

Prevention of Corruption in the Procurement of Goods/Services Process at PT PAL Indonesia Based on Regulations in Indonesia

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ABSTRACT : PT PAL Indonesia as a strategic State-Owned Enterprise (BUMN) in the maritime industry sector, has a crucial role in supporting national defense and the economy through ship production and various related services. In carrying out its operations, including procurement of goods and services that can use methods such as limited/open auctions, direct appointments, open book systems, and direct purchases, PT PAL Indonesia is highly vulnerable to the risk of corruption. Data from the Corruption Eradication Commission (KPK) and Indonesia Corruption Watch (ICW) shows that the procurement of goods and services sector is the most corruption-prone area in Indonesia, with significant state losses and modus operandi such as price mark-ups, tender winner fixing, bribery, fictitious projects, and conflicts of interest.

This study uses a normative method by analyzing laws and regulations, including Presidential Regulation Number 16 of 2018 (and its amendment, Presidential Regulation Number 46 of 2025), Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 concerning the Eradication of Criminal Acts of Corruption, and internal regulations of PT PAL Indonesia. The main objective is to identify patterns of preventing criminal acts of corruption in the procurement of goods/services at P PT PAL Indonesia. Integrity is a central factor that is inversely proportional to the level of corruption; high integrity will minimize corruption because it encourages transparency, accountability, and healthy competition. The corruption modus operandi identified at PT PAL Indonesia, such as price markups, tender winner fixing, bribery, and fictitious projects, have resulted in state financial losses, decreased product quality, loss of public trust, and hindered innovation. Addressing this requires a comprehensive prevention approach that includes strengthening Corporate Governance (GCG) through transparency, accountability, integrity, and independence. Furthermore, improving technology-based procurement systems such as e-procurement (e-tendering, e-purchasing, e-reporting) and utilizing Big Data Analytics and Artificial Intelligence is crucial. Effective internal and external oversight, including robust internal audits, a whistleblowing system, and collaboration with the Supreme Audit Agency (BPK) and the Corruption Eradication Commission (KPK), is also crucial. Finally, developing human resources (HR) and an anti-corruption culture through training, instilling integrity values, job rotation, and a clear reward and punishment system will strengthen defenses against corruption. Overall, preventing corruption at PT PAL Indonesia requires a harmonious combination of strict regulations, sophisticated technology, multi-layered oversight, and building a strong culture of integrity.

KEYWORDS: *Corruption Crime, Procurement of Goods and Services, Indonesian Regulations*

I. INTRODUCTION

PT PAL Indonesia is a state-owned enterprise (BUMN) operating in the national maritime industry, primarily focusing on shipbuilding. The company plays a strategic role in supporting the development of the maritime and defense industries in Indonesia.

PT PAL Indonesia manufactures various types of vessels, including merchant ships, warships (such as the LPD KRI Banjarmasin and Fast Patrol Boats), floating equipment, power generation equipment (steam turbines, compressor modules), and oil and gas industry equipment. In addition, PT PAL Indonesia also provides ship maintenance and repair services, ship management, manning and chartering, shipping agency services, and ship maintenance planning. PT PAL Indonesia has even successfully produced submarines.

In carrying out its operations, PT PAL Indonesia procures goods and services. The procurement process at PT PAL Indonesia can use several methods, including: limited auctions, open auctions, direct appointments, namely PT PAL Indonesia is known to use the direct appointment method with certain criteria, *open book system procurement*, direct purchases. The material procurement process at PT PAL Indonesia involves the non-production and investment procurement department, as well as the service procurement department. The company also has standard operating procedures for the application of goods and services procurement. Overall, PT PAL Indonesia is a key player in the Indonesian maritime and defense industry, with goods and services procurement processes that support its various production and service activities.¹

¹<https://www.pal.co.id/tentang-perusahaan/>

The procurement process for goods and services requires integrity from all parties involved. According to Rombe et al. (2021), integrity itself aims to, first, support the public sector in producing goods and services at competitive prices without corruption that leads to price gouging in procurement. Second, it supports suppliers in conducting their procurement transparently, predictably, and fairly, thus avoiding bribery attempts to obtain contracts and other matters, ultimately minimizing costs and increasing competitiveness. As is well known, integrity pacts are currently chosen as one of the various anti-corruption efforts.

Therefore, the relationship between integrity in procurement of goods and services (PBJ) and corruption is inversely proportional. High integrity equals low corruption. When integrity is upheld at every stage of the PBJ (from planning and supplier selection to implementation and supervision), the opportunity for corruption is minimal. This is because integrity promotes transparency, accountability, healthy competition, and compliance with regulations. Low integrity equals high corruption. Conversely, if integrity is weak or neglected, PBJ becomes a sector highly vulnerable to corruption. Practices such as bribery, collusion, nepotism, price gouging, and abuse of authority will become rampant, resulting in state losses and hampering development. In short, the higher the level of integrity applied throughout the procurement cycle of goods and services, the lower the potential for corruption. Conversely, the absence or weakness of integrity will directly increase the risk and prevalence of corruption, harming the state and society at large.

According to Kaufmann, procurement of goods/services (PBJ) is a government activity that is considered most vulnerable to corruption, and this occurs everywhere throughout the world (*OECD*, 2007:9). According to Presidential Regulation of the Republic of Indonesia Number 16 of 2018 concerning Government Procurement of Goods/Services (as last amended by Presidential Regulation Number 46 of 2025 concerning the Second Amendment to Presidential Regulation Number 16 of 2018), Procurement of Goods/Services is an activity to obtain Goods/Services by Ministries/Institutions/Regional Apparatus/Other Institutions/Village Governments funded by the APBN/APBD/APBDes, the process of which starts from identifying needs to handover of work results.

In particular, the government procurement of goods and services has long been a hotspot for corrupt practices. Its nature, which involves the circulation of large sums of public funds, coupled with the complexity of procedures, creates an environment vulnerable to malpractice such as tender manipulation and bribery. This phenomenon creates a paradox: Indonesia's ideal of a rule of law clashes with the reality of corruption that undermines the very foundations of development and social justice.

The 2024 Integrity Assessment Survey (SPI) recorded that 82% of provincial governments and 67% of district/city governments were categorized as vulnerable to corruption due to poor procurement management. Based on 2024 Corruption Eradication Commission (KPK) data, almost 90% of cases in court involved goods and services. In 2024: The KPK prosecuted 154 corruption cases, with 68 cases (around 44.15%) related to procurement of goods and services. This indicates that procurement of goods and services was the most common type of case handled by the KPK that year ². 2024 Integrity Assessment Survey (SPI) from the KPK: The procurement of goods and services sector was highlighted as one of the most vulnerable sectors. The risk of misuse in procurement management reached 97% in ministries/institutions and 99% in local governments based on survey findings. (Source: KPK)

Based on data compiled by ICW, from 2019 to 2024, there were at least 1,343 corruption cases with a total of 2,964 suspects. Of these cases, the total potential state financial loss reached Rp 47.18 trillion. Meanwhile, potential bribery reached Rp 439.71 billion, extortion Rp 2.61 billion, and money laundering Rp 279.77 billion.

ICW researcher Erma Nuzulia Syifa, during a press conference at the ICW office in Kalibata, South Jakarta, on Wednesday (June 11, 2025), Erma also stated that common corruption methods include fictitious projects, budget misuse, markups, fictitious reports, embezzlement, bribery, abuse of authority, budget cuts, influence peddling, and extortion.³

The definition of corruption is based on Law Number 31 of 1999 concerning the Eradication of Criminal Acts of Corruption as amended by Law Number 20 of 2001. In general, corruption is defined as an unlawful act carried out with the aim of enriching oneself or another person or a corporation which can harm state finances or the state economy.

According to (Perdana & Prawesthi, 2023), Obstruction of Justice is not a new term in Indonesia and is a form of criminal offense related to corruption. In efforts to eradicate corruption, it is important to consider actions that hinder the law enforcement process (Obstruction of Justice), which are regulated in several positive criminal laws in Indonesia. We must consider all actions that have the potential to thwart criminal law enforcement efforts in eradicating corruption.

²<https://antikorupsi.org/id/perpres-pbj-2025-formalitas-pemernatasan-korupsi-pengadaan>

³<https://www.satelitnews.com/138624/icw-sepanjang-2019-2023-ada-1-189-kasus-korupsi-negara-rugi-rp47-t/>

The law established by Indonesia to eradicate corruption is Law No. 31/1999 and its amendment, Law No. 20/2001, which serves as a legal "dictionary" for corruption. It outlines 30 acts considered corruption, divided into seven broad categories: causing harm to the state, bribery, extortion, and gratuities (gifts related to office). Key Point: Any gift received by an official is considered a bribe unless reported to the Corruption Eradication Commission (KPK). This law also stipulates the death penalty for corruption in emergency situations.

Regulations Regarding the Corruption Eradication Agency, Law on the Corruption Eradication Commission (KPK) Initially (Law No. 30/2002): This law established the KPK as a super-powerful independent institution to handle corruption. The KPK was given the authority to wiretap, investigate, and prosecute. After the Revision (Law No. 19/2019): There were major changes. KPK employees became ASN and a Supervisory Board was formed. Now, the KPK must obtain permission from the Supervisory Board to wiretap or confiscate Law No. 46/2009 on the Corruption Court: In essence: Create a special corruption court in each province. The goal is for corruption cases to be tried by judges who are more focused and expert.

Previous research has found that corruption in government procurement of goods and services remains a significant problem in Indonesia, causing significant financial losses and eroding public trust (Meiva Mawikere et al., 2025). This problem stems from weak regulations, an ineffective procurement system, and maladministration (Ainiel Riany Putri et al., 2024). Collusion in procurement occurs in various forms, including horizontal, vertical, and joint collusion (Dwi Prasetyo et al., 2024). To combat this, the implementation of Good Governance principles is crucial, emphasizing transparency, accountability, efficiency, effectiveness, and responsibility (Ilmiah Research et al., 2023). Key factors in preventing fraud include internal control, e-procurement, organizational culture, and whistleblowing systems (Cahyani, 2022). Legal frameworks such as Law No. 5 of 1999 and Law No. 20 of 2001 aim to promote fair competition and transparency (Latimena & Isnawaty, 2024). Strengthening regulations, increasing supervision, and fostering collaboration between institutions such as the Business Competition Supervisory Commission and the Corruption Eradication Commission are recommended to effectively address this issue.

Corruption, collusion, and nepotism (KKN) in government procurement of goods and services, both at the central and regional levels, remains rampant. To address this issue, PT PAL Indonesia is expected to be at the forefront of eradicating corruption. Therefore, this article will discuss preventing corruption in the procurement process at PT PAL Indonesia based on Indonesian regulations.

II. THEORETICAL REVIEW

According to Kaufmann (OECD, 2007), procurement of goods and services is the activity considered most vulnerable to corruption, and this occurs everywhere throughout the world. Procurement of Goods and Services is an activity to obtain goods and services carried out by State-Owned Enterprises whose funding comes from the State-Owned Enterprise budget, the process starting from planning needs to handover of work results.

According to (Kassem, 2012), Corruption is part of the larger umbrella of fraud that involves the abuse of power or position for personal gain, often through deception or concealment, which ultimately harms an organization or other party. In Indonesia, the definition of corruption is expressly contained in Law Number 31 of 1999 concerning the Eradication of Criminal Acts of Corruption as amended by Law Number 20 of 2001. In general, corruption is defined as an unlawful act committed with the aim of enriching oneself or another person or a corporation that can harm state finances or the country's economy.

According to the concept developed by the Association of Certified Fraud Examiners (ACFE), the original Fraud Triangle Model proposed by Donald Cressey (1953) explains that fraud occurs when these three elements are present simultaneously: (i) Pressure: The existence of a non-shareable financial need that drives an individual to commit fraud. This pressure can be personal (luxurious lifestyle, debt), work-related (performance pressure), or external (market conditions). (ii) Opportunity: The existence of an opportunity to commit fraud and the belief that the act will not be detected. This often arises from weaknesses in internal control systems, lack of supervision, or abuse of authority. (iii) Rationalization: The perpetrator's self-justification for their actions, often by viewing themselves as honest people forced by circumstances, or that the act does not significantly harm anyone.

(Kassem, 2012) together with Andrew Higson, proposed "The New Fraud Triangle Model" which aims to broaden and refine external auditors' understanding of fraud risk, particularly financial reporting fraud. While not explicitly adding new elements in the form of additional "sides" to the triangle, Kassem and Higson emphasize the importance of (i) Deepening the understanding of the three basic elements (Pressure, Opportunity, Rationalization): This new model encourages auditors to look beyond the traditional definition and consider the nuances and interconnections between the three elements in a modern context. For example, Kassem and Higson classify pressures into personal pressures, company/job pressures, and external pressures. (ii) Integration of Employee Ethical Values: One of Kassem's main focuses is integrating employee ethical values in fraud risk assessment. This implies that individual ethical behavior and integrity play a crucial role in

preventing fraud, even when pressure and opportunity exist. Management integrity, for example, is considered very important because management motivation is a key driver of fraud. (iii) The Importance of Perpetrator's Capability: Although this is more often associated with the "Fraud Diamond" (which adds the "Capability" element to the Fraud Triangle), the study (Kassem, 2012) also highlights that not everyone is capable of exploiting fraud opportunities. Auditors need to consider the capabilities of the fraud perpetrator, such as position of power within the organization, knowledge of the accounting system, and understanding of internal control weaknesses. This suggests that the "capability" element is highly relevant in the context of Kassem's model, although it is not always depicted as a separate fourth facet.

The Main Legal Basis that regulates Corruption is (i) Law Number 31 of 1999 concerning the Eradication of Criminal Acts of Corruption in conjunction with Law Number 20 of 2001 concerning Amendments to Law Number 31 of 1999: This is the parent law that defines criminal acts of corruption and their sanctions. In the context of procurement, the relevant articles often relate to state financial losses, bribery, gratuities, embezzlement in office, extortion, and fraudulent acts. (ii) Presidential Regulation Number 16 of 2018 concerning Government Procurement of Goods/Services in conjunction with Presidential Regulation Number 12 of 2021 concerning Amendments to Presidential Regulation Number 16 of 2018: Although this Presidential Regulation specifically regulates procurement within the government, its basic principles often serve as a reference for SOEs, especially in terms of transparency, accountability, and the use of technology. (iii) Regulation of the Minister of State-Owned Enterprises concerning General Guidelines for the Implementation of Procurement of Goods and Services of State-Owned Enterprises: This is a regulation that directly regulates procurement in State-Owned Enterprises, including PT PAL Indonesia. An example is Regulation of the Minister of State-Owned Enterprises No. PER-08/MBU/12/2019 which was later revoked and replaced by Regulation of the Minister of State-Owned Enterprises No. PER-2/MBU/03/2023 concerning Guidelines for Governance and Significant Corporate Activities of State-Owned Enterprises. This regulation covers procurement ethics, the use of domestic products, procurement methods, to objections and contracts. (iv) Internal Regulations of PT PAL Indonesia: Every State-Owned Enterprise, including PT PAL Indonesia, is required to have Good Corporate Governance (GCG) Guidelines and Standard Operating Procedures (SOP) that regulate in detail the procurement process of goods/services, ensuring compliance with higher regulations.

III. RESEARCH METHODS

This research uses a normative method, which focuses on examining laws and regulations relevant to the procurement of goods and services in the Indonesian government. The normative method aims to analyze legal norms within applicable laws and regulations and their application in preventing collusion and corruption.

The approach used in this research includes an analysis of legal documents and case data handled by the Corruption Eradication Commission (KPK) and the Indonesian Corruption Watch (ICW) to identify common patterns and modus operandi in collusion and corruption practices. This analysis provides an overview of the suitability and weaknesses of existing regulations, including an evaluation of the sanctions that have been implemented. With this approach, this research is expected to provide policy recommendations to strengthen the legal framework for creating integrity in the procurement of goods and services.

IV. RESULTS AND DISCUSSION

4.1 General Study of Corruption Crimes in Procurement of Goods and Services at PT PAL Indonesia

Procurement of Goods and Services is an activity to obtain goods and services carried out by a State-Owned Enterprise whose financing comes from the State-Owned Enterprise budget, the process of which starts from planning needs to handover of work results.

PT PAL Indonesia, as a strategic state-owned enterprise in the national shipping industry, plays a vital role in supporting maritime defense and the country's economy. However, like many large business entities, PT PAL Indonesia is not immune to the potential risk of corruption, particularly in the procurement of goods and services. A general review of this issue is crucial for understanding the modus operandi, impacts, and effective prevention and enforcement measures.

According to (Rombe et al., 2021), sanctions in the procurement of goods/services are regulated in Presidential Decree No. 16 of 2018 as a repressive measure against errors or irregularities. Sanctions imposed can include disqualification from the selection process, disbursement of guarantees, blacklisting, compensation, and fines. Sanctions for the Procurement Committee/Officials and Users of Goods/Services

Some of the actions regulated in Presidential Decree Number 80 of 2013 include:

- a. Fraud in tender announcements: Subject to administrative sanctions, demands for compensation if it causes losses to the state, and even criminal proceedings if there are indications of Corruption, Collusion and Nepotism (KKN).

- b. Determining the winner incorrectly or fabricating the award: Re-evaluation sanctions may be imposed if human error is present. However, if there are indications of corruption, collusion, and nepotism, in addition to sanctions as per regulations, a new procurement committee/official must be formed.

Sanctions for Goods/Service Providers, administrative sanctions for goods/service providers include:

- a. Cancellation as winner (before the contract is signed).
- b. Termination of contract (after the contract is signed or implementation is underway).
- c. Blacklisted so that they cannot participate in the goods/services procurement process for a certain period of time.

Some actions by goods/service providers that may be subject to sanctions are:

- a. Influencing procurement committees/officials for purposes contrary to the provisions.
- b. Conspiracy to reduce or eliminate fair competition or harm another party. This penalty is stipulated in Law Number 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition, with a minimum fine of Rp 5 billion to Rp 25 billion, or a maximum of five months' imprisonment.
- c. Creating or submitting false documents/information to meet procurement requirements is punishable by a two-year blacklisting.
- d. Resigning for reasons that cannot be justified.
- e. Not responsible for completing work according to the contract.

Sanctions for Other Parties Involved, other parties such as planning consultants in construction/consulting work, who are negligent so that the completion of the work is late, can be subject to sanctions to re-prepare the work completion plan at their own expense and/or be subject to claims for compensation.

4.1.1 Identified Modus Operandi

In general, corruption in the procurement of goods and services at PT PAL Indonesia bears similarities to corruption cases in other agencies, but with characteristics adapted to the complexity of the shipping industry. According to (Rahman, 2025), the criminal investigation term for "method of action" can prove that the defendant has a pattern of repeating the same crime using the same method. Some frequently identified modus operandi include:

- a. Markup: An unreasonable increase in the price of goods or services above market value, with the difference then being enjoyed by the involved parties. This often occurs in the procurement of ship components, spare parts, or specialized materials whose prices are difficult for the public to verify.
- b. Tender fixing: The practice of collusion between procurement committees and goods/services providers to ensure a particular company wins a tender, even though their bids are uncompetitive or do not meet specifications. This can be done through leaked tender information, specification manipulation, or document manipulation.
- c. Bribery and gratuities: Giving money or other facilities to authorized PT PAL Indonesia officials in the procurement process to smooth transactions or obtain preferential treatment.
- d. Fictitious/partially fictitious: Procurement of goods or services that do not actually exist or are only partially realized, but payment is made in full. This is often difficult to detect without a rigorous physical audit.
- e. Conflict of interest: PT PAL Indonesia officials or employees have affiliated or ownership relationships in companies providing goods/services, thereby influencing procurement decisions for personal or group gain.

4.1.2 Impact of Criminal Acts of Corruption

The impact of criminal acts of corruption in the procurement of goods and services at PT PAL Indonesia is very detrimental, not only for the company but also for the country:

- a. State financial losses: Funds that should be used for company development or strategic projects leak and end up in private pockets.
- b. Decreased quality of products and services: Goods or services procured through corrupt practices tend to be of low quality or substandard, potentially jeopardizing the operation of ships or defense projects.
- c. Loss of public trust: PT PAL Indonesia's image as a strategic state-owned enterprise could be tarnished, reducing public and investor trust.
- d. Barriers to innovation and competitiveness: The misappropriated funds could have been allocated for research, development, or technological improvement, so corruption PT PAL Indonesia's progress.
- e. Weakening of the defense system: The quality of ships being built or repaired is not optimal, indirectly weakening Indonesia's maritime defense strength.

4.2 Understanding the Basics of Law and Policy

Regulations regarding government procurement of goods and services in Indonesia have evolved significantly over time, from a simple initial framework to a more complex and detailed one. Initially, Presidential Regulation No. 16 of 1994 regulated procurement as part of the implementation of the State Budget. Subsequently, Presidential Regulation No. 18 of 2000 became the first regulation to specifically address guidelines for procurement of goods and services by government agencies. This regulation covers the responsibilities and qualifications of relevant parties, procurement procedures, the use of domestic products, contract specifications, and guidance and supervision.

Subsequently, Presidential Regulation Number 80 of 2003 was issued to replace Presidential Regulation 18/2000. Presidential Regulation 80/2003 introduced several important requirements, such as mandatory certification of expertise for procurement officials, a more structured auction system, and mandatory auction announcements. This Presidential Regulation has undergone several revisions, with the latest revision being Presidential Decree Number 95 of 2007. However, Presidential Regulation 80/2003 has limitations. For example, there is no clarity regarding the authority of the Project Manager (now called the PPK), where all procurement authority is still held by the Budget User (including the preparation of the HPS and contract supervision). Furthermore, Presidential Regulation 80/2003 also does not specifically regulate the preparation of the Own Estimated Price (HPS) in line with the principles of government PBJ.

To increase effectiveness and achieve value for money, the government then issued Presidential Regulation Number 54 of 2010. This regulation detailed the HPS preparation process according to PBJ principles. Improvements continued with the issuance of Presidential Regulation Number 16 of 2018, which replaced Presidential Regulation 54/2010. Presidential Regulation 16/2018 aims to accelerate and simplify the PBJ process by prioritizing the principles of simplicity, cost efficiency, ease of supervision, and value for money. This new regulation simplifies the normative components and submits detailed standards and procedures to the LKPP Regulation and related ministerial regulations.

Finally, Presidential Regulation Number 12 of 2021 was issued as an amendment to Presidential Regulation 16/2018. This amendment was made to align with the Job Creation Law (Law Number 11 of 2020), specifically to accommodate the utilization of Micro, Small, and Medium Enterprises (MSMEs) products and the procurement of construction services, in order to stimulate economic growth.

Attached are the detailed legal basis and policies for procurement of goods and services at PT PAL Indonesia:

- a. Law number 19 of 2003 concerning State-Owned Enterprises.
- b. Law number 40 of 2007 concerning Limited Liability Companies.
- c. Decree of the Minister of State-Owned Enterprises Number: KEP 117/M/MBU/2002 concerning the Implementation of Good Corporate Governance Practices in State-Owned Enterprises.
- d. Regulation of the Minister of State-Owned Enterprises PER-02/MBU/03/2023 concerning Guidelines for Governance and Significant Corporate Activities.
- e. Letter of approval from the Board of Commissioners regarding the Provisions for Procurement of Goods and Services of a substantial nature (not routine) Number: 44/DK/PAL/VIII/2020 dated August 5, 2020.
- f. Decree of the President Director Number: Skep/04/10000/II/2024 dated February 29, 2024 concerning the Organizational Structure of PT PAL Indonesia.
- g. Decree of the President Director Number: SKEP/31/10000/VIII/2022 dated August 22, 2022 concerning Guidelines for Procurement of Goods and Services of PT PAL Indonesia and its amendments.
- h. ISO 20400: 2017 Standard Implementation of Sustainable Procurement.

4.3 Corruption Prevention Pattern for Procurement of Goods and Services at PT PAL Indonesia

Preventing corruption in the procurement of goods and services at PT PAL Indonesia is key to ensuring clean and efficient operations and maintaining the company's reputation as a strategic state-owned enterprise. An effective prevention approach must be comprehensive, multifaceted, and consistently implemented.

4.3.1 Strengthening Corporate Governance (Good Corporate Governance - GCG)

The foundation of corruption prevention lies in the implementation of strong GCG. This includes:

- a. Full Transparency: All stages of procurement, from requirements planning and specification development, the tender process, evaluation, to award and contract execution, must be well-documented and accessible to authorized parties. Publication of procurement information online (e-procurement) is crucial.
- b. Accountability: Every individual and work unit involved in procurement must have clear responsibilities and be accountable for their decisions and actions. A regular reporting and audit system will support this accountability.

- c. Integrity: Promote a culture of integrity throughout PT PAL Indonesia, from top management to executive staff. This can be achieved through a clear code of ethics, an integrity oath, and an anti-corruption commitment signed by all parties involved.
- d. Independence: Ensuring independence in the decision-making process, especially in tender evaluation, so that there is no intervention or pressure from any party that could benefit certain groups.

4.3.2 Technology-Based Procurement System Improvement

Adoption of advanced technology can significantly reduce the loopholes of corruption:

- a. Robust E-Procurement: Implementing a robust and integrated electronic procurement (e-procurement) system is a must. This system should include:
 - 1. E-Tendering: The auction or tender process is conducted electronically, reducing direct interaction that could potentially trigger bribery.
 - 2. E-Purchasing: Direct purchasing of small value goods/services through a verified electronic catalog.
 - 3. E-Reporting: Real-time reporting and monitoring of procurement processes.
- b. Big Data Analytics and Artificial Intelligence (AI): Leveraging big data analysis to identify suspicious transaction patterns, pricing anomalies, or indications of collusion. AI can assist in the early detection of corruption risks.
- c. Document Digitalization: Reducing the use of physical documents that are vulnerable to manipulation, switching to a digital system that is encrypted and recorded.

4.3.3 Effective Internal and External Supervision

Prevention patterns also rely heavily on a multi-layered surveillance system:

- a. Robust Internal Audit: The internal audit unit must have adequate resources, high competence, and full independence in carrying out its duties. Audits should be conducted regularly, unannounced, and focused on high-risk areas.
- b. Whistleblowing System: Provides a safe, confidential, and trusted channel for employees or external parties to report suspected corruption without fear of reprisal. It is important to ensure that every report is followed up seriously.
- c. External Oversight: Encourage the involvement and oversight of external institutions such as the Supreme Audit Agency (BPK), the Corruption Eradication Commission (KPK), or other oversight bodies. Active collaboration with these institutions will strengthen prevention.
- d. Public/Vendor Participation: Encourage vendors or providers of goods/services to participate in monitoring and reporting unethical practices. Providing feedback or a complaint mechanism for vendors who feel disadvantaged is also important.

4.4.4 Human Resources (HR) Development and Anti-Corruption Culture

Corruption is often rooted in individual behavior, so human resource development is key:

- a. Anti-Corruption Education and Training: Provide regular and comprehensive training to all employees involved in procurement regarding corruption risks, anti-corruption regulations, codes of conduct, and applicable sanctions.
- b. Instilling Integrity Values: Building an organizational culture that upholds integrity, honesty, and professionalism. This can be done through internal campaigns, leadership examples, and awards for employees with integrity.
- c. Job Rotation: Implement a periodic job rotation system in key positions in the procurement unit to prevent the accumulation of power and collusion networks.
- d. A Clear Reward and Punishment System: Implement strict sanctions for perpetrators of corruption without discrimination, while also providing awards for employees who demonstrate integrity and achievement.

4.4.5 Improvement of Internal Regulations and Policies

Clear and strict rules of the game will minimize the gaps for corruption:

- a. Clear and Strict Procurement Procedures: Formulate detailed procurement Standard Operating Procedures (SOPs), which are not open to multiple interpretations and close the gap for excessive discretion.
- b. Conflict of Interest Rules: Create strict rules regarding conflicts of interest, prohibiting officials or employees who have a relationship with a vendor from being involved in the procurement process of that vendor.
- c. Reference Price Transparency: Establish and publish own estimated prices (HPS) or reference prices that are transparent and based on the latest market data.
- d. Periodic Regulatory Evaluation: Conducting periodic evaluations and improvements to procurement regulations in accordance with technological developments, market trends, and government regulations related to the eradication of corruption.

V. CONCLUSION

PT PAL Indonesia faces a high risk of corruption in the procurement of goods and services, with common modus operandi including price markups, tender fixing, bribery, fictitious procurement, and conflicts of interest. This corruption harms state finances, reduces product quality, tarnishes the company's image, hinders innovation, and weakens maritime defense. Procurement regulations in Indonesia have continued to evolve, from Presidential Regulation 16/1994 to Presidential Regulation 12/2021, with a focus on efficiency and accommodating MSMEs. Furthermore, Law Number 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition expressly prohibits tender rigging involving multiple parties to manipulate results.

To prevent corruption at PT PAL Indonesia, a comprehensive strategy is needed:

- a. Strengthening Corporate Governance (GCG) through transparency, accountability, integrity, and independence.
- b. Improving the Technology-Based Procurement System with the implementation of advanced e-procurement, utilization of Big Data Analytics and AI, and document digitalization.
- c. Effective Internal and External Oversight through strong audits, whistleblowing systems, cooperation with regulatory agencies, and vendor participation.
- d. Human Resources Development and Anti-Corruption Culture through training, instilling integrity values, job rotation, and a clear reward and punishment system.
- e. Improvement of Internal Regulations and Policies with strict procedures, conflict of interest rules, HPS transparency, and periodic evaluations.

This synergy of efforts is crucial to eradicate corruption and support the progress of PT PAL Indonesia as a pillar of the national defense industry.

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