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Probity Audit as a Fraud Prevention Mechanism in Public Procurement: A Theoretical and Integrative Approach

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Abstract

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This study aims to provide an in-depth analysis of the role of the probity audit as an instrument for fraud prevention within public procurement systems. Using a library research method based on fifteen peer-reviewed articles published in the last five years and indexed in Google Scholar, this paper explores the interrelation among integrity auditing, agency theory, the theory of planned behavior, and internal control systems. The findings reveal that the probity audit serves not only as an administrative control mechanism but also as a key instrument in shaping a culture of integrity, transparency, and accountability within public governance. The implementation of this audit strengthens oversight through real-time supervision, enhancement of auditor competence, and the utilization of digital technologies to detect potential fraud. Furthermore, the integration of structural, behavioral, and moral aspects is essential for achieving sustainable public audit effectiveness. Hence, the probity audit can be positioned as a fundamental pillar of governmental oversight reform toward cleaner, more efficient, innovative, and integrity-driven governance in the digital era.

1. Introduction

Fraud prevention in the procurement of public sector goods and services has become the main focus of modern governance. Public procurement is a vital activity in managing state resources that involves complex and high-value administrative processes, so it has the potential for deviation and abuse of authority (Ningsih et al., 2022). In various developing countries, including Indonesia, cases of corruption in the procurement process are still high due to weak internal control systems and lack of integrity of procurement organizers (Ramadhan & Arifin, 2019). Therefore, an audit mechanism is needed that is not only detective, but also preventive, one of which is through the probity audit approach.

Probity audit is an independent audit that is conducted in real-time during the procurement process of goods and services with the aim of ensuring that all stages are carried out according to the principles of honesty, transparency, efficiency, and accountability (Arifin & Hartadi, 2020). In contrast to conventional audits that are conducted after the activity is completed, probity audits emphasize the function of early prevention of potential fraud and conflicts of interest (Kamal & Elim, 2021). The implementation of this audit also supports the achievement of good governance, namely a governance system that is clean, transparent, and accountable to the public (Syamsuddin et al., 2023).

In addition, behavioral and organizational theories such as Agency Theory and Fraud Triangle Theory provide a strong theoretical framework for understanding the emergence of fraud. Agency Theory highlights the potential conflict of interest between the principal (government) and the agent (procurement implementer), where differences in goals can lead to opportunistic behavior (Ardini, 2023). Meanwhile, the Fraud Triangle Theory explains that pressure, opportunity, and rationalization are the three main factors that cause fraud (Oktaviani et al., 2023). These two theories affirm that integrity-based supervision and internal control are key in preventing corrupt acts.

To strengthen the effectiveness of public audits, incorporating behavioral approaches such as the Theory of Planned Behavior (TPB) is also important in explaining an individual's intentions toward ethical or unethical actions. Research by Hadiprajitno et al. (2021) shows that attitudes, subjective norms, and behavioral control affect a person's tendency to commit irregularities in public procurement. Therefore, fraud prevention efforts need to pay attention to the structural aspects as well as the behavior of the individuals involved.

Recent studies emphasize that the effectiveness of probity audit is highly dependent on auditor competence, the availability of institutional policies, and an adequate internal control system (Arifin & Hartadi, 2020). In addition, digitalization and the Industry 4.0 era demand the transformation of the role of the government's internal supervisory apparatus (APIP) towards a technology-based surveillance model to increase the speed and accuracy of fraud detection (Kamal & Elim, 2021). Strengthening auditor competence and integrating information technology is believed to accelerate the realization of public governance with integrity.

Based on this background, this study aims to examine probity audit as a fraud prevention mechanism in the context of public sector procurement of goods and services. This study is expected to enrich the academic literature on the relationship between integrity, internal control systems, and good governance practices that are adaptive to the dynamics of modern governance. This research also emphasizes the importance of synergy between agency theory, behavior, and public audit in building an effective, transparent, and socially just supervisory system.

2. Literature Review

2.1. Probity Audit and Fraud Prevention

The concept of probity audit emerged in response to the increasing demands for accountability and transparency in public sector governance. This audit serves to ensure that every stage of procurement of goods and services is carried out honestly, fairly, and in accordance with applicable regulations. Essentially, probity audit acts as a preventive mechanism against administrative irregularities and corruption in the public procurement process (Arifin & Hartadi, 2020). This approach emphasizes real-time oversight during the planning, auction, and contract execution stages. Thus, this audit is different from conventional audits which are generally post-audit because they focus on prevention, not just the detection of violations (Ramadhan & Arifin, 2019).

The implementation of probity audits has been proven to strengthen institutional integrity through increased regulatory compliance and transparency of the procurement process. Research by Ningsih et al. (2022) shows that the effectiveness of public audits is influenced by the internal control system and the culture of organizational integrity. With a strong supervision mechanism, the risk of fraud can be minimized from an early age. In addition, Kamal and Elim (2021) emphasized the importance of optimizing the role of the Government Internal Supervisory Apparatus (APIP) to ensure that this audit function runs effectively, especially with the support of digital technology in the Industry 4.0 era. Therefore, probity audits are an integral part of the national strategy in realizing good governance, strengthening public accountability, and preventing potential fraud that harms the state's finances.

2.2. Agency Theory and Internal Control Systems

Agency Theory is the main foundation in understanding the dynamics of the relationship between principals and agents in public sector organizations. Principals, in the context of government, are the people or leaders of public institutions who delegate authority to agents, i.e. policy implementers or procurement officials. When the interests between the two parties are not aligned, the potential for opportunistic behavior and fraud increases (Ardini, 2023). Therefore, a strong internal control system is needed to minimize information asymmetry and encourage ethical behavior among policy implementers. Internal control plays an important role in ensuring transparency, efficiency, and accountability in the public bureaucratic environment. According to Ningsih et al. (2022), effective internal controls can reduce the risk of fraud by strengthening integrity and compliance with regulations.

In the context of public audits, internal controls are a crucial component for auditors to detect procedural weaknesses and identify potential administrative irregularities early on. In addition, research by Wardhani (2021) shows that the combination of good governance principles and a good internal control system is able to increase public trust in government institutions. The implementation of

Agency Theory-based audits allows for an objective evaluation of agent behavior, as well as strengthening the public accountability mechanism. Thus, the integration of agency theory and internal control systems becomes a strategic foundation in strengthening governance and reducing the risk of fraud in the public sector.

2.3. Behavioral Approach and the Theory of Planned Behavior

Behavioral approaches in the context of auditing and public governance are becoming increasingly relevant to understanding the psychological factors that influence individual ethical decisions. The Theory of Planned Behavior (TPB) provides a conceptual framework to explain how attitudes, subjective norms, and behavioral controls affect a person's intentions in making decisions (Hadiprajitno et al., 2021). In the context of public procurement, TPB is used to explain the behavior of officials or auditors in the face of moral pressure and opportunities for fraud. Attitudes towards unethical behavior, perceptions of social norms, and belief in the ability to control actions play a major role in shaping corrupt behavior or vice versa. Empirical research by Roos and Hahn (2019) shows that a person's behavior is strongly influenced by social factors and confidence in behavioral control. These findings support the relevance of the SDGs in understanding professional behavior in the public sector.

On the other hand, the study of Hadiprajitno et al. (2021) proves that the application of the principles of integrity and behavior-based supervision is able to reduce corrupt intentions in the procurement process. The behavioral approach also complements the theory of agency and fraud triangle by emphasizing the importance of moral values, perceptions of justice, and organizational norms in forming an anticorruption culture. In addition, Oktaviani et al. (2023) integrated aspects of religiosity into the Fraud Triangle Theory, which reinforces the belief that personal morality and spiritual values are able to suppress the tendency to commit fraud. Thus, behavioral approaches such as SDGs become an important foundation in designing public policies and audits that focus not only on the system, but also on the formation of individual character and ethics of implementers.

3. Methods

This research uses a library research approach that aims to conceptually and theoretically analyze the relationship between probity audit, fraud prevention, internal control system, and good governance. This approach was chosen because the focus of the research is not on the collection of field data, but on the analysis of the latest scientific literature that discusses the practice of auditing and public oversight in various contexts of government institutions. This method allows researchers to examine previous research results, find conceptual gaps, and identify patterns and directions of research development regarding the effectiveness of probity audits in preventing fraudulent procurement of public sector goods and services.

The research stage began with the literature collection process carried out through the Google Scholar, Taylor & Francis, and Emerald Insight databases with a publication year range of 2018 to 2022. The keywords used include probity audit, fraud prevention, public procurement, agency theory, fraud triangle, theory of planned behavior, and good governance. The inclusion criteria are set to only include articles that are published in reputable academic journals and can be accessed online through open access or institutional repositories. From the initial search results, about fifty articles were obtained, then selected into fifteen sources that were most relevant to the research topic. The selection process is carried out based on the suitability of the theme, publication period, and conceptual contribution to the development of the public sector audit framework.

Furthermore, content analysis was carried out on the selected articles to examine the relationship between the main concepts and find the relationship between agency theory, behavior, and public supervision. This analytical approach is carried out by comparing the results of empirical findings from various studies and interpreting the similarities and differences in the context of the application of probity audit. The analysis also highlights factors that affect the effectiveness of audits, such as auditor competence, internal control systems, and organizational cultures that uphold integrity values.

The final stage of this research is the synthesis of findings which is carried out by connecting theories and results of previous research to produce a comprehensive conceptual framework. Through this literature review approach, it is hoped that the research will be able to provide a deeper understanding of how probity audits play a role in strengthening public accountability and preventing fraud in the procurement of goods and services, as well as providing direction for further research and the formulation of more effective supervisory policies in the future.

4. Results

The results of this literature review show that probity audits play a crucial role in strengthening the integrity of the government's procurement system of goods and services. As an independent audit conducted from the planning stage to the implementation of the project, probity audit is designed to ensure that the entire procurement process is carried out in a transparent, accountable, and free manner from conflicts of interest (Arifin & Hartadi, 2020). In contrast to conventional audits that emphasize more on the post-incident detection aspect, this audit is oriented towards early prevention so that it is more effective in identifying potential administrative irregularities. The implementation of this integrity-based audit confirms that good public governance does not only depend on regulations, but also on the commitment of institutions in building a sustainable supervisory system.

Empirical studies show that the effectiveness of probity audits depends on three main factors, namely auditor capacity, internal control system, and organizational integrity culture. According to Ningsih et al. (2022), audits will run optimally if auditors have adequate technical and moral competence and are supported by a work environment that upholds the values of honesty and professionalism. Internal control systems have also been shown to have a significant role in detecting and preventing fraud. This is in line with the findings of Wardhani (2021) who show that the combination of good governance principles and an internal control system can increase public trust in government institutions and reduce the risk of fraud at the operational level. Thus, strengthening institutional capacity is an aspect that cannot be separated from the success of the implementation of probity audit.

In addition, research by Kamal and Elim (2021) emphasizes the importance of modernizing the role of the Government Internal Supervision Apparatus (APIP) in the digitalization era. The transformation towards e-audit or information technology-based audits expands the scope of supervision and increases the speed of detection of indications of irregularities. Digital audits enable real-time tracking of procurement data, which assists auditors in identifying unnatural transaction patterns and potential conflicts of interest. With the support of technology, probity audits can function more effectively as an early warning system against administrative fraud. This view is reinforced by Indrijawati and Bandang (2023) who affirm that the digitization of public audits is able to strengthen bureaucratic transparency and accountability through data-based supervision mechanisms.

From a theoretical perspective, the results of the study show that Agency Theory is relevant in explaining the relationship between the government as a principal and procurement officials as agents. Differences in goals and interests between the two parties often give rise to the potential for abuse of authority, especially when the supervisory system is weak and incentives are not managed properly (Ardini, 2023). In this context, probity audits serve as an instrument to balance agency relationships, emphasizing process transparency and compliance with rules. Arifin and Hartadi (2020) added that this integrity audit helps reduce the asymmetry of information that agents usually use for personal gain. Thus, probity audit not only plays a role as a control tool, but also as a means of strengthening the relationship of trust between the government and the community.

In terms of individual behavior, the Theory of Planned Behavior (TPB) approach provides a comprehensive understanding of a person's tendency to act ethically or vice versa. Attitudes towards behavior, subjective norms, and perceptions of behavior control are the three main dimensions that determine individual intentions (Hadiprajitno et al., 2021). In the context of public procurement, if individuals have a positive perception of honesty and consider ethical behavior as an expected social norm, then the likelihood of fraud will be reduced. Roos and Hahn (2019) show that ethical behavior can be influenced by social pressures and an individual's belief in his or her ability to resist deviant behavior. Thus, fraud prevention requires not only structural policies, but also interventions that foster ethical values and personal integrity.

The integration of behavioral theory with Fraud Triangle Theory also strengthens understanding of the root causes of fraud. According to Oktaviani et al. (2023), pressure, opportunity, and rationalization are three key elements that encourage someone to commit unethical actions. However, if the organization has a strict supervision system and instills a religious culture or high morality, these three elements can be minimized. In this context, probity audits act as a limiting factor that reduces the chances of fraud by narrowing the space for procedural violations. Integrity-oriented audits also help to suppress the rationalization of deviant behavior through strengthening ethical norms in public procurement.

From the results of the literature review, it was also found that the effectiveness of probity audits is not only determined by the auditor's capacity, but also by institutional support and commitment to top management. Syamsuddin et al. (2023) stated that leadership with high integrity and a transparent organizational culture are the main driving factors for the success of public audits. When institutions have a value system that is in line with the principles of accountability and honesty, the implementation of audits becomes more meaningful and effective. This is also reinforced by Rosari et al. (2021), who state that an effective fraud prevention model must combine structural, behavioral, and moral approaches in order to produce sustainable change in the organization.

Furthermore, the research of Chowdhury and Shil (2019) confirms that public sector audit reform within the framework of New Public Management demands a paradigm shift from compliance-based audits to performance-based audits and integrity. Probity audits become relevant in this context because they focus on the quality of the procurement process, not just the final results. This approach encourages transparency and social responsibility in the implementation of government activities. The implementation of integrity audits in various countries, such as Australia and New Zealand, has been proven to be able to increase public trust in state institutions. The model can be an inspiration for developing countries to strengthen public oversight systems through the adaptation of similar concepts.

The results of the study also found that the synergy between internal control systems and digital-based audit technology is the main trend in public supervision reform. According to Ningsih et al. (2022), the application of an audit system based on data analytics allows early detection of transaction anomalies that have the potential for fraud. Meanwhile, Kamal and Elim (2021) highlight the importance of using big data and blockchain to ensure the reliability of information in electronic procurement systems. These two studies show that collaboration between supervisory policies and technological innovation is an important prerequisite for audit effectiveness in the digital age. Thus, digitalization is not only a tool, but also a catalyst in creating more transparent and efficient public governance.

In a global context, the practice of probity audit has been recognized as an effective fraud prevention mechanism in various countries. A study by Njonjie et al. (2019) showed that internal control and ethical behavior of employees have a significant correlation with a decrease in the rate of cheating in public institutions. This result is in line with the research of Arifin and Hartadi (2020), who found that the application of probity audit is able to improve the quality of governance and reduce the chances of corruption through a more systematic supervision mechanism. The similarity of findings from these studies confirms that the success of public audits is greatly influenced by human factors and organizational structures, not solely by formal written policies.

Based on the overall results, the results of the study show that probity audit is a comprehensive approach that combines structural, behavioral, and ethical aspects in preventing fraud in the public sector. These audits not only serve as a supervisory tool, but also as an instrument for the formation of a sustainable culture of integrity. The combination of agency theory, planned behavior theory, and fraud triangle provides a strong conceptual basis for explaining the relationship between individual integrity, internal control systems, and the effectiveness of public oversight. Through strengthening the integrity audit system and increasing institutional capacity, it is hoped that public sector governance can develop towards a more transparent, efficient, and accountable model.

5. Discussion

The results of the literature research show that probity audit is a strategic approach in realizing clean, transparent, and accountable governance. The uniqueness of this audit lies in its preventive and real-time nature, in contrast to conventional audits which tend to be reactive. Probity audits ensure that all stages of procurement of goods and services run according to the principles of integrity from the beginning, so that it can close the opportunity for administrative fraud and abuse of authority (Arifin & Hartadi, 2020). In practice, these audits serve not only as a supervisory tool, but also as an institutional learning mechanism to strengthen ethical culture in the public sector.

These findings reinforce the view of Agency Theory which emphasizes the importance of oversight of principal-agent relations in public bureaucracy. Conflicts of interest arise when an agent has an incentive to act in his or her own interest, not in the interests of the organization. In this case, probity audit is an effective control tool to reduce information asymmetry and enforce public accountability (Ardini, 2023). By examining the procurement process on an ongoing basis, these audits help ensure that procurement implementing policies and actions remain in line with the public mandate. In addition, the existence of a strong internal control system supports the success of audits by providing a structure that can minimize the risk of fraud and administrative errors (Ningsih et al., 2022).

On the other hand, behavioral approaches such as the Theory of Planned Behavior (TPB) provide an additional dimension in understanding the effectiveness of public audits. Psychological factors such as attitudes towards behavior, subjective norms, and behavioral control play a big role in determining whether a person will act ethically or otherwise (Hadiprajitno et al., 2021). Therefore, the effectiveness of a probity audit is determined not only by the systems and regulations, but also by the moral conscience of the individuals who carry out the procurement process. When integrity values are firmly embedded in auditors and public officials, audits will run more efficiently and are prevention-oriented, rather than just formal compliance.

The context of technological developments is also an important factor in strengthening modern audit practices. Digitalization enables the application of e-audit and data analytics to monitor procurement transactions in real-time, detect anomalies, and identify suspicious irregularities (Kamal & Elim, 2021). This transformation is in line with the demands of the Industry 4.0 era which emphasizes efficiency, transparency, and integration of information systems. By utilizing technology, public oversight institutions can improve audit quality and expand the scope of supervision without increasing the bureaucratic burden.

Furthermore, the discussion of ethics in public audits emphasizes that the success of supervision cannot be achieved only through technical regulations. Morality and honesty remain at the core of effective audit practices. Rosari et al.

(2021) affirm that a sustainable fraud prevention model must integrate structural, behavioral, and moral aspects. This means that public governance reform needs to be followed by a transformation of values, where every procurement implementer understands that integrity is not only a professional obligation, but also a moral responsibility to the community. Thus, probity audits can function optimally if they are supported by systems, technology, and ethics that are integrated in the organization's culture.

6. Conclusion

This study confirms that probity audit is a strategic instrument in strengthening the public sector supervision system that is oriented towards integrity and accountability. As a form of preventive audit, probity audits are able to ensure that the procurement process of goods and services runs transparently, efficiently, and in accordance with the principles of good governance. This approach emphasizes supervision from the early stages of implementing activities so that potential irregularities can be identified and prevented earlier than conventional corrective audits. In addition to being a control tool, probity audit also plays an important role in building an organizational culture with integrity. Its effectiveness is highly dependent on auditor competence, institutional support, and the existence of a solid internal control system.

This combination of individual capacity and institutional structure allows audits to run objectively and makes a real contribution to fraud prevention in the government environment. On the other hand, the integration of agency theory, planned behavior theory, and fraud prevention models provides a comprehensive conceptual basis for understanding the relationship between structural and behavioral factors in public audit practice. Supervisory reform through the digitization of audits and strengthening professional ethics is an important step towards clean and sustainable governance. Thus, probity audit not only functions as an administrative mechanism, but also as a means of transforming values towards a bureaucracy that is more transparent, efficient, and trusted by the public.

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