ABSTRACT

The main objective of this study is to build a fraud prevention model based on a contingency characteristic framework that affects the internal control function and its effectiveness, which impacts the potential for fraud in the government e-procurement at state universities in Indonesia. This model is also expected to be a predictor of the potential for fraud. In addition, this study also improves the previous research model by examining the role of the effectiveness of internal control in mediating the relationship between internal control and the potential for fraud in procurement.

Empirical data were collected from 65 respondents, namely the head of the goods and service procurement work unit, representing the analysis unit of state universities. The response rate in this study was 53.27%. This study uses a two-step structural equation model (SEM) approach.

The results of this study indicate that of the four contingency characteristics investigated, the perceived environmental uncertainty in the procurement process has the strongest influence on the government's internal control system. The benefits of the e-procurement system also have a statistically significant effect on the government's internal control system. However, the optimization strategy as proxied by percentage of the ceiling value tendered on a consolidated basis (optimization) and the organisation's size as measured by the value of the tendered budget ceiling, does not affect the government's internal control system. The government's internal control system also not affect on the potential fraud. In addition, this study reveals new findings that the government's internal control system has a significant effect on the effectiveness of internal control. The test results on the mediation model have provide empirically evidence, internal control's effectiveness can fully mediate the relationship between internal control and potential fraud.

Keywords**:** *e-procurement, consolidation strategy, government internal control system, contingency, potential fraud*