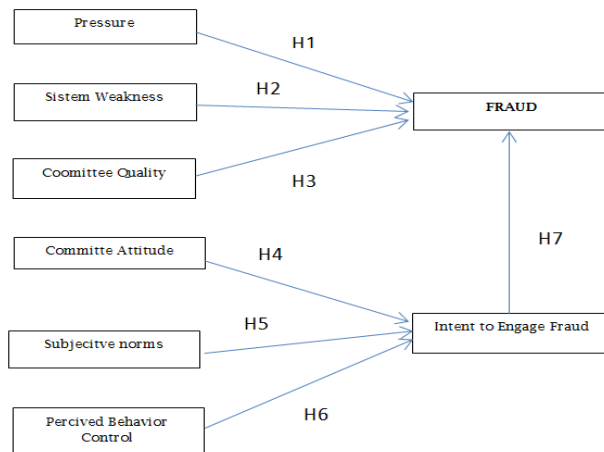
The next variable is perceived behavioral control. This variable describes the perception of individuals, i.e. easy-whether or not someone doing something (Cohen et al. 2010). When one looks at or perceives it is easy to do fraud without any sanction, so he or she will be driven to have intention to engage fraud. This factor might be called the self-efficacy beliefs of the perpetrators of the fraud, which became the intent to engage fraud. The individual control can drive to having intention to engage fraud (Beck and Ajzen, 1991). The next hypothesis is proposed that:

H₆: perceived behavioral control would be positively relate to the intention to engage procurement fraud

Theory of planned behavior (Ajzen, 1991) states that the three factors drives individual to intent the existence of an intention to engage fraud. If it is accompanied by the existence of opportunities and pressure (financially and otherwise) it will trigger the fraud behavior (Cohen et al.2010). The seventh hypothesis proposed is that:

H₇: the intention to engage fraud affect on the fraud behavior

Figure 1. Research Model



4. RESEARCH METHODS

This research was an empirical study. Primary data were used by direct survey to the respondents. They are the external auditor of the government, here of The Boards of the Republic Indonesia Financial Auditors. They were hired as respondents because they are who did financial audit of the government financial reporting and sometimes find any fraud in the financial statements and the government procurement. The population of this research is the independent auditors in the Board. From 400 questionnaires sent, we obtained 302 completed questionnaires but 5 questionnaires dropped because data were not complete, so only 297 respondents

processed further. The research model here to examine the causal relationship all variable. The above hypotheses can be formulated into two equation models as follows.

5. RESULTS AND DISCUSSION

Data are collected by two periods, data from both of them had examined by non-biased test. The data were examined their reliability and validity, and the result are supported. The OLS regression is used to test the hypothesis. The descriptive statistics tests are shown in Table 1.

Table 1. Descriptive Statistics of Variables

	N	Minimum	Maximum	Maximum	Maximum	Mean	Std. Deviation
	Statistic	Theoretical	Theoretical	Statistic	Statistic	Statistic	Statistic
FRAUD	297	9	45	9	45	35.06	5.384
PRESSURE	297	3	15	3	15	9.86	2.526
QUALITY	297	3	15	3	15	10.81	1.681
SYSTWEAKNESS	297	5	25	5	25	19.21	2.639
ATTITUDE	297	3	15	3	15	11.34	1.940
NORMS	297	5	25	5	25	18.34	3.158
BEHAVCONTROL	297	5	25	5	25	18.30	3.115
INTENTTOFRAUD	297	2	10	2	10	8.09	1.199
Valid N (listwise)	297						

Figure 1, shows that the respondents perceived that the fraud behavior is high by mean 35.06 of 45. This variable is measured by 9 item questions. The mode of fraud that is perceived by respondents are that the prospective suppliers is not real but they hold on behalf of the other supplier who legally having the business license, and sometimes fraud is conducted by suppliers in illegal acts. The pressure variable is perceived moderately by respondents. It is measured by three indicators. It has mean value 9.86 of 15. The most instruments of the pressure appeared is that the remunerations of the procurement committees are not fairly equal with their responsibilities, and any activities that have no budget, but they must be performed. That drives procurement committees to do fraud. The third and the fourth variables are Quality and System Weakness. They represent opportunities in the fraud triangle. Quality here is perceived by respondents that describe how the procurement committee

members have being integrity, objectivity, and less competence. It measured by three indicators. This quality has mean value 10.81 of 15. It means moderately over the theoretical mean. The next variable is system weakness. It describes there are some weakness in the procurement system because lack of fairly system implementation. It is measured by five indicators. It has mean value of 19.21 of the highest value 25.

The last aspect of fraud triangles is rationalization. It is represented by three variables, i.e. attitude toward fraud, subjective norms, and behavioral controls. Attitude toward fraud is a reflection of a statement or judgment relating to an object, event, or society that has elements of cognition and affective against fraud that are perceived by the respondents. This variable is measured by three components of attitude that is the aspect of cognitive, affective, and behavioral. The mean value is 11.34 of 15. The next variable is

subjective norms on the fraud action. It describes the thought or the subjective nature of the norms that are owned by the individual about the deeds of fraud of the parties who executing procurements which are perceived by the respondents. This variable is measured with five indicators about norms and value systems that are owned by the committee for the procurement of goods/services. The empirical evidence showed the mean value 18.34 of the highest value 25.

The next is perceived behavioral control. It describes the perception of the procurement committees members that have belief in controlling to act fraud. It is perceived by respondents. This variable is measured with five indicators that the auditor's judgement perceived that the extent to how the procurement committee have the potential behavior to do fraud. This variable have mean value 18.30 of the highest value 25.

The intervening variable between three variables of rationalization of fraud triangles and the fraud behavior is the intention to engage fraud. It is

an aspect of cognitive and affective action to trigger the do fraud. This variable is measured by 2 indicators, and the result showed the mean value 8.09 of the highest value 10.

5.1. Hypothesis Testing

The OLS regression test results is presented in Table 2 for equation 1 and Table 3 for equation 2. Equation 1 is used to test the hypothesis 1, 2, 3, and 7, and the results are shown in Table 2. The results shows that pressure do not affect significantly on the fraud behavior, so H1 is not supported. Furthermore, the empirical results also show that fraud is significantly affected by quality of the procurement committee, and the system weakness. Both the independent variables are the representative of the opportunity as the fraud triangle component. If there is an opportunity so there will be predicted to trigger the fraud acts. So the hypothesis 2 and 3 are supported by empirical data.

Table 2. Coefficients^a for equation 1 (Testing Hypothesis 1.2.3. and 7)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Hypothesis testing results
		B	Std. Error	Beta			
1	(Constant)	6.782	2.353		2.883	0.004	*
	PRESSURE	0.118	0.101	0.056	1.172	0.242	H1 not supported
	QUALITY	0.775	0.161	0.242	4.813	0.000	H2 supported *
	SYSTWEAKNESS	0.448	0.111	0.220	4.055	0.000	H3 supported *
	INTENTTOFRAUD	1.539	0.239	0.343	6.428	0.000	H7 supported *

a. Dependent Variable: FRAUD * = Sig. at 5%
 F = 46.09 Sig. = 0.000
 R square = 0.387
 Source: Data processed

The analysis is also shows that fraud is also significantly affected by the intention to engage fraud. The intention is representation of ratioanalization, the third component of fraud triangle, so hypothesis 7 is also supported.

There are three determinant of the intention to engage fraud here are attitude toward fraud, subjective norms, and perceived behavioral control. The relationship of them are proposed by H4, H5, and H6. Three hypothesis are tested by OLS regression. The result are shown on Table 3.

Table 3. Coefficients^a for equation 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Hypothesis
		B	Std. Error	Beta			
1	(Constant)	2.406	0.362		6.641	0.000	*
	ATTITUDE	0.129	0.033	0.208	3.962	0.000	H 4 supported *
	NORMS	0.058	0.020	0.153	2.863	0.004	H5 supported *
	BEHAVCONTROL	0.173	0.021	0.448	8.325	0.000	H6 supported *

a. Dependent Variable: INTENTTOFRAUD * = Sig. at 5%
 F = 87.79 Sig. = 0.000
 R square = 0.473
 Source: Data processed

Based on Table 3, it can be seen that H4, H5, and H6 are supported. The results showed that attitude toward fraud, subjective norms, and perceived behavioral control was positively and significantly correlated with the intention to engage in fraud.

5.2. The influence of financial pressure on the fraud behavior

The OLS regression test show that financial pressure was not positively correlated with the fraud behavior. It describes that the first hypothesis was not supported, the results in Table 2 shows the value of

p = 0,242, it is greater than 0.05. Empirical evidence show that although most respondents answered agree and strongly agree that incentives for procurement committee is not fair with their responsibility and the cost of living, but it does not drive to do fraud. According to the fraud triangle, pressure is one element triggering the fraud (Cressey, 1973), however, this study did not support that the financial pressure can drive the fraud behavior like what was studied by Cressey, (1973), Lambsdorff (1999), and Rezaee (2005). In Indonesia, financial incentives for procurement committees are regulated by Presidential Regulation No 35/2011 and No

70/2011, so it is hard by the committee to do fraud because of the financial pressure.

5.3. The influence of Procurement committee quality on the Fraud behavior

The lack of quality of the procurement committees is also a proxy opportunity element in the fraud triangle. In this research the quality of procurement committee is measured by indicators-less integrity, less objectivity, and whether any related parties. The results of analysis shows that the quality of the procurement committees significantly affect on the fraud behavior with sig. 0.000. Thus the second hypothesis was empirically supported. It implies that procurement fraud occurred is affected by lack of integrity, lack of objectivity, lack of independence, and the existence of related parties between suppliers and procurement committees. Related parties represents two or more parties that are related by ownership, managerial, and family relationship.

The lack of integrity of the procurement official, lack of their objectivity, and the existence of a special relationship between the official and suppliers are indicators of the opportunity elements of the fraud triangle that can drive the fraud behavior (Cressey, 1973; Cohen et al. 2010). The results also support the second hypothesis, and supports Hehamahua (2011) study. He had studied that the model of irregularities (fraud) over the procurement of goods and services are lack of the committee's integrity, lack of transparency and independence in procurement process.

5.4. The impact of Weak systems and procedures of Procurement on fraud behavior

Systems and procedures containing the weakness is an opportunity that may drive individuals involved in the procurement of goods and services to conduct fraud (Cohen et al. 2010). In the fraud triangle, control systems containing flaws is the element that can trigger the occurrence of fraud (Cressey, 1973). The results of empirical analysis shown in Table 2 describe that the value of $p = 0,000$, it is less than 0.05, this shows that systems and procedures of government procurement for goods and services containing the weakness significantly affect the fraud behavior in the procurement process. Thus the third hypothesis is supported.

The results showed that any weaknesses of the procurement system and procedures for goods and services can drive the fraud behavior. Procurement systems and procedures are clearly already governed by Presidential Regulation of Indonesia Number 54 in 2010 as amended by presidential Regulation number 25 in 2011 and presidential regulation Number 70 in 2012. The regulations have regulated overall. However, it is often these regulations are not implemented fairly, there are no rewards for honest and smart procurement committees, and there are devices that do not support the systems. The results support the fraud triangle (Cressey, 1973).

5.5. The impact of Attitude on the Intention to Engage Fraud

The attitude toward fraud describes how individuals make rationalization about fraud. In the fraud triangle, rationalization is also one of the elements of the factors of occurrence of fraud. In this study, based on the theory planned behavior, Cohen et al. (2010), rationalization is proxied by three variables those are attitude toward fraud, subjective norms, and perceived behavioral control. The attitude toward fraud as the proxy of the element of the rationalization of fraud triangle. This is developed based on the theory of planned behavior (Cohen et al., 2010 and Beck and Ajzen, 1991). Rationalization affected fraud through an intention to engage fraud. The results of analysis shown in Table 3. In can be seen that the attitude toward fraud has significant effect on the intention to engage fraud with Sig. = 0.000. Thus the forth hypothesis is supported.

The third element of the fraud triangle is rationalization. It is an aspect of moral and psychological manner of the fraud perpetrator. This study refers to Cohen et al. (2010), the three variables represent of the rationalization that affect fraud through intention to engage fraud. Telgen (2006) reveals that the attitude that gives tolerance of fraud will encourage individuals to have the intention to do and behave on fraud.

The analysis also find that the respondents tend to perceived and give portray the committees of the procurement of goods and services have the attitude that tolerant of fraud. This attitude drives individuals associated with the procurement of goods and services to have intention to engage fraud.

5.6. The impact of Subjective Norms on the intention to engage Fraud

Subjective norms are as mentioned in the fraud triangle developed by adopting the theory of planned behavior (Cohen et al. 2010). This variable is predicted to affect fraud through intention to engage fraud. Analysis results in table 3 indicate that subjective norms affect significantly to intentions to engage fraud with value sig = 0,004. This value is greater than 0.05 so that the fifth hypothesis is supported.

Subjective norms which are perceived by the respondents describe how the committees of the procurement for goods and service have subjective norms about fraud. It is a proxy of rationalization as explained in the fraud triangle (Cressey, 1973). This norm describes the perceived subjective norms owned by individuals (Cohen et al.2010). This variable is measured by the instruments in negative manner. It describes that manipulate data is rather permissive, receiving gratification is common, and lack of accountability is also little tolerated. These findings support the theory of planned behavior cited Cohen et al. (2010), that subjective norms have impact on the intention to engage fraud.

5.7. Perceived Behavioral Control and the Intention to Engage Fraud

Variables perceived behavioral control is also a proxy of rationalization. This variable is also predicted

affecting fraud through the intention to engage fraud. The results also are presented in table 3. It shows that perceived behavioral control have a significant effect on the intention to engage fraud, with sig 0,000. Thus the sixth hypothesis is supported.

Perceived behavioral control is measured by five instruments. The results proved that the perceived behavioral control has significant effect on the intention to engage fraud. These findings support the theory of planned behavior developed by Ajzen (1991). Based on Beck and Ajzen (1991), perceived behavioral control reflects how far a person able to control his or herself to behave. This study found respondent perceived that perpetrators of procurement fraud are less in controlling the greedy behavior, and they justify the manner to achieve the goal to enrich themselves or others. The results also found that it is often occur that carrying out conspiracy between the procurement committees with the providers or suppliers of goods and services. This finding supports the theory of planned behavior (Ajzen and, 1991 Beck) and also supports the findings of Cohen et al. (2010).

5.8. The influence of the intention to on engage fraud behavior

The intention to engage fraud has influence significantly to fraud behavior. It can be concluded that the seventh hypothesis that intent to engage fraud affect fraud behavior is supported. According to planned behavior theory, actual behavior is influenced by the existence of the intention to engage an actual behavior. This can be interpreted that the intention to engage fraud affect significantly on the fraud behavior. This intention is accompanied by the presence of opportunities less integrity, greedy, conspiracy that could trigger into deed fraud (Cohen et al. 2010, Beck and Ajzen, 1991). The results show the evidence to support the seventh hypothesis.

6. CONCLUSIONS, IMPLICATIONS, AND LIMITATIONS

6.1. Conclusion

The objectives of this current research was to analyze the perceptions of the respondents, the government external auditors, that were requested to answer or to fill the questionnaire or to perceive how the goods and services procurement fraud in the Indonesia Government occurred based on their audit finding. This is because the external auditor who carry out the independent audit for the government finance. In the their job, they often find any frauds in the procurement of goods and services. Data were collected by surveys with questionnaires. The results show that the government procurement frauds are affected by lack of the procurement committees, any weakness in systems and procedures of the procurement, and any intentions to engage fraud in procurement committees. Additionally, financial pressure does not influence the fraud behavior. However, the respondents perceived that some remuneration of the procurement committees is not enough to cover the life style of them, but it does not have impact on the fraud behavior.

The intention to engage fraud here as the rationalization of the fraud triangle. It is influenced significantly by the attitude toward fraud, subjective norms, and the perceived behavior control. This variables describe that procurement committees tend to have attitude toward fraud, have subjective norms that permissive to do fraud, and lack of controlling behavior to do it.

6.2. The implications and limitations of the current research

This research has its limitations include: 1) occurrence of the bias perception by the respondents of the fraud perpetrators. The number of questionnaires spread are 400, and 302 filled back, but five filled questionnaires were not filled completely and they were excluded from analysis, so the number filled questionnaires analyzed 297 questionnaires (74.25%). 3) models obtained have R squares just 38.7% for model one and 47.8% model two. They just describe 38,7 % and 47.8% respectively that independent variables predicted the dependent variables in the models; and the others are explained by other variables. From the perspective of the fraud triangle, variables that significantly are associated to the fraud behavior are lack of procurement committee qualities (less integrity, the existence of a special relationship between the procurement committees and the suppliers, and less objectivity); and the rationalization that is represented by the attitude toward fraud, subjective norms, and perceived behavior control that affect the fraud behavior through the intention to engage fraud.

7. RESEARCH IMPLICATIONS

Factors that affect procurement fraud behavior in this study is a model in the point of views of BRIFA, the external auditors for Indonesia Government who audit the government financial and other reports. They are lack of procurement committee quality, weak procurement system and procedures, and intentions to engage fraud. Financial pressures do not affect to fraud behavior. The existence of intentions to engage fraud by procurement committees are influenced by the attitude toward fraud, subjective norms, and perceived behavioral control by the procurement committees.

The finding of this research suggest that it may need for a fit and proper test for hiring process for the procurement committees to examine their integrity, attitude, and objectivity. It also must be followed by adequate systems and procedures to prevent fraud behavior. In addition, it needs to design continue to update information system and procedures that prevent/detect collusion that may drive to fraudulence.

Future researches can be developed by exploring the existence of a conspiracy, the collusion or conspiracy between the procurement committees and suppliers of goods and services, and law enforcement. Those are issues in the procurement fraud suggested by the respondent.

REFERENCES

1. Beck and Ajzen, i., (1991), The Theory of Planned Behavior, Organizational Behavior and Human Decision Processes, Vol. 50, Issue 2:179-211.
2. Ajzen, i. (1991), The Theory of Planned Behavior. Organizational Behavior and Human Decision Processes, vol. 50 (2): 179-211.
3. Albrecht, w. s., c. c. Albrecht, and c. o. Albrecht: (2004), Fraud and corporate executives: Agency, stewardship and broken trust, The Journal of Forensic Accounting, Vol. 5:109 - 129.
4. Arrowsmith, S. (2010). Public Procurement Regulation: An Introduction <http://www.nottingham.ac.uk>.
5. Agency for financial supervision and development. (1999). National corruption eradication Strategy (SPKN). Edition March.
6. The body of the Financial Examiner, (2012). The loss of the State in the case of Hambalang Rp 247 billion, <http://www.merdeka.com/peristiwa/bpk-kerugian-negara-dalam-kasus-hambalang-rp-243-m.html>. Accessed on 12 April 2013.
7. The body of the Financial Examiner, (2013), CPC Found Thousands Of Indication Deviation <http://www.bpk.go.id/web/?p=14476> , Accessed on 4 April 2013.
8. Beck, I., and Ajzen, I: (1991), Predicting dishonest actions using the theory of planned behavior, Journal of Research in Personality 25 (3): 285-301.
9. Celentani, M. and Ganuza, J.J. (2001). Corruption and Competition in Procurement. <http://www.ssrn.com>. Accessed on 12 April 2012
10. Cohen, J. R., Ding, Y, L, C and Stolowy, H, (2010) Corporate Fraud and the Managers ' Behavior: Evidence from the Press, Journal of Business Ethics, <http://ssrn.com/abstract=1160076>. Accessed on April 12, 2013.
11. Cressey, D.R. (1973). Other people's Money: A Study in the Social Psychology of Embezzlement. Montclair, N.J.: Patterson Smith, http://en.wikipedia.org/wiki/Donald_Cressey . Accessed on 12 April 2013.
12. Ghozali, I. (2005). The application of multivariate analysis with SPSS Program. Semarang Diponegoro University Publisher.
13. Haryatmoko, (2011). The ethics of the public for the integrity of public officials and politicians. Jakarta: GramediaPustaka Publisher
14. Hehamahua, a. (2011). Procurement of goods and services, corruption, and Bureaucratic Reform. <http://www.lkpp.go.id>, retrieved on 13 March 2012.
15. Lambsdorff, j. g. (1999). Working Paper: Corruption in Empirical Research — A Review. <http://www.transparency.org>, Accessed on 12 March 2012.
16. The President Of The Republic Of Indonesia. (2012). Presidential regulation Number 70 in 2012 About the second amendment above presidential regulation Number 54 in 2010 about Government procurement of goods/services.
17. Purnomo, H. (2013),. BPK RI Submit IHPS II in 2012 to PARLIAMENT, <http://www.bpk.go.id/web/?p=14466>. Accessed on 8 April 2013.
18. Purnomo, H, (2013) The results of the examination of the CPC Semester II in 2012, <http://www.bpk.go.id/web/?p=14447> . Accessed on April 15, 2013.
19. Rezaee, z. (2005), Causes, consequences, and deterrence of financial statement fraud. Critical Perspectives on Accounting, Vol. 16 (3):277-298.
20. Rijckeghem, c. v., & Weder, b. (1997). Corruption and the Rate of Temptation-Do Low Wages in the Civil Service Cause Corruption? , Working Paper of the International Monetary Fund Vol., <http://ssrn.com/abstract=882353>. Accessed on 12 April 2013.
21. Robbins, S. P., (1996). Organizational Behavior: Concept, Controversies, and Applications. Seventh Edition. Prentice Hall International Inc. News Jersey.
22. Tsing. (2006). ,an analysis of the Factors - factors that affect the occurrence of irregularities in the procurement of goods/services in an environment of government agencies, Unpublished Thesis , Faculty of Economics, University of Indonesia.
23. Sekaran, U. (2003). Research Methods for Business: A Skill Building Approach. New York: John Wiley & Sons, Inc.
24. Telgen, j. (2006). Public Procurement In Perspective. Journal of Public Procurement,; 2-4.
25. Thai, K.V., (2001). Public Procurement Re-Examined, the Journal of Public Procurement, vol. 1, no. 1: 9-50.
26. Umar, H. (2011). The nation's Vigilance Against the danger of spread and widespread criminal acts of Corruption, Paper presented chapter son panel discussions, Palembang, April 7, 2011.
27. Xiao, J. J. and Wu, J, (2008). Completing Debt Management Plans in Credit Counseling: An Application of the Theory of Planned Behavior. Journal of Financial Counseling and Planning, vol. 19, no. 2.