BUDGET FRAUD IN COVID-19 PANDEMIC RESPONSE

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Abstract
The COVID-19 pandemic has forced governments in many countries, including Indonesia, to allocate large budgets quickly to address the health, social and economic impacts. However, this acceleration often ignores standard procedures, opening up opportunities for budget fraud. This study aims to analyse the patterns and potential for fraud in managing the budget for handling the COVID-19 pandemic, and provide recommendations for preventive measures. The method used is a literature study by reviewing 15 related journals. This research uses a library study. The results showed that fraud occurred in the form of price inflation, collusion, and manipulation of social assistance data due to weak supervisory systems, lack of transparency, and low government ethics. Fraud prevention requires a comprehensive approach, such as the application of digital technology, strengthening internal and external supervision, and involving civil society.
Keywords: Fraud, Budget, Covid-19 Pandemic

INTRODUCTION

The COVID-19 pandemic that has hit the world since early 2020 has had a major impact on various aspects of life, including the health, economic and social sectors. Governments in various countries, including Indonesia, have responded to this crisis by allocating large amounts of funds to deal with its impact. The budget covers various programmes, such as the procurement of medical equipment, vaccine distribution, social assistance for affected communities, and economic stimulus to support recovery. The management of these funds is expected to provide quick and appropriate solutions, in accordance with the urgent needs faced by the community.

However, the complexity of implementing a pandemic response programme presents major challenges in budget management. Not only regarding efficiency in the use of funds, but also the risk of misuse or fraud. Fraud in this context can be in the form of inflating procurement prices, distributing aid that is not on target, and inaccurate budget reporting. Such cases have surfaced in various regions, reflecting gaps in the budget monitoring and transparency system. Efficiency in budget management is an important indicator of the success of handling a pandemic. Well-managed funds can not only reduce the impact of the pandemic, but also maintain public trust in the government. Conversely, misuse of the budget can cause double losses, both financially and in terms of public trust, which can worsen the crisis situation.

Covid-19 Pandemic

Covid-19 is a disease caused by the SARS-CoV-2 virus, first detected in Indonesia in March 2020. Since then, the pandemic has had a significant impact on the health, social, and economic well-being of the community. The virus spreads rapidly through respiratory droplets, direct contact, and contaminated surfaces, causing symptoms ranging from mild such as fever and cough to severe complications such as acute

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respiratory distress. The Indonesian government responded to the pandemic with a series of policies, including large-scale social restrictions (PSBB), the Enforcement of Restrictions on Community Activities (PPKM), as well as mask-wearing and physical distancing campaigns. In the health sector, the government procured personal protective equipment (PPE), expanded isolation facilities, and increased hospital capacity. In addition, the launch of a mass vaccination programme in early 2021 is an important step to build herd immunity.

However, major challenges also arise in handling the pandemic. Indonesia faced a spike in cases in mid-2021, mainly due to the spread of the more infectious Delta variant. This is causing huge pressure on the health system, including a shortage of medical oxygen, hospital beds, and overwhelmed health workers. On the other hand, unequal access to health facilities in different regions exacerbates the impact of the pandemic, especially in remote areas. Economically, the pandemic caused a significant economic contraction, with many business sectors affected. The government responded with various social assistance and economic stimulus programmes, such as cash transfers, electricity subsidies and tax incentives. However, the effectiveness of these programmes is often compromised by administrative issues and potential budget abuse.

The COVID-19 pandemic in Indonesia is a momentum to strengthen the health system, improve public budget governance, and increase preparedness for future crises. Although major challenges remain, community solidarity, innovation in the health sector, and international collaboration provide hope to comprehensively address the pandemic.

Budget Fraud

Budget fraud is a subset of fraud in financial statements, which involves inflating, manipulating, or misusing budgets for unauthorised purposes. In the public sector, budget fraud is often associated with irregularities in the use of public funds. (Tuanakotta, 2010). Mardiasmo defines budget fraud as irregularities in budget management, both in the planning, implementation, and reporting stages. He emphasised the importance of transparency and strict supervision to prevent fraud (Mardiasmo. 2009). Budget fraud is defined as unethical actions that include diversion of funds, inflation of budgets, or manipulation of budget data carried out for personal gain or certain groups. They also emphasise the importance of forensic auditing to detect and prevent fraud (Singleton et al., 2010). In the context of local government, Halim and Kusufi explained that budget fraud is any form of misuse of funds that is contrary to budget regulations and policies. They highlighted the importance of strong internal controls to prevent and detect fraud (Halim and Kusufi, 2014). The existence of corruption and abuse of position is a form of fraud that has the potential to damage the order of other people's lives. Lack of individual morality and accompanied by pressure, opportunity / opportunity and rationalisation from unscrupulous village officials are triggers in the occurrence of Village Fund BLT fraud (Sri Apriyanti Husain,2024). The compensation provided and the competence of the apparatus have no significant effect on the tendency to fraud in the distribution of covid-19 social assistance funds. This

means that it does not contribute to committing fraud for employees at the Pekalongan City Social Service (Vicky Herviana, 2022). One of the causes of corruption or fraud is the low morale and awareness of officials and society about corruption itself. In this regard, the study of the role of government ethics in realising clean government as an effort to prevent corruption is a study that is urgently needed and very serious to be carried out (Ade Khairun Nisa and Baskoro Wicaksono, 2022).

prevention strategies can be carried out through a combination of repressive strategies (action) and preventive strategies (prevention), providing adequate compensation to meet employee needs, appropriate and transparent living standards for all staff in accordance with the compensation function. In addition, other efforts can be made to implement religious values in the workplace. The government can implement honest practices in carrying out duties and functions and involve the community in monitoring and encouraging improved performance of government agencies (Pupung Purnamasari & Ima Amaliah, 2015). Some forensic accounting skills are influential in detecting fraud, while others are not. This is due to the fact that some skills have a greater impact after fraud is detected, rather than in the process of detecting it (Sri Fadilla, et al, 2019).

This study aims to assess the extent to which the efficiency of the COVID-19 handling budget is achieved, as well as identify the potential and patterns of budget misuse (fraud) that occur. Thus, it is hoped that this research can contribute to improving the budget management system in times of crisis and encourage accountability in the use of public funds.

METHODS

This research method uses a Library Study to systematically analyse articles published from 2019 to 2024 in 15 journals. The research method used is a literature study. Researchers will examine theories, definitions or concepts related to financial management. Researchers will relate one concept to another so that the relationship and interrelationship of the topic under study can be seen, either as a cause or an effect. Researchers examine previous research reports, browsing, studying scientific articles related to the topic raised. The data analysis technique used in this research uses the content analysis method. In this analysis, the process of selecting, comparing, combining and sorting various notions is carried out until relevant data is found (Fatihudin, 2015). The literature has been examined based on relevant ideas and included as unrelated themes to discuss additional issues related to the use and abuse of the budget facing Covid-19.

RESULTS AND DISCUSSION

The author selects and carefully reads previous journals, then categorises them according to the relevance of the keywords 'Fraud', 'budgeting' and 'Covid-19'. The author took 15 journal data with the following details:

Table 1. Journal Data

No	Periode	Qty
1	Year 2019	1
2	Year 2020	2
3	Year 2021	1
4	Year 2022	5
5	Year 2023	5
6	Year 2024	1
Total of Journal		15

The following is the journal data that we examined in this study:

Table 2. Results of Literature Review on governance to prevent fraud

Author	Tittle	Year	Metode	Result
Made Subianta Adnyana, Harti Budi	Potential Fraud in Covid-19 Patient Service Reimbursement Claims	2023	Qualitative	There is potential for fraud in COVID-19 claims at all stages in the COVID-19 patient service reimbursement claim,
Vicky Verviana, Arum Ardianingsih, Rika Adriyana	Determinants of the Influence of Fraud Tendencies in the Distribution of Social Assistance Funds Covid-19 Fraud	2022	Quantitative	The compensation provided and the competence of the apparatus have no significant effect on the tendency of fraud in the distribution of covid-19 social assistance funds,
Sri Apriyanti Husain	Examining the Potential for Fraud in Village Fund Cash Assistance (BLT) During the Covid-19 Pandemic	2024	Qualitative	The existence of corruption and abuse of office is a form of fraud that has the potential to damage the order of other

				people's lives.
Natalis Christian, Shella, Fransiska, Julianti Cesilia, Nindi Suci Rahmadani, Sherly	Fraud Case Analysis of Covid-19 Social Assistance Corruption	2022	Qualitative	The corruption committed by the irresponsible former Minister of Social Affairs has had a huge impact, even affecting the economy and public health.
Novita Sari, Ratna Sari Dewi	Determinants of Potential Fraud in Village Fund Management Due to the Covid-19 Pandemic in Villages	2022	Quantitative	The competence of the village apparatus has a significant influence on the potential for fraud in the management of village funds in villages in Serdang Bedagai Regency.
Ratnia Solihah, Triono	The Role of KPK in Guarding the Allocation of Social Assistance Funds During the Covid-19 Pandemic	2020	Qualitative	KPK's role in the field of prevention is also carried out by identifying a number of corruption hotspots in handling Covid-19.
Jamila Lestyowati	Covid-19 Budget Implementation: Public Service Efforts and Corruption Eradication during the Pandemic	2022	Qualitative	Budget reallocation activities, refocusing activities and procurement of goods and services require the integrity of the perpetrators, namely treasury officials in each work unit.

Budget fraud in the handling of the COVID-19 pandemic

The COVID-19 pandemic created a state of emergency that forced governments in many countries to allocate large budgets in a short period of time to address the health and economic crisis. However, this accelerated process often ignores standard procedures, especially in the procurement of goods and services. For example, purchases of personal protective equipment (PPE), ventilators, medicines, and other

necessities are made without open tenders or transparent selection processes. Transparency International says this creates a 'high-risk environment' where oversight of budget spending is often weakened in favour of a quicker response. In such a situation, the regulatory loopholes that arise provide opportunities for fraud that harms state finances and society. Fraud that occurs usually involves practices such as mark-ups, collusion between goods providers and relevant officials, and manipulation of data on social assistance recipients. In many cases, goods procured do not meet the required specifications, but are still accepted at prices that are much higher than the market. This shows the lack of control at the procurement stage, which should be at the forefront of corruption prevention. In addition, the emergency budget management process is often not adequately monitored by internal or external auditors, increasing the opportunity for misuse of funds.

the context of budget oversight, weak audit and internal control systems are one of the main factors causing high fraud cases. The U4 Anti-Corruption Resource Centre reports that emergency funds are often not closely monitored because the government's priorities are more focused on accelerating the handling of the pandemic. Without a good oversight mechanism, these funds have the potential to be misappropriated. For example, there are reports in several countries that social assistance funds are misused by reducing the number of goods provided or diverting assistance to certain ineligible parties.

Fraud prevention in handling the COVID-19 pandemic requires a comprehensive approach that includes aspects of technology, institutional strengthening, and community involvement. One key step is the implementation of a digital system that enables real-time monitoring of budget expenditure. By utilising technologies such as blockchain or web-based platforms, governments can record, track and publish budget transactions transparently. These systems enable early detection of anomalies or suspicious spending, thereby reducing the chances of irregularities. For example, some countries have implemented public budget dashboards that can be accessed by the general public to ensure accountability in emergency fund management. n addition, audit capacity, both internal and external, needs to be improved. Internal auditors should have full access to expenditure data and use modern analytical tools to identify potential fraud. On the other hand, external auditors should be engaged to provide an independent assessment of the legitimacy and effectiveness of fund management. Intensive training for auditors on fraud detection techniques and verifying procurement data is also crucial, especially in emergency situations involving large budgets.

Oversight institutions such as the Supreme Audit Agency (BPK) in Indonesia should strengthen their role by ensuring that reports on the use of pandemic funds are published regularly and are easy to understand. Civil society engagement is another important element in fraud prevention. Full transparency in the procurement process, as recommended by the World Bank, should be implemented through publicly accessible digital platforms. These platforms can contain information about the suppliers, the amount of budget used, the specifications of the goods, and the distribution status. By involving the public and non-governmental organisations (NGOs)

as independent watchdogs, the government not only increases public trust, but also creates an additional layer of protection against budget abuse. If implemented consistently, this approach can minimise the risk of fraud while ensuring that pandemic funds are truly used for the benefit of the people.

CONCLUSION

The COVID-19 pandemic has created an urgent need for large-scale budget spending, but the accelerated process often opens the door to fraud. Practices such as price gouging, manipulation of beneficiary data, and abuse of office are common due to weak controls, lack of transparency, and inefficiencies in the oversight system. Although the government has designed various crisis management programmes, weaknesses in the budget management system and a lack of understanding of government ethics are major obstacles to fraud prevention. Without strengthened oversight mechanisms, financial losses and public confidence in the government will continue to increase.

Recomendation

1. Strengthening Internal and External Oversight
   The government needs to increase the capacity of auditors and optimize the internal control system to minimize the potential for budget abuse and prevent fraud with religious and spiritual values in the workplace.
2. Implementation of Digital Technology
   Adopt transparent digital systems, such as blockchain-based platforms or public dashboards, to track budget spending in real-time and facilitate public access to data.
3. Public Participation
   Civil society and non-governmental organisations should be actively involved in the process of monitoring the use of public funds to improve accountability and transparency.

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