

The Role of Internal Auditors in Preventing Fraud in Government

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Abstract

Government institutions play an important role in the achievement of a country to achieve a goal is supported by a good attitude and action from a state civil apparatus. Sometimes bad things and actions are carried out to realize all of their ambitions. Based on The Association of Certified Fraud Examiners (ACFE), fraud is an act carried out to achieve a goal, such as manipulating financial statements or providing false information. Broadly speaking, forms of fraud often occur in government institutions (corruption). In Tuanakotta (2007) explained that the fraud triangle is a model to explain a number of factors that cause a person to carry out fraudulent work, which is corruption. The approach of this research is a type of research (case study). According to Ningsih (2019): Qualitative research is research that intends to deeply understand the processes, challenges, and strategies used by internal auditors in preventing fraud. Some of the main results of relevant study studies usually include: Effectiveness of internal supervision Internal auditors are tasked with ensuring that the internal control system is running properly to detect and prevent potential fraud. 1. Increased anti-fraud awareness The existence of internal auditors encourages government employees' awareness of the importance of ethics, accountability, and transparency. 2. Early detection of potential fraud Through periodic audits and special investigations, internal auditors are able to identify suspicious activity before it becomes a larger fraud. 3. Strengthening organizational culture Internal auditors are often involved in building an organizational culture that focuses on honesty and compliance with rules.

Keywords : *Fraud, Internal Auditor*

INTRODUCTION

Government institutions play an important role in the achievement of a country. to achieve a goal is supported by a good attitude and action from a state civil apparatus. There are still many problems that often occur in government institutions, both at the central and regional levels. In today's era, in the business world and government institutions, it is often considered to deviate from honesty, fraud and abuse that occurs because all people expect to make a profit. Sometimes a number of bad things and actions are carried out to realize all of their ambitions (Nasution, 2023).

Based on The Association of Certified Fraud Examiners (ACFE), fraud is an action carried out to achieve a goal, such as manipulating financial statements or providing false information. Broadly speaking, it is a form of fraud that often occurs in government institutions (corruption). In Tuanakotta (2007) explained that the fraud triangle is a model to explain a number of factors that cause a person to carry out fraudulent work, which is corruption (Nasution & Welly, 2023).

From the activities of government agencies that are carried out to prevent actions (Fraud), the existence of internal audits plays an important role (Nasution et al, 2024). The development of the internal auditor profession from the present period provides an important overview and function regarding the existence of internal auditors. According to Dewi, S. (2024) internal audit is an important tool to help organizations achieve their goals by improving corporate governance,

managing risks, increasing accountability and transparency, and increasing efficiency in operational effectiveness (Nasution et al, 2021).

Facts in Indonesia show that there are still many irregularities in supervision in government institutions. One of the cases that occurs is the existence of acts of corruption that usually involve civil servants who have positions and power in government institutions such as gubernur, regent, and the mayor (Nasution et al, 2024). According to Indonesia Corruption Watch/ICW (2023), there were 791 cases of corruption. With a total of 1,695 suspects, it has harmed the country.

Research on the Role of Internal Auditors has been conducted by Karlina, G.Siti, N. & Adelia, N (2022). This study shows that the role of internal audit in fraud prevention in local government states that internal audit in local government has a positive effect on fraud prevention in the Makassar City Government. On the basis of this phenomenon, researchers need to discuss and study further about "The Role of Auditors in Fraud Prevention in Government", so the author is interested in addressing this problem.

The Fraud Triangle Theory, or Fraud Triangle Theory, outlines the three main factors that trigger fraud: pressure, opportunity, and rationalization. This theory was developed by Donald R. Cressey, an expert in the study of organized crime, criminology, and white-collar crime, in 1953. This theory identifies the causes of fraud in various contexts, including in the business world and the government sector. The term "triangle" is used because the phenomenon of cheating usually involves three interconnected elements, which drives individuals to cheat. The causes of fraud are:

1. **Pressure.** The embezzlement of corporate funds by individuals, both from employees and directors, is often related to various pressures faced. First, there are financial pressures that arise due to excessive debt, lifestyles that are not in line with financial capabilities, as well as impulses for greed and unexpected urgent needs. Second, various physical stressors, such as drug addiction, gambling, and alcohol consumption, also contribute. Furthermore, workplace pressures, such as lack of recognition of achievements, disproportionate rewards, and dissatisfaction with working conditions, are also significant factors. No less important, the demands of the couple to acquire luxury items can be an additional source of pressure.
2. **Opportunity.** Fraud occurs when there is an opportunity where a person must have access to assets or authority in establishing control procedures that allow fraudulent schemes to be carried out. The opportunity is due to weak internal control in avoiding and detecting fraud.
3. **Justification (rationalization).** Cheating often arises due to a rationalization process by individuals or groups that creates reasons to justify their actions. Fraudsters usually seek ways to convince themselves that: (a) the act they are committing is not theft or fraud, but rather something that is considered common or normal to be committed by others; (b) they feel they have made a significant contribution to the organization and are entitled to receive a greater reward than they earn; (c) they believe that a good cause, such as solving a problem, will justify their actions.

Internal auditors are individuals or groups in an organization that are responsible for carrying out independent evaluation and supervision related to the effectiveness of risk management, organizational governance processes, and internal controls. The main function of an internal auditor is to provide added value to the organization by providing suggestions that can improve efficiency and operational effectiveness. According to Dahlan (2018) The role of an auditor is a person who has a qualification in carrying out audits related to the financial statements and

activities of a company. Trust in the Company's financial statements depends on the auditor's proficiency. Consists of:

1. Integrity, integrity is a quality, trait or condition that shows complete unity so that it has the potential and is able to show authority and honesty. The considerations. Integrity does not only explain honesty, but fair relationships and real conditions as well.
2. Objectivity, objectivity is an honest attitude that is not influenced by personal or group opinions and considerations in decision-making or actions.
3. Secrecy, secrecy is the nature of something that is entrusted to someone so that it is not told to others who are not authorized to know it.
4. Competence, competence is the ability and characteristics that a person has, in the form of skills, knowledge, and behavioral attitudes needed to carry out their work duties.

Fraud is an action that is carried out deliberately in obtaining personal or group benefits, where the intentional action has caused losses for a certain number of parties. Fraud itself can be defined through several meanings, namely:

1. Cheating
2. Lies
3. Fraud
4. Crime
5. Embezzlement of goods
6. Data manipulation
7. Information technology
8. Changing opinions by distorting existing facts
9. Deliberate disappearance of evidence

Sri (2014) explained that Fraud is an unlawful act or violation of the law that people commit inside and/or outside an organization with the aim of obtaining personal or group benefits that directly or indirectly harm other parties.

Siegel and Shim in Fahmi (2011) explain that fraud is a deliberate act by an individual or a mistake to deceive others, thus causing losses, especially misrepresentation that can be detrimental, or with the aim of hiding material data needed to carry out previous decisions.

RESEARCH METHODS

The approach of this research is a type of research (case study). Ningsih (2019) explained that qualitative research is research that intends to deeply understand the processes, challenges, and strategies used by internal auditors in preventing fraud.

This research was carried out in the government, by obtaining research data through online sites and references from previous researchers This research was conducted from November to December 2024.

Documentation data in this study was obtained by observing phenomena related to fraud prevention obtained through websites and references from previous researchers. This study uses secondary data, where the data collection that the researcher does through documentation and literature, namely data obtained from websites and from previous researchers' references.

RESULTS AND DISCUSSION

Research on the role of internal auditors in fraud prevention in government often shows that internal auditors have a significant influence on reducing fraud risk. Some of the main outcomes of a relativistic study study usually include:

Internal auditors are tasked with ensuring that the internal control system is running properly to detect and prevent potential fraud.

1. Increased anti-fraud awareness, The existence of internal auditors encourages the awareness of government employees on the importance of ethics, accountability, and transparency.
2. Early detection of potential fraud, Through periodic audits and specialized investigations, internal auditors are able to identify suspicious activity before it becomes a larger fraud.
3. Strengthening organizational culture, Internal auditors are often involved in building an organizational culture that focuses on honesty and compliance with rules.

Factors Affecting the Effectiveness of Internal Auditors:

1. Internal auditor competence: Auditors who have professional certifications, such as Certified Internal Auditors (CIA), are more effective in carrying out their duties.
2. Auditor independence: Auditors who are free from conflicts of interest have a wider scope to uncover and report indications of fraud.
3. Support from management: Full support from government leadership is essential to strengthen the position of internal auditors in conducting supervision and taking action.
4. Whistleblowing reporting systems: The presence of systems that allow confidential reporting of potential fraud often increases the auditor's chances of detecting fraud.

Obstacles Faced by Internal Auditors:

1. Lack of resources: Internal auditors often face budget constraints, headcount, or technology tools.
2. Political intervention: In the government sector, internal auditors may face pressure from certain parties who seek to conceal fraudulent activity.
3. Organizational culture that is permissive to fraud: If the organizational culture does not support transparency, internal auditors will find it difficult to detect and prevent fraud.

CONCLUSION

The role of internal audit has a significant influence in preventing maladministration. Based on Government Regulation No. 60 of 2008 Article 11, one of the indicators of the role of internal audit is to ensure the efficiency and effectiveness of the objectives and functions of government agencies that have been carried out properly, especially in the Makassar City SKPD. For this reason, it is important for all OPD employees in Makassar City to understand and implement the role of internal audit properly.

Smart audits must be carried out optimally to prevent problems from occurring. After analyzing the influence of internal audit in fraud prevention, it can be concluded that: Although whistleblowers are not involved in fraud, some problems still arise after the audit is conducted, such as manipulation of financial statements, misuse of funds, and irregularities in starter packs; Therefore, the role of internal audit is very crucial. Internal audits must be more careful in carrying out research activities. The following suggestions are expected to provide benefits to

stakeholders related to the results of this research. 1) In future studies, it is recommended to extend the research period and consider the use of different research models. 2) Companies should strengthen their internal control systems and improve financial stability to reduce the risk of fraud. The results of this study can be a reference for companies in understanding the factors that cause fraud and reveal the important role of internal audit in preventing fraudulent practices in the corporate environment.

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