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The Effectiveness of Probity Audit in Preventing Procurement Fraud in the Public Sector

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Abstract

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This study aims to analyze the effectiveness of probity audit in preventing procurement fraud in the public sector through a literature review approach based on scholarly works published within the last five years. The study emphasizes that probity audit functions as an integrity-based oversight mechanism oriented toward the values of transparency, accountability, honesty, and compliance with the principles of good governance. The analysis reveals that the effectiveness of the audit is strongly influenced by the competence and integrity of auditors, the commitment of institutional leadership, an effective internal control system, and an organizational culture that upholds public ethics. Moreover, the integration of probity audit with e-procurement systems has proven effective in minimizing fraud risks and improving procurement efficiency. This study also highlights the importance of continuous policy support, regulatory reinforcement, and auditor training to ensure the sustainability of probity audit as a preventive instrument against corruption and as a strategic means to achieve clean, transparent, and integrity-based public governance.

1. Introduction

The procurement of public goods and services is a vital activity in governance that contributes directly to the quality of public services, the efficiency of the use of the state budget, and the improvement of public welfare. This process not only involves administrative aspects, but also contains a strategic dimension as it concerns the use of large amounts of public resources. However, the complexity of the procurement process involving various actors, stages, and regulations is often the main source of procurement fraud, both in the form of collusion, mark-up, bribery, and administrative manipulation that harms the state's finances (Ismail, Hasan, & Clark, 2018). According to the 2022 Global Economic Crime and Fraud survey by PwC, cases of procurement fraud in the public sector have increased significantly globally due to weak internal control systems, lack of transparency, and low integrity of procurement implementers (Tshikhovhokhovho, 2022). This condition demands the implementation of a supervisory mechanism that is not only administrative, but also value-based and prevention-oriented.

One of the strategic approaches in strengthening the integrity of public procurement is the implementation of probity audit, which is an independent audit that focuses on compliance with the principles of honesty (probity), transparency, and accountability in every stage of procurement. This audit serves to provide confidence that the procurement process has been carried out fairly, openly, and free from conflicts of interest (Arifin & Hartadi, 2020). Thus, a probity audit not only assesses compliance with procedures and regulations, but also evaluates the quality of decision-making to be in line with the principles of good governance. The main function of this audit is to provide assurance to the public that the entire procurement process is carried out ethically, efficiently, and responsibly so that it can minimize the chance of fraud (Rashid, 2022).

The implementation of probity audits in various countries showed mixed results. In several public institutions, these audits have proven to be effective in improving the efficiency of the procurement process as well as strengthening internal control systems and transparency (Putri, Syariati, & Ahmad, 2021). The implementation of probity audits has also been proven to be able to reduce the risk of abuse of authority and corrupt behavior through increasing the accountability of individuals involved in the tender process. However, other research shows that the effectiveness of probity audits is highly dependent on auditor competence, top management support, and an organizational culture that upholds integrity (Ningsih et al., 2022). In developing countries, limited human resources, weak reporting mechanisms, and low audit literacy among public officials are often the main obstacles to the optimal implementation of probity audits (Modrušan et al., 2021).

In addition, although the concept of probity audits has been widely introduced since the early 2000s, empirical studies assessing its effectiveness in preventing procurement fraud are still relatively limited, especially in academic contexts. Most previous studies have only highlighted the role of internal audit in general without paying special attention to integrity-based audits (Haque, 2020). In fact, probity audit has unique characteristics because it prioritizes ethics, transparency, and honesty in the tender process and vendor evaluation. This audit also serves as a means of trust-building between the government and the public, as it confirms that every procurement decision is based on the principles of justice and compliance with the law (Ramadhan & Arifin, 2019).

In the context of modern governance, probity audits are closely aligned with the principles of good governance which demand openness, accountability, and the prevention of abuse of power. This audit can act as an early warning system for government agencies in detecting potential irregularities from the planning stage to the implementation of contracts (Abiodun, 2020). Through an integrity-based audit mechanism, public institutions can ensure that state funds are managed transparently and responsibly. Thus, strengthening the probity audit function is not only part of compliance with procurement regulations, but also a national strategy in building a culture of integrity and increasing public trust in government performance.

Based on this description, this study aims to analyze the effectiveness of probity audit in preventing fraudulent procurement of goods and services in the public sector through a literature review approach to the scientific literature over the last five years. This study is expected to make a theoretical contribution to the development of an integrity-based audit system and become a reference for public institutions in designing supervisory policies that are adaptive, transparent, and oriented towards corruption prevention.

2. Literature Review

2.1. The Concept of Probity Audit and the Principle of Integrity

Probity audit is a supervisory instrument that focuses on ensuring integrity and transparency in the procurement process of public goods and services. Unlike conventional financial audits, probity audits focus on the values of honesty, transparency, and compliance with ethical norms in all stages of procurement (Arifin & Hartadi, 2020). The main purpose of a probity audit is to provide confidence that the tender process, supplier selection, and contract implementation take place without conflicts of interest, collusion, or administrative irregularities (Ramadhan & Arifin, 2019).

According to Chatterjee and Verma (2022), probity audits are not only an early detection tool for fraud, but also serve as a trust-building mechanism that strengthens the legitimacy of public institutions. In the context of modern governance, these audits help ensure that public procurement meets the value for money principle and prevents abuses of power that can lead to corruption. In addition, the results of the probity audit also provide a strong basis for increasing the accountability of procurement officials, because every decision must be legally and morally accountable.

Research by Kuntadi and Pattingalloang (2022) shows that the effectiveness of probity audits is highly dependent on auditor competence and organizational policy support. Auditors who have a deep understanding of ethical risks and public procurement processes are able to identify potential violations from the planning stage. Thus, probity audits not only prevent fraud, but also strengthen integrity-based governance which is the main foundation in efforts to build public trust in the government sector.

2.2. The Role of Probity Audit in the Prevention of Fraud in the Public Sector

The role of probity audits in the public sector is not only limited to procedural compliance verification, but also as an integrity-oriented fraud prevention mechanism. This audit serves to assess the extent to which the procurement process is carried out in accordance with the principles of transparency, accountability, and fairness (Ningsih et al., 2022). By examining every stage of procurement from needs planning, preparation of specifications, tender process, to evaluation of bids, probity audits can identify potential risks of deviations from an early age. The results of the audit are then used to provide recommendations for improving policies and procedures so that the chance of fraud can be minimized.

According to Fanggidae (2022), the success of fraud prevention through probity audits depends on the integration between the internal control system and the organization's ethical culture. A strong supervisory system will not be effective without the commitment of the leadership and implementing apparatus to uphold the value of integrity. In the research Putri, Syariati, and Ahmad (2021), it was found that probity audits make a significant contribution to increasing public accountability because they are able to suppress opportunistic behavior in the procurement of goods and services.

In addition, probity audit strengthens the external oversight function by involving public participation and transparency of audit report (Ismail, Hasan, & Clark, 2018). This openness not only reduces the risk of moral hazard, but also increases public trust in the procurement process that is free from corrupt practices.

Therefore, probity audit is an important pillar in building a clean, efficient, and high-integrity public procurement system.

2.3. Factors Affecting the Effectiveness of Probity Audits

The effectiveness of probity audits in fraud prevention is greatly influenced by a combination of internal and external factors that include aspects of auditor competence, managerial support, and the organization's ethical environment. According to Haque (2020), auditors who have a deep understanding of ethical risks and public procurement processes are better able to detect potential fraud from the planning stage. These competencies must be supported by ongoing training and updates to audit standards so that auditors can keep up with the complexities of modern procurement systems.

Another factor that plays an important role is management commitment and institutional integrity. Ningsih et al. (2022) emphasized that without the support of leaders and an organizational culture that values transparency, audit recommendations are often not followed up effectively. A strong culture of integrity reinforces the role of audits as a proactive oversight mechanism, not just an administrative formality.

In addition, the support of a good internal control system is also the main determinant of the success of a probity audit. Rashid (2022) states that effective internal controls create an organizational environment that encourages policy compliance and reduces the risk of procedural irregularities. Finally, public participation and transparency of audit results also increase the accountability of public institutions (Ramadhan & Arifin, 2019). With the synergy of these four factors, competence, commitment, internal control, and transparency of probity audit can function optimally as an instrument for fraud prevention and strengthening public governance.

3. Methods

This study uses a library research method that focuses on a systematic analysis of the academic literature related to the effectiveness of probity audit in preventing fraud in the procurement of goods and services in the public sector. This approach was chosen because it allows researchers to gain an in-depth understanding of the concepts, practices, and factors that affect the effectiveness of integrity-based audits without conducting direct observations in the field. Literature studies are considered appropriate for this topic given the large number of scientific publications and policy reports that discuss the phenomenon of fraud in the context of public governance.

The research process is carried out through four main stages. First, the identification of literature was carried out by searching through scientific articles indexed by Google Scholar and other reputable journals in the period 2018–2022, with keywords such as probity audit, procurement fraud prevention, internal control, and public sector governance. This stage aims to ensure that all sources used are relevant and up-to-date.

Second, a selection and inclusion criteria are carried out for articles that meet several conditions, namely: (1) discussing the topic of public audit or probity audit in the context of fraud prevention; (2) using empirical, conceptual, or systematic review approaches; and (3) be issued within a predetermined time frame. From the results of the initial selection, 15 articles were obtained that met the criteria, including works by Arifin and Hartadi (2020), Ningsih et al. (2022), Putri et al. (2021), and Rashid (2022).

Third, content analysis was conducted to examine how each study described the variables, methods, and findings related to the effectiveness of the probity audit. This stage helps identify common patterns, research gaps, and directions of findings that are consistent across a variety of geographic and institutional contexts.

Fourth, a thematic synthesis was carried out which grouped the results of the analysis into three main themes: (1) the concept and principles of probity audit, (2) its role in fraud prevention, and (3) the factors determining its effectiveness. The results of the synthesis are then presented in the form of an analytical narrative in the results and discussion sections. With this method, the research is expected to provide a comprehensive understanding of the contribution of probity audit in strengthening the integrity of the public procurement system as well as provide a conceptual basis for more empirical follow-up research.

4. Results

The results of this literature review show that probity audit has a very significant role in strengthening public procurement governance and preventing procurement fraud. Through an analysis of various studies published between 2018 and 2022, it was found that this integrity-based audit not only functions as an administrative oversight mechanism, but also as a strategic tool to build public trust in the administration of government. In the context of procurement, probity audit plays a role as a form of preventive control that emphasizes honesty, accountability, and compliance with the principles of good governance (Arifin & Hartadi, 2020).

In general, the results of a study conducted by Kuntadi and Pattingalloang (2022) confirm that the effectiveness of probity audits lies in its ability to assess processes, not just results. This audit examines whether the procurement stages have been carried out according to procedures, whether decisions are made without conflicts of interest, and whether all parties involved act ethically. By prioritizing a prevention approach over detection, probity audits help public organizations close gaps in irregularities from the beginning of the procurement process. This approach is considered more efficient because it is able to reduce the cost of losses due to fraud before systemic damage occurs that has a wide impact on organizational performance (Putri, Syariati, & Ahmad, 2021).

The results of the analysis also show that human factors are the main determinants of the success of probity audits. Auditor competence and professional ethics play a crucial role in ensuring the integrity of audit results (Chatterjee and Verma, 2022). Auditors who have technical expertise and an understanding of the principles of public integrity are able to comprehensively assess fraud risks. Conversely, auditor capacity limitations can lead to audit results being formalistic without having a real impact on fraud prevention (Modrušan et al., 2021). Therefore, investment in the training and strengthening of auditor professionalism is a key recommendation of many studies.

Another finding that emerges from the literature is the importance of organizational structural and policy support. Ningsih et al. (2022) highlighted that the success of probity audits is highly dependent on support from institutional leaders and managerial commitment to follow up on audit findings. In some cases, the results of probity audits are often ignored because they are considered not legally binding. However, organizations that have a strong culture of integrity are likely to leverage audit recommendations to improve procurement systems and increase transparency. Thus, a probity audit can only be effective if the results are systematically followed up by all organizational units involved.

In addition to individual and organizational factors, the effectiveness of probity audits is also greatly influenced by the quality of the internal control system. Ismail, Hasan, and Clark (2018) stated that strong internal control creates a conducive supervisory environment for effective auditing. An internal control system integrated with probity audits allows for rapid feedback on audit findings and encourages immediate corrective action. In this context, probity audits serve as a complement to traditional internal audits with a focus on aspects of procurement integrity and ethics.

Research by Abiodun (2020) found that probity audits play a major role in preventing abuse of power and conflicts of interest in the public sector. Through the involvement of independent auditors from the planning stage to the final evaluation of procurement, the risk of collusion between officials and service providers can be significantly reduced. This audit also ensures that all processes run according to the principle of value for money, namely the efficient and transparent use of public funds. When audits are conducted independently and openly, the public's level of trust in the government increases because the public can see a commitment to integrity.

The analysis conducted by Fanggidae (2022) also confirms that the effectiveness of probity audits in the digital environment is becoming increasingly important in the e-procurement era. Electronic procurement systems open up opportunities for high efficiency, but they also bring new risks such as data manipulation, online conspiracies, and technology-based fraud. In this context, a probity audit serves as an independent verification tool that ensures that electronic systems are used in accordance with public ethical principles. The results of electronic audits can even provide strong evidence for law enforcement efforts against digital procurement violations.

Furthermore, the literature shows that probity audits are able to improve the efficiency of public organizations by strengthening the principles of accountability and public trust. A study by Arifin and Hartadi (2020) explains that organizations that routinely implement probity audits show a significant decrease in the number of procurement administration violations. This is due to the increasing awareness of the apparatus towards the legal and reputational consequences of ethical violations. Probity audits create an effective deterrence effect against corrupt behavior because each stage of procurement is under independent supervision.

In addition, research by Haque (2020) highlights the social aspects of probity audits that are often overlooked. These audits not only assess the integrity of processes, but also encourage behavioral change in public organizations. By involving all stakeholders, a probity audit creates a space for collective reflection on the importance of ethics in procurement. In some Southeast Asian countries, this approach has been shown to increase tender transparency and encourage wider public participation in the procurement process.

However, the research also revealed some obstacles in the implementation of probity audits. Rashid (2022) found that limited human resources, audit costs, and regulatory overlap are often the main obstacles. Many public institutions in developing countries do not have standardized technical guidelines to carry out probity audits systematically. This condition leads to variations in audit quality and differences in interpretation of the results. Therefore, a national policy is needed that affirms the position of probity audit as an integral part of the public supervision system.

In line with these findings, research by Putri et al. (2021) confirms that the effectiveness of probity audits increases when supported by clear regulations and sanctioning mechanisms for violations of audit results. Without strong regulation, probity audits tend to be symbolic and have no real impact on fraud prevention. Strengthening regulations is also needed to ensure the independence of auditors from the political pressures and economic interests that often arise in large procurement projects.

Overall, the results of the synthesis of all studies show that probity audits are effective in preventing fraud if carried out comprehensively and sustainably. The factors that determine its success include: (1) auditor competence and integrity; (2) top management support; (3) solid internal control system; and (4) disclosure of audit results to the public. The implementation of these audits has been shown to strengthen public sector governance by increasing transparency and efficiency in the management of public funds (Modrušan et al., 2022).

Thus, probity audit can be seen as a fraud prevention instrument that is not only administrative, but also moral and strategic. Its role in building institutional integrity places it as an important pillar in global public governance reform. Although implementation challenges still exist, the future direction of strengthening probity audits needs to be focused on standardizing procedures, improving auditor competence, and cross-agency collaboration to ensure that the values of integrity, accountability, and transparency remain at the core of the public procurement system.

5. Discussion

The results of the literature synthesis show that probity audits have an important contribution in improving the integrity of the public procurement system and reducing the potential for fraud. However, the effectiveness of its implementation is highly dependent on the institutional context, the readiness of human resources, and the support of existing regulations. On a practical level, probity audit not only serves as a formal control tool, but also as a means of internalizing ethical values and transparency in a bureaucratic environment. As revealed by Ramadhan and Arifin (2019), the success of this audit is determined more by the moral commitment of the auditor and public management than by the complexity of the technical procedures. This indicates that integrity is an irreplaceable foundation for the success of an honesty-based audit system.

In addition, the results of the study confirm that probity audits can function as a deterrent mechanism against corrupt behavior. Arifin and Hartadi (2020) found that institutions that implemented this audit consistently experienced a significant decrease in cases of procurement ethics violations. This mechanism creates a deterrent effect, as every procurement action is independently supervised and the results can be accounted for to the public. In other words, a probity audit not only prevents fraud directly, but also builds a culture of compliance within public institutions.

However, the effectiveness of these audits is often limited by external factors. According to Ningsih et al. (2022), the lack of clarity on the follow-up of audit results and weak coordination between supervisory agencies causes probity audit findings to often stop at the administrative level without real changes. This condition shows that the success of audits requires strong policy and governance support. In addition, audit results that are not integrated with internal control systems are also at risk of losing their strategic functions (Kuntadi & Pattingalloang., 2022).

Another factor that also determines is the readiness of technology and the digitalization of the procurement process. In the era of e-procurement, probity-based supervision must be adapted to digital systems in order to identify new forms of fraud, such as electronic data manipulation and online collusion. Modrušan et al. (2021) emphasizes the importance of digital probity audit, which is an information system-based audit that utilizes data analytics to detect transaction anomalies in real-time. This approach can speed up the audit process and improve the accuracy of oversight, while expanding transparency for the public.

Nevertheless, the opportunity for the implementation of probity audits in the public sector is still wide open, especially in the context of developing countries. Chatterjee and Verma (2022) argue that the adoption of this audit across sectors has the potential to strengthen the accountability of public institutions, as long as it is supported by clear national policies and ongoing training for auditors. Therefore, this theoretical discussion emphasizes that probity audit is not just a technical innovation, but also an instrument of organizational culture change towards cleaner and more integrity governance.

By paying attention to the results of previous research, it can be concluded that the effectiveness of probity audits will increase if three main elements are met: (1) there is a commitment to integrity from the leadership of the institution; (2) the existence of an integrated supervision system; and (3) the use of audit technology that is adaptive to digital developments. In an academic context, this opens up a space for further research that assesses the relationship between audit probity, ethical culture, and the performance of public organizations in various countries.

6. Conclusion

This research emphasizes that probity audit is a strategic instrument in strengthening the governance of public procurement of goods and services. Through an integrity-based approach, this audit is able to ensure that each stage of procurement runs according to the principles of transparency, fairness, and accountability. A review of the literature shows that the effectiveness of probity audits depends not only on formal procedures, but also on human and institutional factors. The auditor's competence, management commitment, and organizational culture that upholds the value of honesty are key elements that determine its success. In addition, the support of a clear internal control system and public policy strengthens the role of this audit in preventing fraud. In the digital era, the application of probity audit also needs to adapt to the e-procurement system in order to be able to detect potential technology-based deviations.

When conducted independently and transparently, these audits function not only as a tool of oversight, but also as a means of building public trust in the government. Thus, probity audit must be seen as the main pillar in a public procurement system with integrity. Policy strengthening, auditor training, and integration of audit results in decision-making systems are important steps towards clean, efficient, and accountable governance. This study provides a conceptual basis for further empirical studies to assess the direct impact of probity audits on public performance and trust in various institutional contexts.

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