

THE ROLE OF INTERNAL AUDITORS IN FRAUD PREVENTION AND DETECTION: EMPIRICAL FINDINGS FROM GENERAL BANKING

Rhayhan Priambudi Lukman, Anis Chariri¹

Departemen Akuntansi Fakultas Ekonomika dan Bisnis Universitas Diponegoro
Jl.Prof. Soedharto SH Tembalang, Semarang 50239, Phone: +622476486851

ABSTRACT

The purpose of this research is to investigate the role of internal auditors in fraud prevention and fraud detection at banks general banking sector. The independent variable in this study is the role of the internal auditor (X) with fraud prevention (Y1) and fraud detection (Y2) as the dependent variable.

This research uses primary data with questionnaires as research instruments which are distributed to 80 internal auditors at general banking sector. Of the total respondents, there were 78 respondents completed and returned the questionnaire and were used as samples in this study. SPSS version 25 is used to analyze the data.

The results of the analysis of this study indicate that the role of internal auditors has a significant effect on fraud prevention and fraud detection at general banking sector. This is evident from the magnitude of the significance value of the two dependent variables, which means that the greater the role of internal auditors can increase fraud prevention and fraud detection efforts at general banking sectors.

Keywords: Role of Internal Auditor, Fraud Prevention, Fraud Detection.

INTRODUCTION

Fraud is an act that violates the law carried out by people from internal or external organizations with the purpose of obtaining personal benefits that directly harm other parties. According to Vanasco (1998), Fraud is an operation carried out intentionally to harm another party, until right now fraud is a phenomenal thing in developing and developed countries. Fraud scandals can occur within the company, for example the company's financial accounting scandals are found in Tyco, Global Crossing, Enron and WorldCom (Rezaee, et al, 2020). Concerns have been expressed regarding the Fraud Scandal, in addition to the fact that these activities reduced investor trust in the financial markets and reduced shareholder value by billions of dollars (Peterson and Buckhoff, 2004). With an average loss per case of Rp.7.284.879.668, the average loss per organization from fraudulent activities in Indonesia reached a total of Rp.873.430.000.000 in 2019 (PriceWaterhouseCoopers, 2020; ACFE Indonesia, 2020). Thomas and Gibson (2013) stated fraud has the greatest possibility to easily occur in large businesses and fraud causes several losses, namely, financial losses, damaged company reputation, decreased employee morale and damaged long-term business relationships.

In the bank, it is undeniable that fraud can occur, fraud can occur in various kinds of transactions, where the more transaction processes are carried out the potential for fraud to occur is also higher. Bank is a financial institution that can be trusted to hold the trust with a professional attitude, but a fraud scandal in the bank it can cause customer losses. Indonesian Financial Services Authority (2020), mentions the total loss of customers due to fraud at Indonesian banks reached a total of 4.62 trillion rupiah, with details in that first quarter of 2020 there was 1.8 trillion rupiah and in the second quarter of 2020 it was 2.82 trillion rupiah, many customers have lost their money due to fraud that occurred at their bank and greatly harmed due to this fraud scandal. Frauds that occur in banks are very detrimental to their customers materially, because banks as financial institutions can no longer be trusted, customers who are victims must bear the losses themselves caused by fraud that occurred within the bank (Amel-Zadeh & Barth, 2021). This shows that fraud that occurs in banks is very detrimental and customers who are victims must be prepared for the occurrence of such cases.

¹ Corresponding author

Out of the 524 incidents that were reported to law enforcement in 2017, 39 were banking crimes, according to the Financial Transaction Reports and Analysis Center (PPATK). The number of cases increased by 44% compared to 2016 (PPATK, 2016, 2017). Financial Services Authority (OJK) recorded 108 cases of banking crimes in almost two years during 2014-2016. In 2018 OJK also disclosed cases of criminal acts in the banking world in Bekasi. Two BJB Syariah Bank employees in Bandung City have been identified as suspects by the Directorate of Corruption Crimes of the National Police Criminal Investigation Unit in connection with a fraudulent credit case involving Rp 548 billion. This is a very large case that tarnishes Islamic banking, especially in the city of Bandung according *Badan Pengawas Keuangan dan Pembangunan* as cited by Ginanjar & Syamsul (2020).

Internal auditing is essentially an independent internal auditing department that works within a company to test and evaluate the actions taken by that company. This inspection aims to ensure whether the assigned duties and responsibilities have been carried out properly. Because of this, the internal auditor must conduct an investigation, make an assessment, and look for facts or evidence before suggesting to management a course of action. Fraud was one of the conclusions reached by the internal auditor (Adeoye & John, 2017). Pressure, possibilities for fraud, systems and processes, as well as justifications for the fraudulent act, all played a role in the occurrence of fraud. Scams are typically difficult to recognize; frauds are typically only found accidentally or through purposeful effort. Therefore, management must be aware of the potential for fraud in a business or organization (Omoteso & Obalola, 2014). To overcome the occurrence of fraud, the role of internal audit is needed, pursuant to Mohd-Sanusi et al (2015), which states that in overcoming potential fraud there is a need for an Internal Audit within the Company which is in charge of evaluating systems and procedures that are structured correctly and systematically, through observation, research, and examination of each work unit. With this Internal audit has a critical role in both preventing and detecting fraud. The Role of Internal Auditors on banking sectors are expected to always maintain integrity on an ongoing basis by improving competence and always ready to be in front and become a professional partner. The purpose of internal audit, an independent review function within an organization, is to verify and evaluate the actions taken by that company. As a result, the auditor's role is crucial in minimizing the likelihood that something will go wrong (Petrașcu & Tîeanu, 2014). Because internal audit is an independent component that is prepared within the organization to execute the function of inspection, intermediate control, and existence is shown for internal audit to improve corporate performance, the role of internal audit is necessary (Lois et al., 2020).

Internal auditors play a critical role in preventing and spotting fraud, and the steps they take to do so may have a long-term effect on the objectives of the business (Petrașcu & Tîeanu, 2014). However, in a study conducted by Andreas et al (2016) the role of internal auditors within banks is better in preventing fraud, not in detecting fraud, this is evidenced by his research which shows the results of increasing fraud prevention rather than detecting fraud that occurs in banking. The important role of internal auditors in detecting and preventing fraud is supported by research conducted by Fachrurroji (2020) stated, the more internal auditors who conduct their audits in line with audit standards, the greater or better their role, and the higher or better the efforts to uncover or gather early indicators of fraud, the more internal auditors' involvement will be. Regardless of the research Demetriades (2021) did, fraud can still happen if internal auditors are not impartial and transparent when conducting audits inspections. Therefore, the role of internal auditors is not highly important in identifying and preventing fraud in firms.

THEORITICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

The main theory that underlies this research is Attribution Theory. According to Heider (2013) Attribution Theory can explain how the behavior of an individual can determine the causes and motives of the behavior of others or himself, such as character, attitudes and actions. Attribution theory suggests that there are behaviors associated with individual attitudes and qualities. It can be said that just by looking at one's behavior one can learn about one's attitude or nature, and it can also determine one's attitude in certain scenarios. In general, Fritz Heider's 1958 Attribution Theory seeks to explain the reasons behind a person's actions or roles. Prior studies have extensively employed

attribution theory to explain auditor behavior, the auditor's function, performance evaluation, and decision-making in the context of auditing (Narayana, 2020). According to Putri et al. (2022), attribution theory is connected to assessment and describes how an auditor behaves in their role. Attribution has a significant impact on the auditor's ability to spot fraud and stop it, with the factors affecting this ability typically coming from within the auditor. Attribution theory used in this study is considered appropriate to explain how auditors perceive their role in preventing and detecting fraud. Research conducted by Narayana (2020) also adopts Attribution Theory to explain the effect of auditor attitudes on fraud prevention with organizational culture. Thus, this theory proposes that the level of success of a job depends on the role and specific causes of previous success or failure.

Role of Internal Auditor in Fraud Prevention

Internal audit is a managerial oversight that functions to measure and develop a control system with the aim of assisting all members of management in managing their responsibilities effectively by means of analysis, recommendations, and comments related to company activities (Omoteso & Obalola, 2014). Based on attribution theory, the good role of an individual is a cause that refers to an individual's outcome. Quality audit results are determined by the role of a good auditor, the role of auditor not only produces recommendations but also includes actions that minimize planned fraud (Narayana, 2020). Related to attribution theory, if the auditor has carried out his role well, it can prevent fraud. On the other hand, Agustina et al (2021) also believe that attribution theory plays an important role in the decisions that will be taken by internal auditors in carrying out audit activities related to what is found by internal auditors and what further actions should be taken. If the role given by the internal auditor goes well in carrying out the audit, it can be interpreted that attribution theory goes well because the results provided are also good, in this case fraud prevention.

Internal auditing is a separate evaluation function that exists within the company to evaluate and improve current operations. The internal auditor is the supervisor of this action, the auditor's important role is in preventing errors, management will be assisted by the internal auditor to conduct tests and usually on controls that usually occur frequently (Lois et al., 2020). There are five categories in the practice of internal auditors, namely independence, scope of work, implementation of audit activities, and internal audit management. If these five professional practices are carried out properly, then the role of internal audit in detecting fraud will run well (Zamzami et al., 2014). Internal auditor is in charge of organizing and carrying out audit procedures to acquire a reasonable assurance that the company's financial statements are free from serious misstatement, whether brought on by fraud or error, their function is becoming increasingly crucial. (Kwatingtyas, 2014).

Internal auditors have a role in preventing and detecting fraud. All entities require internal audit for business efficiency in reducing costs while maximizing profits and achieving medium- and long-term goals. Internal auditors need to supervise activities that generate expenses but do not provide added value in the future (Petraşcu & Tieanu, 2014). In research conducted by Andreas et al (2016), fraud prevention can be successful if the role of internal audit is effective. Internal auditors that are able to see the potential for fraud can help prevent it, this is also supported by the results of research conducted by Ginanjar & Syamsul (2020) regarding fraud prevention in Islamic banking in Bandung is demonstrating that greater internal auditor performance leads to better report outcomes, enabling effective fraud prevention. Based on this statement, the following hypothesis follow:

***H1:** Role of Internal Audit have positive impact on fraud prevention in general banking.*

Role of Internal Auditor in Fraud Detection

Fraud Detection is an action to find out the occurrence of an incident, who is the culprit, who is the victim and what is the cause. According to Bierstaker et al (2016) Fraud detection is carried out in order to spot any deviations that can make it harder for the business to survive. Internal auditors need to know how to spot fraud when it starts off small in order for them to be useful. According to the notion of attribution, a person's internal factors determine their conduct. In this instance, the disposition of the internal auditor's job is a dispositional factor that influences the audit's outcomes. One of the duties of professionalism is playing a good role, which is defined as being able to carry

out commitments to the profession in carrying out their duties while adhering to the values of caution, thoroughness, accuracy, and guidance by standards and regulations, in this case the detection of fraud (Putri et al., 2022). According to Adeoye & John (2017) internal auditors are required to perform their roles professionally and responsibly for the implementation of fraud detection, internal auditors must know what are the job limitations and rights of internal auditors to take action to detect fraud in an organization or company.

Internal audit must have sufficient knowledge to identify signs of possible fraud and be aware of cases that allow errors to occur in a company. According to research conducted by Alleyne & Howard (2005) which conducted an exploratory study of the auditor's responsibility to detect fraud, it shows that companies that have good internal auditor controls and an effective audit committee are better equipped to handle fraud prevention and detection. Based on this statement, here are the following hypotheses:

H2: Role of Internal Audit have positive impact on fraud detection in general banking.

RESEARCH METHODOLOGY

Research Variable

Fraud Prevention and Fraud Detection are the two dependent variables in this study. Fraud detection is an action that detects fraud that occurs, who is the perpetrator of the fraud, who is the victim of the fraud and what causes the fraud to occur. This is done to see the mistakes that have occurred, the signs of a fraud can be seen from the changing nature of the perpetrators of fraud, lifestyle and treatment of perpetrators inside and outside the organization (Othman et al., 2015). An instrument created by researchers based on theory and the findings of earlier research is used to assess this variable. Adopting the study conducted by Bierstaker et al. (2016) in Ginanjar & Syamsul (2020) using instruments related to fraud identification systems, critical point techniques and fraud detection reports. While efforts to deter potential behaviors that constrict the area and identify activities that pose a high risk of fraud are made as part of fraud prevention. Fraud prevention starts with improving internal controls, thereby preventing fraud attempts and narrowing the space and identifying activities at risk of fraud (Petraşcu & Tieanu, 2014). According to Adeoye & John (2017) fraud prevention in banking is the implementation of strategies to detect fraudulent transactions or acts and prevent such actions which can cause financial and reputational losses for customers and financial institutions. An instrument created by researchers based on theory and the findings of earlier research is used to assess this variable. Adopting the study conducted by Bierstaker et al. (2016) in Ginanjar & Syamsul (2020) using instruments related internal control, effective control activities, organizational culture and internal audit function.

In this study, the independent variable that will be used is the Role of Internal Auditor. According to Zamzami et al (2014) Without an internal audit function, directors and/or unit leaders would not have access to an independent source of internal information about the performance of the organization. The role of internal audit is to examine and assess the effectiveness and sufficiency of the existing internal control system in the organization. To measure the role of the internal auditor, the author uses the measurement used by Sawyer et al (2005) are based on the IIA or the Institute of Internal Audit, the measurement instrument includes independency, professional ability, audit scope, audit responsibilities and authority for audit implementation and audit department management.

Research Sample

The sample used in this study is a non-probabilistic technique that involve purpose sampling. The sample of this research is Internal Auditor Unit or Internal Control Unit are in general banks. The researchers decided to take a sample from the internal auditor who works in General Banking Sector, because researchers want to know how the internal auditors at general banks in carrying out fraud prevention and fraud detection actions. This has sparked the authors interest in researching the role of internal auditors in fraud prevention and detection in general banking industry. The respondent criteria in this study that must be met are as follows:

1. Internal Control Unit or Internal Audit Unit who work in banking sector.

2. Have a minimum educational background of S1 majoring in accounting
3. Have at least 1 year of work experience as an Internal Control Systems Unit or Internal Audit Unit in Banking Sector.

Analysis Method

In this study, there are two dependent variables, author will perform a simple linear regression test analysis twice. In the first stage of analysis, it was determined how the independent variable, the role of internal auditors (X), affected the dependent variable, fraud prevention (Y1), and in the second stage, it was determined how the influence of the independent variable, the role of internal auditors (X), affected fraud detection (Y2) at general banking sectors. The formula for Simple Linear Regression as follows:

$$Y' = a + bX + e$$

Formula Description:

- Y' = Fraud Prevention and Fraud Detection
a = Constant
b = Regression Coefficient
X = Role of Internal Auditor
e = Error

RESEARCH RESULT AND DISCUSSIONS

Sample Descriptions

This study's population consist of internal auditor unit in general banking sector with sample selected using purposive sampling approach. Following the distribution of the questionnaires with a total of 80 questionnaires given, there are 78 valid survey data returned.

Table 1. Respondents Description

Description	Frequency	Percentage
Gender		
MALE	47	60%
FEMALE	31	40%
TOTAL	78	100%
Age		
22 – 25	4	5%
26 – 30	7	9%
31 – 35	15	19%
36 – 40	19	24%
41 – 45	16	21%
46 – 50	13	17%
52 – 54	4	5%
TOTAL	78	100%
Years of Services		
0-2 Years	4	5%
3-5 Years	17	22%
6-10 Years	30	38%
> 10 Years	27	35%
TOTAL	78	100%
Education Stage		
S1 (Undergraduate Degree)	55	71%
S2 (Postgraduate Degree)	23	29%
TOTAL	78	100%
Work Place		

Bank BCA	10	13%
Bank BRI	23	29%
Bank BTN	7	9%
Bank BTPN	7	9%
Bank Jateng	20	26%
Bank Mandiri	11	14%
TOTAL	78	100%
Audit Training		
0 – 3 Times	24	31%
4 – 6 Times	22	28%
7 – 10 Times	19	24%
11 – 15 Times	9	12%
> 15 Times	4	5%
TOTAL	78	100%

Descriptive Statistics Analysis

Tabel 2. Descriptive Statistics of each variable

Variable	Question Items	N	Minimum	Maximum	Mean	Std. Deviation
Role of Internal Auditor (X1)	25	78	25.00.00	125.00.00	1.068.077	13.574.29
Fraud Prevention (Y1)	10	78	10.00	50.00.00	43.3462	5.81942
Fraud Detection (Y2)	14	78	14.00	70.00.00	60.7308	8.23624
Valid N (listwise)		78				

Source: Output Data IBM SPSS 25, 2022

Based on the results of table 2, It is clear that the mean values of the three variables in this study are higher than the standard deviation values. For example, the role of internal auditor variable has a mean value of 106.8077 and a standard deviation of 13.57429, with the variable's minimum and maximum values of 25.00 and 125.00. The fraud prevention variable has a minimum value of 10.00 and a maximum value of 50.00, with a mean value of 43.3462 and a standard deviation value of 5.81942. The fraud detection variable has a mean value of 60.7308 and 8.23624 as standard deviation value, the minimum value of fraud detection variable at 14.00 and 70.00 for the maximum value. The standard deviation value is less than the mean value and the data deviation is very low, the results suggest that the results are quite good. This also suggests that the data is distributed properly and has good data variation.

Validity and Reliability Test Result

The level of accuracy of each statement in the questionnaire is measured by validity test. Data can be declared valid when each item in the questionnaire statement obtains a *Pearson correlation* > 0.3. All *Pearson Correlation* values in this study show a value of > 0.3, therefore the questionnaire used in this study is valid.

The reliability test aims to determine the consistency of the respondents when answering each question given in the questionnaire. Variables can be declared reliable if *Cronbach Alpha* > 0.60. *Cronbach Alpha* all the variables in this study value > 0.6. Therefore, every statement on this variable is reliable or consistent so that it can be used to further research

Non-Response Bias Test Result

the significance value of *Levene's test* of the Role of Internal auditor variable is 0.067, the value is above 0.05 which means that the sample variance is the same. The t-test result of 0.569 with a significance of 0.571 supports the average overall answer for the Role of Internal Auditor variable, which is 106.222 before the cutoff and 108.1250 after. The results of the mean and t-count values are more than 0.05, meaning that there is no significant difference between the respondents who returned on time and which is not on time.

The results of the Fraud Prevention Variable Analysis (Y1) the *Levene' test* value of 0.345 and has an average of 43.4815 and 43.0417 after the cut off. With a t-count value of 0.306 and a significance of 0.760, it can be concluded that there is no difference between respondents who returned on time and those who did not.

The fraud detection variable (Y2) has a *Levene's Test* value of 0.052, so equal variances assumed is used for the t-test. The average value of the fraud detection variable is 60.9259 and 60.2917 after the cut-off, which means that there is no difference in answers from respondents who are on time in returning the questionnaire and those who are not on time. The t value of 0.312 with a significance of 0.989 also supports the average value of the fraud detection variable.

Hypothesis 1 analysis Result

Table 3. Coefficient of Determination Test (R²)

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	0,916	0,838	0,836	2,3553

Based on the results of the aforementioned coefficient of determination test, the value of R² from the regression model is used to evaluate the independent variable's capacity to explain the dependent variable. The contribution of the Role of Internal Auditor variable to Fraud Prevention is presented as 83% in the table above, according to the coefficient of determination (R²) value of 0.838, while the remaining 17% is influenced by other variables outside of this study.

Table 4. T-Test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,421	2,129		0,668	0,506
	X	0,393	0,02	0,916	19,851	0,000

Based on table 4. the linear regression equations in this study may be stated mathematically as follows:

$$Y1 = 1,421 + 0,393X$$

Description:

Y1: Fraud Prevention

X: Role of Internal Audit

The constant value in the aforementioned linear regression equation is 1.421, which denotes that if the other variables are held constant, the value of the Y variable is 1.421. Role of Internal Auditor Variable (X) Regression Coefficient is 0.393 which means that every 1 unit increase in the Role of Internal Auditor value will positively impact on the Fraud Prevention variable or an increase in the Fraud Prevention value of 0.393 with the assumption that other values remain. It is known that the value of B (Unstandardized Coefficients) is $0.393 > 0$ and is positive. The efforts of the Fraud Prevention variable at general banking sectors are impacted by the Role of Internal Auditor variable, despite the significance of $0.000 < 0.05$, which indicates **H1 is accepted**. The bank makes more of an effort to conduct fraud prevention the more important the internal auditor's role is. With a significance of 0.05 and df $n-2$ or $78-2 = 76$, the t table is 1.991. Based on table 4.6, the results of the t test are $19.851 > t$ table 1.991, then H1 is accepted. Therefore, it may be said that the internal auditor's role affects fraud prevention. The Coefficient values and positive t values mean that they have an influence. The Bank will boost its efforts to prevent fraud if the internal auditor's job is appropriately played.

Hypothesis 2 Analysis Result

Table 5. Coefficient of Determination Test (R²)

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	0,884	0,781	0,778	3,87943

Based on the results of the aforementioned coefficient of determination test, the value of R² from the regression model is used to evaluate the independent variable's capacity to explain the dependent variable. According to the aforementioned table, the coefficient of determination (R²) result is 0.781, which indicates that 78% of the contribution of the Role of Internal Auditor variable to Fraud Detection is shown, with the remaining 22% being influenced by other variables outside of this study.

Table 6. T-Test Result

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3,458	3,506		0,986	0,327
	X	0,536	0,033	0,884	16,464	0,000

Based on table 6, the linear regression equations in this study may be stated mathematically as follows:

$$Y_2 = 3,458 + 0,536X$$

Description:

Y₂: Fraud Detection

X: Role of Internal Audit

The constant value in the aforementioned linear regression equation is 3,458, meaning that if the other variables are held constant, the value of the Y variable will be 3,458. The regression coefficient of Role of Internal Auditor variable (X) is 0.536, which means that every 1 unit increase in the Role of Internal Auditor value will positively impact on the Fraud Detection variable or an increase in the Fraud Detection value of 0.536 with the assumption that other values remain. It is known that B (Unstandardized Coefficients) has a positive value of $0.536 > 0.000$ Although **H2 is accepted** based on the significance of $0.000 < 0.05$, the Role of Internal Auditor variable has an impact on fraud detection at general banking sectors. The Bank makes more of an effort to undertake fraud detection the more important the internal auditor's position is. With a significance of 0.05 and df $n-2$ or $78-2 = 76$, the t table is 1.991. Based on table 4.12, the results of the t test are $15.050 > t$ table 1.991, then H2 is accepted. Therefore, it can be said that the role of an internal auditor affects fraud detection. Positive t values and Coefficient values indicate that they are having an effect. The Bank's efforts to detect fraud will increase if the internal auditor's job is done properly.

The Impact of The Role of Internal Auditor on Fraud Prevention

According to the first hypothesis, internal auditors' work contributes to effective fraud prevention. This is supported by empirical evidence which shows significant results, thus the **H1 is accepted**. This demonstrates that the more the internal auditor's involvement, the better the influence on fraud prevention will be, or vice versa, the lower the internal auditor's position, the lower the effectiveness of fraud protection. This is consistent with what has been said Andreas et al (2014) which affirms that the role of internal audit has a favourable impact on preventing fraud. To prevent manipulation of financial statements in the form of material misstatements, internal auditors conduct regular monthly inspections of the company's financial statements. This is also supported by the results of research conducted by Ginanjar & Syamsul (2020) regarding fraud prevention in Islamic banking in the city of Bandung showing that the better the performance of the internal auditor, the better the results of the report, so that fraud prevention can run well.

According to the analysis, the internal auditor at the general banking sector did a decent job, as evidenced by the outcomes of independence, scope of work, implementation of audit operations, and internal audit management. This is consistent with what was said by Zamzami et al. (2014) who stated that if the internal auditor can carry out five categories of professional practices which include independence, scope of work, implementation of audit activities, and internal audit management, then the role of internal auditors in preventing fraud is going well and this statement is supported by Hazami-Ammar (2019) who stated, fraud prevention can be successful if the role of internal audit is effective. Internal auditors that are able to see the potential for fraud can help prevent it.

The findings of the analysis of the first hypothesis, which reveal that the importance of the internal auditor's function in fraud prevention is demonstrated by the coefficient of determination of the internal auditor's involvement in fraud prevention being equal to 0.838, or 83%, further corroborate this assertion, this finding is consistent with previous research conducted by Kwatingtyas (2014) which states that The role of the internal auditor is becoming increasing important, due to the fact that the internal auditor is in charge of organizing and carrying out audit procedures to gain a reasonable assurance that the company's financial statements are free from material misstatement, whether brought on by fraud or errors. Based on the findings and assertions made in the discussion above, it can be concluded that the internal auditor's job is performing satisfactorily at the general banking sectors, it can be ensured that it can help achieve the company's or bank's targets, this is supported by Previous research conducted by Petraşcu & Tieanu (2014) stated, Internal auditors have a role in preventing fraud. All entities require internal audit for business efficiency in reducing costs while maximizing profits and achieving medium- and long-term goals. Internal auditors need to supervise activities that generate expenses but do not provide added value in the future.

If an internal auditor plays their part well, the study's findings which indicate that the role of the internal auditor positively impacts fraud prevention are consistent with the theory that underlies the study. In his research Narayana (2020) states that on attribution theory, the good role

of an individual is a cause that refers to an individual's outcome. The job of internal audit is not only in the form of creating recommendations and techniques, but also involves corrective activities that minimize and eradicate vulnerabilities that have been planned by the organization. If an auditor plays a good role in any interest, they will produce excellent audit findings, its related to attribution theory, if the internal auditor has performed its role well, it can prevent fraud.

This statement is also supported by research conducted by Agustina et al (2021) It asserts that the internal auditor's decisions regarding how to conduct audit activities will be influenced by attribution theory, the internal auditor finds and what further action should be taken, if the role is given by the internal auditor. Going well in carrying out auditing, it can be interpreted that attribution theory is going well, because the results given are also good, in this case the prevention of fraud.

The Impact of The Role of Internal Auditor on Fraud Detection

The efficiency of fraud prevention is said to be enhanced by the presence of internal auditors, according to the second hypothesis. Empirical data that demonstrates meaningful results and supports this holds true, so the **H2 is accepted**. This shows that the higher role of internal auditor, the better effect on the fraud detection will be or vice versa if the role of internal auditor is low, the fraud detection will be low. This is consistent with research conducted by Kassem & Turksen (2021) According to research and analysis of the second hypothesis, which demonstrates the value of the internal audit function's coefficient of determination in fraud, the role of internal auditors has a beneficial impact on fraud detection. The importance of the internal auditor's involvement in fraud detection is demonstrated by the detection rate, which is 0.781 or 78%.

The results of this study also show that the internal auditors at general banks have carried out their responsibilities well, because they have shown professionalism and are obedient to regulations in their work to detect fraud, this is consistent with the results of previous research by Putri et al (2022) which states, the role of a good internal auditor in detecting fraud must be based on professional responsibility and commitment to develop their duties accompanied by thoroughness and accuracy in fraud detection. Another previous studies conducted by Adeoye & John (2017) stated, internal auditors are required to perform their roles professionally and responsibly. For the implementation of fraud detection, internal auditors must know what are the job limitations and rights of internal auditors to take action to detect fraud in an organization or company.

Considering that this study's findings indicate that the internal auditor's job positively affects fraud detection, if the internal auditor performs effectively, it is correlated with the theory used in this study. The previous studies done by Ginanjar & Syamsul (2020) stated, According to the theory of attribution, a person's internal factors determine their conduct. The internal auditor's attitude in this situation is a dispositional factor that has an impact on the audit's outcomes. One of the duties of professionalism is to be able to fulfil professional obligations in carrying out one's duties while adhering to the principles of caution, thoroughness, correctness, and guidance by norms and rules, in this case the identification of fraud.

CONCLUSION

The internal auditor's function contributes to effective fraud prevention. This is consistent with the idea underlying this research, attribution theory which is reflected by the role of an individual in determining the causes and motives of the behaviour of others. Therefore, the greater the contribution of internal audit to avoiding fraud, the better the fraud prevention strategies, which improve audit quality outcomes and internal business operations. With the presence of internal auditors and information on supervisory activities, it can narrow the gaps in crimes that exist in an organization or company. According to the data, internal auditors have an 83% influence on fraud prevention, the remaining 17% is influenced by other factors.

Fraud detection benefits from the internal auditor's position. This is in line with the theory used in this study, namely Attribution theory which is reflected by the role of an individual in determining the causes and motives of the behavior of others, therefore the higher the role of internal audit in fraud detection, the better the fraud detection actions that lead to audit quality results, company internal activities and better discipline and responsibility within the company. According to the data,

internal auditors have an 78% influence on fraud detection, the remaining 22% are influenced by other factors.

According to the study's findings, internal auditors play a crucial role in the banking industry's efforts to detect and prevent fraud, so the general banking sector need to improve their internal controls, including internal auditors who can improve fraud prevention and detection so that they can have better improvement in the future.

REFERENCE

- Adeoye, O., & John. (2017). The Role of Internal Auditors in Fraud Prevention (Case Studies of Nigeria Banks). *Indian-Pasific Journal of Accounting and Finance (IPJAF)*, 2(1).
- Agustina, F., Nurkholis, N., & Rusydi, M. (2021). Auditors' professional skepticism and fraud detection. *International Journal of Research in Business and Social Science (2147- 4478)*, 10(4), 275–287. <https://doi.org/10.20525/ijrbs.v10i4.1214>
- Alleyne, P., & Howard, M. (2005). An exploratory study of auditors' responsibility for fraud detection in Barbados. *Managerial Auditing Journal*, 20(3), 284–303. <https://doi.org/10.1108/02686900510585618>
- Amel-Zadeh, A., & Barth, M. E. (2021). Auditor reporting to bank regulators: Effective regulation or regulatory overreach? *Journal of Accounting and Economics*, 72(2–3), 101450. <https://doi.org/10.1016/j.jacceco.2021.101450>
- Andreas, Festi, T. T., & Natariasari, R. (2014). Pengaruh Peran Audit Internal Terhadap Pencegahan Kecurangan (Studi Empiris Pada Perbankan di Pekanbaru). *JOM FEKON*, 1(2).
- Bierstaker, J. L., Brody, R. G., & Pacini, C. (2016). Accountants' perceptions regarding fraud detection and prevention methods. *Managerial Auditing Journal*, 21(5), 520–535. <https://doi.org/10.1108/02686900610667283>
- Fachrurroji, A. A. (2020). Pengaruh Audit Internal Terhadap Pencegahan Kecurangan Dalam Laporan Keuangan. *JAMMI – Jurnal Akuntansi UMMI*, 1(1).
- Ginanjar, Y., & Syamsul, E. M. (2020). Peran Auditor Internal dalam Pendeteksian dan Pencegahan Fraud Pada Bank Syariah di Kota Bandung. *Jurnal Ilmiah Ekonomi Islam*, 6(3), 529. <https://doi.org/10.29040/jiei.v6i3.1392>
- Halbouni, S. S., Obeid, N., & Garbou, A. (2016). Corporate governance and information technology in fraud prevention and detection: Evidence from the UAE. *Managerial Auditing Journal*, 31(6–7), 589–628. <https://doi.org/10.1108/MAJ-02-2015-1163>
- Hazami-Ammar, S. (2019). Internal auditors' perceptions of the function's ability to investigate fraud. *Journal of Applied Accounting Research*, 20(2), 134–153. <https://doi.org/10.1108/JAAR-09-2017-0098>
- Kassem, R., & Turksen, U. (2021). Role of Public Auditors in Fraud Detection: A Critical Review. In S. Grima & E. Boztepe (Eds.), *Contemporary Issues in Public Sector Accounting and Auditing* (Vol. 105, pp. 33–56). Emerald Publishing Limited. <https://doi.org/10.1108/S1569-375920200000105004>
- Kaya, Y., & Utku, M. (2021). Internal audit in public banks in the framework of international internal audit standards: The case of Turkey. In *Contemporary Studies in Economic and*

- Financial Analysis* (Vol. 105, pp. 193–205). Emerald Group Holdings Ltd.
<https://doi.org/10.1108/S1569-375920200000105014>
- Lois, P., Drogalas, G., Karagiorgos, A., & Tsikalakis, K. (2020). Internal audits in the digital era: opportunities risks and challenges. *EuroMed Journal of Business*, 15(2), 205–217.
<https://doi.org/10.1108/EMJB-07-2019-0097>
- Mironiuc, M., & Robu, I.-B. (2012). Empirical Study on the Analysis of the Influence of the Audit Fees and Non Audit Fees Ratio to the Fraud Risk. *Procedia - Social and Behavioral Sciences*, 62, 179–183. <https://doi.org/10.1016/j.sbspro.2012.09.028>
- Narayana, A. A. S. (2020). Auditors experience as moderating effect investigative abilities and understanding of red flags on fraud detection. *International Research Journal of Management, IT and Social Sciences*, 7(1), 205–216. <https://doi.org/10.21744/irjmis.v7n1.837>
- Omoteso, K., & Obalola, M. (2014). *The Role of Auditing in the Management of Corporate Fraud*. 129–151. <https://doi.org/10.1108/s2043-052320140000006006>
- Othman, R., Aris, N. A., Mardziyah, A., Zainan, N., & Amin, N. M. (2015). Fraud Detection and Prevention Methods in the Malaysian Public Sector: Accountants' and Internal Auditors' Perceptions. *Procedia Economics and Finance*, 28, 59–67. [https://doi.org/10.1016/S2212-5671\(15\)01082-5](https://doi.org/10.1016/S2212-5671(15)01082-5)
- Petraşcu, D., & Tieanu, A. (2014). The Role of Internal Audit in Fraud Prevention and Detection. *Procedia Economics and Finance*, 16(May), 489–497. [https://doi.org/10.1016/s2212-5671\(14\)00829-6](https://doi.org/10.1016/s2212-5671(14)00829-6)
- Putri, N. P. A. W., Putra, I. N. W. A., Wirakusuma, M. G., & Suputra, I. D. G. D. (2022). Effect of Independence, Professionalism, and Experience of Internal Auditors on Fraud Prevention With Organizational Culture As Moderating Variable. *Linguistics and Culture Review*, 6, 565–580. <https://doi.org/10.21744/lingcure.v6ns1.2108>
- Sawyer, Dittenhofer, & S.Cheiner. (2005). *Internal Auditing* (Fifth Edit). Salemba Empat.
- Sugiyono. (2013). *Metode Penelitian Pendidikan Pendekatan Kuantitatif, Kualitatif dan R&D*. Bandung : Alfabeta., 2013.
- Toh, W. X., Farzaneh, H. H., Kaiser, M. K., & Lindemann, U. (2014). Analysis Of Empirical Empirical Studies and Design Literature review. *Proceedings of the 13th International Design Conference DESIGN 2014*, 59–70.
- Zamzami, F., Faiz, I. A., & Muklis. (2014). *Audit Internal: Konsep dan Praktik*. Gajah Mada University, Anggota IKAPI, Anggota APPTI.