

Determinants of Internal Audit Effectiveness in Fraud Detection

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ABSTRACT

The aim of the research is to find out the relationship between fundamental analysis and technical analysis towards stock price. Fundamental analysis is interpreted by debt to equity ratio, earnings per share, current ratio, and return on assets. Technical analysis is interpreted by volume of trade and The Composite Stock Price Index. Furthermore, by applying dummy variable, dividend policy is applied as moderation variable to test the relationship between fundamental analysis towards the stock price as well as technical analysis towards the stock price. The population of the research is banking companies listed in IDX in 2019-2022. Technical analysis applied double regression analysis and moderated regression analysis (MRA) using SPSS 26. The findings of the research stated that technical analysis and fundamental analysis influence the stock price. Company policy to share dividends for the stock holders was proven to influence the relationship between those variables.

INTRODUCTION

Development requires a large and complex budget, thus presenting various strategic issues that must be considered by the government and policy makers. Fraud in regional financial management in Indonesia is one of the serious problems that threatens transparency, accountability, and efficiency of public budget use. The increasingly rapid development shows that the audit function not only provides information regarding the conformity of implementation with the plan, but also provides more useful information, including monitoring activities in the planning area. Internal audits in regional supervisory authorities are increasingly required to improve their skills in carrying out their duties. Their role must be effective as a focal point for monitoring the implementation of regional government organizational governance in order to achieve good corporate governance. Internal audits must be at the forefront of detecting and preventing fraud in institutions (Abbott et al., 2016; Burnaby et al., 2011).

According to Coram et al. (2008) and Othman et al. (2015), organizations with effective internal audit functions outperform those without, especially in detecting and preventing fraud. The Association of Certified Fraud Examiners (ACFE) 2019 report ranked internal audit third in the world in detecting and preventing fraud. Its role accounts for 15% of all fraud cases and 23.4% of national fraud detections (ACFE, 2019).

One way to understand the current state of corruption in Indonesia is through Transparency International (TI), an international anti-corruption community organization that publishes the Indonesia Corruption Perceptions Index (CPI). The CPI is a composite index that measures the perception of the level of corruption in the public sector in countries around the world. The CPI is used to compare the corruption situation of one country with another. The evolution of Indonesia's CPI over the past five years shows that Indonesia is the 80th most corrupt country in the world, and is still considered the most corrupt country in the ASEAN region.

Some of the challenges faced by internal audit are related to independence. The existence of functions in the organization and the various roles they have become the main challenge in maintaining the independence and objectivity of the organization. (Djordjevic & Đukić, 2015). Especially in the public sector, the existence of an internal audit organization that reports directly to superiors can be an obstacle to independence, so it is recognized that internal audit independence is not yet fully functioning (Abayomi, 2016). This is proven by the findings Kaboi et al. (2018) which found that the audit function lacked independence.

Auditors as subjects of internal audits carry out the trust they receive with full honesty and responsibility by following standards and applying ethical principles when carrying out audit work. (Aswar et al., 2020). However, the use of stewardship theory in the public sector is still debated. (Roselyne & Wamitu, 2019). According to him, the concept of cooperation, mutual trust, and pro-organization is not in line with the principles of management theory. Internal auditor recommendations are not implemented by management, and there are budget constraints that hinder the improvement of internal audit performance.

In addition, management does not allocate sufficient resources to the internal audit function due to the lack of management policies and regulations that ensure the recruitment of appropriate internal audit staff. Similar to (Abu-Azza, 2012), the internal audit framework is very inadequate due to the absence of clear direction from management, and this limits the effectiveness of internal audit in carrying out its responsibilities fully is a major weakness.

Based on the description above, the researcher will test the Determinants of Internal Audit Effectiveness in Fraud Detection by developing research Asiedu & Deffor (2017), And Shohihah et al. (2018) which suggests testing the direct influence of determinants of internal audit effectiveness on corruption prevention and testing these determinants through the variable of internal audit effectiveness on corruption prevention.

The focus of this study is internal auditors in local governments. As agents (stewards) who have the authority and trust of the principal (government), they are motivated to oversee the government's accountability mechanism in managing local government finances in Indonesia. This study uses several variables identified by the author based on various studies that affect the effectiveness of internal audits and their suitability to the context of local governments in Indonesia. Government internal auditors are expected to maintain values and at the same time carry out their duties even with unrealistic rewards.

LITERATURE REVIEW

Stewardship Theory

Pattnaik & Kumar (2014) states that stewardship theory is a philosophical theory that argues that people are basically trustworthy, capable of acting responsibly, and have honesty and integrity towards others. Stewardship theory applies to public sector organizations such as government agencies and other non-profit organizations. (Morgan et al., 1996).

Attribution Theory

According to Fritz Heider (1958), attribution theory is a theory that explains human behavior. Attribution theory explains the process of determining the causes and motives of a person's actions. This theory refers to how people explain the causes of other people's actions and their own actions. The causes can be internal, such as character, personality, and attitudes, or external, such as the pressure of a particular situation or environment.

Heider (1958), each individual is essentially a pseudoscientist trying to understand the behavior of others, gathering information until they arrive at a rational explanation for why others do the things they do combining them. act in a certain way. Human behavior is determined by a combination of internal forces.

Internal Audit

The New Institute of Internal Auditing (IIA, 2018) defines internal auditing as: An independent, objective audit and advisory activity designed to expand and improve an organization's operations. Internal auditors help organizations achieve their objectives by providing a systematic, disciplined approach to

assessing and improving the effectiveness of risk management, control, and governance processes.

Indonesian Academy of Sciences ((AIPI 2014) defines internal audit as "an independent and objective audit in the form of providing assurance events and advice (consulting events) with the aim of adding value and improving organizational processes (auditing).

The Government Internal Supervisory Apparatus (APIP) has the main tasks and functions of supervision consisting of: 1. Financial Development Supervisory Agency (BPKP), responsible to the President. 2. Inspector General (Itjen)/Main Inspector General (Ittama)/Inspector Responsible to the Minister/Head of Non-Ministerial Government Institutions (LPND). 3. Provincial Government Inspectorate responsible to the Governor. 4. Regency/City Government Inspectorate responsible to the Regent/Mayor.

Fraud Detection

Karyono (2013: 4) explains: Fraud or cheating is an act of deviation that violates the law. Fraud is intended to obtain personal or collective benefits by unfairly exploiting an opportunity to harm another party directly or indirectly.

According to Rahayu & Suhayati (2009: 61) *fraud* means the acquisition of something belonging to another person, in whole or in part, with the aim of owning it. "The law is for the benefit of oneself or others. Whereas according to Hery (2016: 1) Fraud is an act that is a deliberate deception with the aim of stealing someone else's property.

According to research by Salleh, MFM, & Suryanto, T. (2019), fraud is defined as a dishonest act carried out to gain personal or organizational financial gain in a manner that violates the law or ethics. Fraud can occur in various forms, including manipulation of financial statements, embezzlement of assets, and abuse of authority and trust.

Internal Audit (IA) Effectiveness

According to the Institute of Internal Auditors (IPPF, 2017), the purpose of auditing is to help organizations achieve their goals through objective and independent consulting and auditing services using a systematic approach.

APIP Capabilities

According to (Bailey, 2010) competence is the ability required by an auditor to perform a specific task. The competency indicators that must be possessed by an internal auditor are basic, personal, technical, and tool competencies. Bailey also revealed that the core competencies of internal auditors can be developed through continuing education and taking existing training courses. auditors are required to conduct audits according to standards.

Management Support

According to (Ashby, 2017), management support is a management commitment to assist internal auditors in conducting audits and increasing top management awareness of the needs of internal auditors. One form of management support is the actual implementation of internal audit

recommendations by management. If recommendations are not implemented properly, it causes internal audit inefficiency.(Vokshi et al., 2017).

Auditor Independence

The indicators of auditor independence are put forward by ((Sukrisno, 2014: 302)There are 4 variables, namely:

1. Length of Relationship with Client (Audit Tenure)
2. Pressure from clients
3. Peer Review
4. Non Audit Services

Research Hypothesis

Based on previous research, the researcher made the following research hypothesis:

- H1 : APIP capabilities influence the effectiveness of internal audits
- H2 : Management support influences the effectiveness of internal audit
- H3 : Internal Auditor Independence influences the effectiveness of internal audit
- H4 : APIP capabilities affect fraud detection
- H5 : Management Support influences fraud detection
- H6 : Internal Auditor Independence Influences Fraud Detection
- H7 : APIP Capability Influences Fraud Detection Through Internal Audit Effectiveness
- H8 : Management Support influences Fraud Detection through the effectiveness of internal audits
- H9 : Internal Auditor Independence influences Fraud Detection through internal audit effectiveness
- H10 : The effectiveness of internal audits has an impact on fraud detection.

METHODOLOGY

This type of research is a descriptive research type. Primary data is the data used in this study by distributing questionnaires obtained directly from the inspectorate in 9 districts, 2 cities and the Provincial Inspectorate in Jambi Province. The auditors used as the population are auditors with the Functional Position of Auditor (JFA) and Supervisor of the Implementation of Regional Government Affairs (PPUPD).The Last Supper (2013), states that the population is a group consisting of research elements, where the element is the smallest part that is the source of the required data. The research sample is part of the population taken from the population. The sample selection takes the entire existing population (saturated sampling). Table 3.1 below shows the number of populations, namely auditors and PPUPD totaling 353 people in the inspectorates of 9 districts and 2 cities and the Provincial Inspectorate in Jambi Province. The data collection technique is also carried out by interview, namely holding direct questions and answers with competent parties who have strong relationships with the research in order to obtain accurate and complete information. The test tool used for this study is Structural Equation Modeling (SEM) using the SEM-PLS program. The SEM PLS method has two models,

namely the measurement model (outer model) and the structural model (inner model). This study uses SEM-PLS because it has indicators that are reflective and formative.

RESEARCH RESULT

Statistical Analysis of Research Variable Description

The results of the descriptive analysis of the variables APIP Capability (X1), Management Support (X2), Auditor Independence (X3), Internal Audit Effectiveness (Y1) and Fraud Detection (Y2).

a. APIP Capability Variable (X1)

This variable has 6 indicators, namely:

1. In the role and service indicators, it is stated that 33% of APIPs carry out audits in accordance with the internal audit charter and audit implementation guidelines/instructions, 27% state that audit planning has been communicated to stakeholders/auditees/management of K/L/D, identify the criteria used, assess SPI including identifying/assessing specific risks and conducting key/main control reviews, identifying targets, scope, audit methodology and developing audit work programs, 28% state that audit implementation is carried out by HR who have audit-related competencies, document procedures and results in audit working papers, evaluate audit information/evidence obtained, conduct supervision and tiered reviews and draw conclusions and prepare recommendations, 35% state that compliance audit results have been communicated to K/L/D management through audit result reports and supported by procedures to monitor follow-up audit result recommendations and evidence of follow-up implementation, 38% state that APIP has provided Assurance on Governance, Risk and Control (GRC) in accordance with the mandate in the IAC and guidelines/instructions for providing Assurance on GRC and supported by procedures to monitor follow-up to audit result recommendations and evidence of implementation, 36% stated that APIP had provided consulting services in accordance with the authority in the IAC and guidelines/instructions for implementing consulting services and 36% stated that consulting activities had been carried out by HR who had relevant internal audit or consulting service competencies and were carried out with due professional care.
2. In the Human Resource Management indicator, it is stated that 31% of APIPs identify needs and recruit competent human resources to implement internal audit plans based on job analysis and job descriptions, 36% state that the APIP recruitment process is carried out correctly, credibly, openly, fairly and transparently to obtain competent human resources according to qualifications/criteria, 33% state that the placement and transfer pattern of APIP human resources are in accordance with needs, 36% state that APIPs have a competency map based on a competency framework and contain gap analysis and 41% state that auditors/PPUPDs have attended competency training according to supervision needs, both basic competencies and supporting professional certifications for supervision (CIA, GGAP, CFE, CFRA, CGACE and so on).

3. In the professional practice indicator, it is stated that 40% have an Annual Supervisory Work Program that is in line with the vision, mission, goals, targets of the organization, performance indicators, containing priority areas of supervision based on the highest level of risk management maturity and risk, availability of human resources, time, funds and types of supervision, 33% stated that there has been continuous monitoring of internal supervision performance/tiered reviews conducted to evaluate the suitability of the implementation of daily internal supervision activities with the code of ethics and standards, 21% stated that there are periodic assessments conducted independently or by other parties in the organization to evaluate the suitability of the implementation of internal supervision activities with supervision standards, 32% stated that APIP has reported the results of the Quality Assurance and Improvement Program (QAIP) which includes: scope and frequency, qualifications and independence of the assessor or assessment team including potential conflicts of interest, conclusions of the assessor or assessment team and corrective action plans and 25% stated that there is a system and procedure to follow up on the results of the Quality Assurance and Improvement Program (QAIP) in the form of implementing recommendations for improvement made in order to increase the effectiveness of internal supervision activities and compliance with standard.
4. In the accountability and performance management indicators, it is stated that 33% of APIP Work Plans and RKA have become references in the preparation of APIP performance agreements, 21% stated that APIP Work Plans, RKA and Performance Agreements are references in the preparation of PKPT, 19% stated that APIP Work Plans and RKA are the basis for controlling supervisory activities and guidelines for APIP leaders to be accountable for the use of resources in achieving supervisory objectives, 26% stated that the APIP budget implementation system is in line with the financial and operational management system of the work apparatus and its reporting, administers all costs incurred in the process of providing internal supervisory services, produces detailed realization of activity budgets accurately, can monitor the realization of costs and activity budgets for each type of activity, is monitored periodically to ensure that the cost structure is still relevant, efficient and economical, 28% stated that Performance agreements/SKP have been set for all individuals in the APIP environment and 30% stated that the APIP performance measurement system has been used to measure performance at the APIP organizational level, used to measure the performance of supervisory activities (implementation of PKPT) and monitored periodically.
5. In the culture and organizational relationship indicator, it is stated that 37% of APIPs have identified roles and responsibilities to regulate reporting relationships between individuals in each supervisory activity, 40% stated that the audit team has been provided with training by the APIP leadership regarding the management and development of communication relationships by considering the culture and organizational relationships in internal supervisory activities, 36% stated that there are internal communication forums and forums for exposing the results of supervision including

discussion of audit notifications, 30% stated that APIPs have discussed K/L/D organizational plans, important information and current issues with all staff in the APIP environment and 32% stated that the APIP coordination pattern and communication system provide opportunities for each individual to express opinions and submit suggestions related to supervisory activities.

6. In the structure and governance indicator, it is stated that 25% of the budget allocation for supervision has been. Considering the resources needed to carry out internal supervision activities (Assurance and Consulting Services), 33% stated that APIP in carrying out supervision tasks has been able to access organizational information, assets and HR of K/L/D in full without restrictions or intervention and 31% stated that APIP Leaders have submitted APIP activity reports according to standards to K/L/D management.

b. Management Support Variable (X2)

This variable has 5 indicators, namely: 1) Skills, 2) Knowledge, 3) Training, 4) Qualification Test and 5) Attention.

1. In the skills indicator, it is stated that 32% of local governments have internal audit skills improvement programs and 40% stated that local governments provide a budget to improve internal audit skills.
2. In the knowledge indicator, it is stated that 47% of local governments have an education program for internal auditors to improve knowledge and 37% stated that local governments provide a budget if internal auditors will continue their education to a higher level.
3. In the training indicator, it is stated that 36% of local governments support internal auditors in participating in work-related training and 36% stated that the training budget provided during training is sufficient for internal auditors.
4. In the classification test indicator, it is stated that 47% of Regional Governments provide equal opportunities for all internal auditors to take the qualification test and 39% stated that the Regional Government provides awards to internal auditors who pass the qualification test.
5. In the attention indicator, it is stated that 34% of local governments always coordinate to increase internal audit motivation and 34% stated that local government attention is carried out through career ladders for internal auditors.

c. Auditor Independence Variable (X3)

This variable has 5 indicators, namely: 1) Independence of Program Preparation, 2) Independence of Program Implementation and 3) Independence of Auditor Report. The author will discuss the respondents' answers for each research dimension.

1. In the independence indicator of program preparation, it is stated that 31% of Audit Program Preparation is Free from Management Interference (Inspector) to determine, eliminate or modify certain parts to be audited, 36% of the audit program preparation that I do must be free from management intervention regarding the procedures I choose and 39% of the audit program preparation that I do must be free from efforts by other parties to determine the subject of the audit work.

2. In the indicator of independence of work implementation, it is stated that 36% of the audits I conduct must be free from managerial efforts (object of audit) to determine or appoint the audited activities, 37% of the audit implementation I conduct must cooperate with management during the audit process and 34% of the audits I conduct must be free from personal interests or other parties to limit all audit activities.
3. In the independence indicator of the auditor's report, it is stated that 39% of the reporting that I do must be free from the obligation of other parties to influence the reported facts, 40% of the reporting of audit results that I report must be free from discussions or terms that give rise to multiple interpretations and 30% of the reporting that I do must be free from efforts by certain parties to influence the auditor's consideration of the contents of the audit report.

d. Internal Audit Effectiveness Variable (Y1)

This variable has 5 indicators, namely: 1) Plan, 2) Organizational Productivity, 3) Consistency, 4) Implementing Recommendations and 5) Risk Management. The author will discuss the respondents' answers for each research dimension.

1. In the plan indicator, it is stated that 37% of internal auditors have an annual audit work plan and 39% stated that the work plan they made was in line with the regional government work program.
2. In the organizational productivity indicator, it was stated that 37% of internal auditors were able to improve the performance of local government organizations and 36% stated that supervision carried out by internal auditors was able to control the use of resources efficiently.
3. In the consistency indicator, it is stated that 32% of internal auditors work consistently in every assignment received and 37% stated that internal audit consistency is needed so that the results of their work can be trusted.
4. In the indicator of implementing recommendations, it is stated that 39% of internal auditor recommendations are implemented and carried out by local government organizations and 37% state that local governments always rely on internal auditor recommendations.
5. In the risk management indicator, it is stated that 41% of internal auditors' approaches in carrying out work are carried out using a structured methodology related to the risks faced and 36% stated that internal auditors develop strategies for risk mitigation.
6. In the Internal Control System Evaluation indicator, it is stated that 39% of internal auditors are able to assess and evaluate the internal control system and 41% stated that internal auditors are able to ensure that legal regulation policies have been implemented by the organization.
7. In the improvement recommendation indicator, it is stated that 40% of internal auditor recommendations are able to improve the performance of the Regional Government organization and 45% state that the recommendations proposed by the internal auditor are accepted and responded to by the Government organizational unit.

e. Fraud Detection Variable (Y2)

This variable has 5 indicators, namely: 1) Recognizing symptoms of fraud, 2) Analyzing data, 3) Using investigative techniques, 4) Building an ethical and compliance environment and 5) Continuous monitoring.

1. In the indicator of recognizing symptoms of fraud, it is stated that 34% of internal auditors are able to identify accounting recording anomalies that occur in local government organizations and 34% stated that internal auditors are able to trace transaction flows that are considered unusual.
2. In the data analysis indicator, it is stated that 38% of internal auditors are able to analyze the internal control system in the organization if it is not yet effective and 39% stated that internal auditors are able to identify the separation of personnel responsibilities to ensure that the internal control system is not yet effective.
3. In the indicator of using investigative techniques, it is stated that 32% of Internal Auditors always communicate informally with internal parties of the Regional Government organization to facilitate early detection and 30% stated that Internal Auditors are able to use appropriate investigative techniques at every audit step.
4. In the indicator of building an ethical and compliance environment, it is stated that 35% of internal auditors' attitudes are open to the information needed if there are findings from external auditors and 34% stated that internal auditors always ensure that incoming complaints are handled professionally, confidentially and followed up immediately.
5. In the continuous monitoring indicator, it is stated that 31% of internal auditors conduct re-monitoring to ensure that detected problems do not recur and 33% of internal auditors are able to make reports on the results of observations made to study patterns of possible fraud.

Validity Test

1. Convergent Validity

a. Loading Factor

Loading Factor used to assess convergent validity, and ensure that the indicators truly reflect the variables they represent. The Loading Factor value is considered good if it has a value above 0.7. Then, indicators that have a Loading Factor value of less than 0.7 must be removed from the research model framework because they are considered unable to represent the variables used in the study.(Hair et al., 2017). Based on the table above, the Loading Factor value of each indicator in the table above shows a Loading Factor value > 0.7. Therefore, all indicators can be included in the study and do not need to be excluded from the research process.

b. Average Variance Extracted (AVE)

Table 1 Average Variance Extracted Test Results

Variables	Average variance extracted (AVE)
APIP Capability (X1)	0.612
Management Support (X2)	0.710

Auditor Independence (X3)	0.770
Internal Audit Effectiveness (Y1)	0.727
Fraud Detection (Y2)	0.687

Source: Research Data Processing Results, 2025

2. Discriminant Validity

a. Fornell-Larcker Criterion

Table 2 Fornell-Larcker Criterion Test

VARIABLES	Management Support (X2)	Fraud Detection (Y2)	Internal Audit Effectiveness (Y1)	Auditor Independence (X3)	APIP Capability (X1)
Management Support (X2)	0.843				
Fraud Detection (Y2)	0.562	0.829			
Internal Audit Effectiveness (Y1)	0.750	0.566	0.853		
Auditor Independence (X3)	0.828	0.595	0.742	0.878	
APIP Capability (X1)	0.820	0.588	0.741	0.824	0.782

Source: Research Data Processing Results, 2025

b. Heterotrait-Monotrait (HTMT)

Table 3 Heterotrait-Monotrait (HTMT)

	Management Support (X2)	Fraud Detection (Y2)	Internal Audit Effectiveness (Y1)	Auditor Independence (X3)	APIP Capability (X1)
Management Support (X2)					
Fraud Detection (Y2)	0.591				
Internal Audit Effectiveness (Y1)	0.781	0.590			
Auditor Independence (X3)	0.863	0.622	0.770		
APIP Capability (X1)	0.849	0.610	0.762	0.850	

Source: Research Data Processing Results, 2024

Reliability Test

1. Cronbach's Alpha

Table 4 Cronbach's Alpha Value of Each Variable

Variables	Cronbach's alpha
Management Support (X2)	0.954
Fraud Detection (Y2)	0.949

Variables	Cronbach's alpha
Internal Audit Effectiveness (Y1)	0.971
Auditor Independence (X3)	0.962
APIP Capability (X1)	0.979

Source: Research Data Processing Results, 2025

2. Composite Reliability

Table 5 Composite Reliability Results for Each Variable

Variables	Composite reliability (rho_a)	Composite reliability (rho_c)
Management Support (X2)	0.955	0.961
Fraud Detection (Y2)	0.950	0.956
Internal Audit Effectiveness (Y1)	0.971	0.974
Auditor Independence (X3)	0.964	0.968
APIP Capability (X1)	0.979	0.980

Source: Research Data Processing Results, 2025

Research Hypothesis Testing

Table 6 Results of Direct Effect Hypothesis Test

	Original sample (O)	T statistics (O/STDEV)	P values	Hypothesis	Information
APIP CAPABILITY (X1) -> Internal Audit Effectiveness (Y1)	0.266	2.269	0.012	Significant	Accepted
MANAGEMENT SUPPORT (X2) -> Internal Audit Effectiveness (Y1)	0.315	3.201	0.001	Significant	Accepted
AUDITOR INDEPENDENCE (X3) -> Internal Audit Effectiveness (Y1)	0.262	2.306	0.011	Significant	Accepted
APIP CAPABILITY (X1) -> Fraud Detection (Y2)	0.203	2,765	0.003	Significant	Accepted
MANAGEMENT SUPPORT (X2) -> Fraud Detection (Y2)	0.042	0.547	0.292	Not Significant	Rejected
AUDITOR INDEPENDENCE (X3) -> Fraud Detection (Y2)	0.240	2,096	0.018	Significant	Accepted
Internal Audit Effectiveness (Y1) -> Fraud Detection (Y2)	0.205	3.003	0.001	Significant	Accepted

Source: Research Data Processing Results, 2025

Table 7 Results of Indirect Effect Hypothesis Test

	Original sample (O)	T statistics (O/STDEV)	P values	Hypothesis	Information
APIP CAPABILITY (X1) -> Internal Audit Effectiveness (Y1) -> Fraud Detection (Y2)	0.055	1,883	0.030	No Significant	Accepted
MANAGEMENT SUPPORT (X2) -> Internal Audit Effectiveness (Y1) -> Fraud Detection (Y2)	0.065	2.244	0.012	Significant	Accepted
AUDITOR INDEPENDENCE (X3) -> Internal Audit Effectiveness (Y1) -> Fraud Detection (Y2)	0.054	1,719	0.043	No Significant	Accepted

Source: Research Data Processing Results, 2025

Based on the parameters obtained, a structural equation model can be formed as follows:

$$DTKC = (0.203 + (0.055 \times 0.266) \text{ Companion} + (0.042 + (0.065 \times 0.315) \text{ Dukman} + (0.240 + (0.054 \times 0.262) \text{ Indpai} + 0.205 \text{EVAI} + \varepsilon$$

$$DTKC = 0.2163 \text{Companion} + 0.0624 \text{Dukman} + 0.2541 \text{Indpai} + 0.205 \text{EVAI} + \varepsilon$$

Based on the equation above, it can be explained that overall Fraud Detection (Y2) is significantly influenced by the APIP Capability variable (X1) of 0.2163, the Management Support variable (X2) of 0.0624, the Auditor Independence variable (X3) of 0.2541) and the Internal Audit Effectiveness variable (Y1) of 0.205.

DISCUSSION

The Influence of APIP Capabilities on Internal Audit Effectiveness

Based on the structural model in this study, it can be seen from the 6 (six) APIP Capability indicators that have the greatest relationship to the internal audit effectiveness variable in order from the most dominant, namely the elements of organizational culture and relationships, professional practices, roles and services, accountability and performance management, HR management and structure and governance. This shows that organizational culture and relationships play an important role in improving the effectiveness of internal audits. A good organizational culture can create a work environment that supports openness, trust and effective communication among members of the organization, which in turn can improve the effectiveness of internal audits. In addition, strong organizational relationships, both between local governments, communities and other related agencies can facilitate coordination of policy synchronization, as well as more effective problem solving, thus providing a positive impact on the effectiveness of internal audits.

The results of this study show that APIP capability has a greater influence on the effectiveness of internal audits compared to auditor independence. This

shows that although auditor independence is important, APIP capability has a greater influence on the effectiveness of internal audits because audit quality is highly dependent on the skills, knowledge, and professionalism of the auditor. A capable auditor can produce an audit that is more accurate, weighty, and beneficial to the organization, even if there are limitations in independence.

This research is in line with research Alzeban & Gwilliam (2014), Hailemariam (2014), (Sisay, 2016), Shewamene Hailemariam (2014) And Salehi (2016), the research results show that internal auditor competence has a positive and significant effect on internal audit effectiveness.

The Influence of Management Support on Internal Audit Effectiveness

Based on the structural model in this study, it can be seen from the 5 (five) indicators of management support that have the greatest relationship to the internal audit effectiveness variable in order from the most dominant, namely the elements of knowledge, skills, training, qualification exams and attention. This shows that knowledge plays an important role in improving the effectiveness of internal audits. Knowledge is a key factor in improving the effectiveness of internal audits. Internal auditors who have broad and in-depth knowledge will be better able to carry out supervisory tasks efficiently, produce accurate findings, and provide recommendations that are valuable to the organization.

The results of this study show that management support has a greater influence on the effectiveness of internal audit compared to APIP capability and auditor independence. This shows that even though internal auditors have high skills and independence, without management support, audit results are often not implemented properly.

This research is in line with research Lenz & Hahn (2015), Alzeban & Gwilliam (2014), Mihret & Yismaw (2007), and Abu Azza (2012), the research results show that management support has a positive and significant effect on the effectiveness of internal audit.

The Influence of Internal Auditor Independence on Internal Audit Effectiveness

The independence of internal auditors has an impact on the effectiveness of internal audits, this means that increasing the independence of internal auditors will affect the effectiveness of internal audits carried out by APIP. The independence used in this study consists of five process elements, namely: (1) Independence of Program Preparation, (2) Independence of Program Implementation, and (3) Independence of Auditor Reports.

Based on the structural model in this study, it can be seen from the 3 (three) indicators of auditor independence that have the greatest relationship to the internal audit effectiveness variable in order from the most dominant, namely the elements of independence of program implementation, independence of program preparation and independence of auditor reports. This shows that the independence of program implementation plays an important role in increasing the effectiveness of internal audits. Independence in the implementation of audit programs is very important to increase the effectiveness of internal audits. With maintained independence, auditors can work objectively, find real weaknesses, provide appropriate recommendations, and increase the credibility of audit

results. Without independence, internal audits will only be a formality and will not be able to provide added value to the organization.

This research is in line with research Christopher et al. (2009), Bou-The Road (2000), Abu-Azza (2012) and The Rest (2016), the research results show that auditor independence has a positive and significant effect on the effectiveness of internal audits.

The Influence of APIP Capabilities on Fraud Detection

Organizational culture and relationships within an organization play a significant role in detecting fraud. A culture that supports integrity, transparency, and good work ethics, along with effective organizational relationships, can help create an environment that detects and prevents fraud more efficiently. An organizational culture that supports integrity and transparency and good organizational relationships have a major impact on an organization's ability to detect and prevent fraud. Organizations with an anti-fraud culture and cooperative relationships will be more effective in preventing irregularities, because members of the organization will feel more connected, accountable, and motivated to act in accordance with established values.

APIP capability affects Fraud Detection, this means that increasing APIP capability will affect fraud detection carried out by APIP. The internal auditor competency used in this study is through the APIP Capability improvement model which refers to the Internal Audit Capability Model (IA-CM), which is a model developed by The Institute of Internal Auditors (IIA) which consists of six process elements, namely: (1) Roles and Services, (2) Human Resource Management, (3) Professional Practices, (4) Accountability and Performance Management, (5) Organizational Culture and Relationships and (6) Governance Structure.

The governance structure in an organization refers to the way in which all activities within the organization are managed, monitored, and made decisions. A good structure ensures that there is a clear division of tasks, clear responsibilities, and effective oversight. A strong governance structure is essential in fraud detection because it provides a framework that allows for better internal controls and increased transparency within the organization. A good governance structure plays a crucial role in detecting and preventing fraud in an organization. With a clear division of tasks, a strong internal control system, and support from top management, the chances of fraud occurring can be minimized. Transparency, accountability, and effective performance evaluation will improve the organization's ability to detect and address fraud before it becomes a major problem.

This research is in line with the research of Shohihah et al. (2018), Annisya et al. (2016), Baharud-din et al. (2014), D'Silva & Ridley (2007) and Roussy & Brivot (2016), the research results show that APIP capabilities have a positive and significant effect on fraud detection.

The Influence of Management Support on Fraud Detection

The results of the study show that management support has no effect on Fraud Detection, this means that increasing management support will not affect

fraud detection carried out by APIP. The management support used in this study consists of five elements, namely: (1) Skills, (2) Knowledge, (3) Training, (4) Qualification Tests and (5) Attention.

Based on the structural model in this study, it can be seen from the 5 (five) indicators of management support that have the greatest relationship to the internal audit effectiveness variable in order from the most dominant, namely the elements of knowledge, skills, training, qualification exams and attention. This shows that knowledge plays an important role in improving the effectiveness of internal audits. Knowledge is a key factor in improving the effectiveness of internal audits. Internal auditors who have broad and in-depth knowledge will be better able to carry out supervisory tasks efficiently, produce accurate findings, and provide recommendations that are valuable to the organization.

The results of this study show that management support has a greater influence on the effectiveness of internal audit compared to APIP capability and auditor independence. This shows that even though internal auditors have high skills and independence, without management support, audit results are often not implemented properly.

This research is in line with research Lenz & Hahn (2015), Alzeban & Gwilliam (2014), Mihret & Yismaw (2007), and Abu Azza (2012), the research results show that management support has a positive and significant effect on the effectiveness of internal audit.

The Influence of Internal Auditor Independence on Internal Audit Effectiveness

The independence of internal auditors has an impact on the effectiveness of internal audits, this means that increasing the independence of internal auditors will affect the effectiveness of internal audits carried out by APIP. The independence used in this study consists of five process elements, namely: (1) Independence of Program Preparation, (2) Independence of Program Implementation, and (3) Independence of Auditor Reports.

Based on the structural model in this study, it can be seen from the 3 (three) indicators of auditor independence that have the greatest relationship to the internal audit effectiveness variable in order from the most dominant, namely the elements of independence of program implementation, independence of program preparation and independence of auditor reports. This shows that the independence of program implementation plays an important role in increasing the effectiveness of internal audits. Independence in the implementation of audit programs is very important to increase the effectiveness of internal audits. With maintained independence, auditors can work objectively, find real weaknesses, provide appropriate recommendations, and increase the credibility of audit results. Without independence, internal audits will only be a formality and will not be able to provide added value to the organization.

This research is in line with research Christopher et al. (2009), Bou-The Road (2000), Abu-Azza (2012) and The Rest (2016), the research results show that auditor independence has a positive and significant effect on the effectiveness of internal audits.

The Influence of APIP Capabilities on Fraud Detection

APIP capability affects Fraud Detection, this means that increasing APIP capability will affect fraud detection carried out by APIP. The internal auditor competency used in this study is through the APIP Capability improvement model which refers to the Internal Audit Capability Model (IA-CM), which is a model developed by The Institute of Internal Auditors (IIA) which consists of six process elements, namely: (1) Roles and Services, (2) Human Resource Management, (3) Professional Practices, (4) Accountability and Performance Management, (5) Organizational Culture and Relationships and (6) Governance Structure.

Governance structure in an organization refers to the ways of managing, supervising, and making decisions that regulate all activities in the organization. A good structure ensures that there is a clear division of tasks, responsibilities, and effective supervision. A strong governance structure is essential in fraud detection because it provides a framework that allows for better internal control and increased transparency within the organization. Good governance structure plays a crucial role in detecting and preventing fraud in an organization. With a clear division of tasks, a strong internal control system, and support from top management, the chances of fraud occurring can be minimized. Transparency, accountability, and effective performance evaluation will improve the organization's ability to detect and address fraud before it becomes a major problem.

This research is in line with research Shohihah et al. (2018), Annisya et al. (2016), Baharud-din et al. (2014), D'Silva & Ridley (2007) and Roussy & Brivot (2016), the research results show that APIP capabilities have a positive and significant effect on fraud detection.

CONCLUSION AND RECOMMENDATION

Conclusion

- a. APIP capabilities affect the effectiveness of internal audits, this means more competent internal auditors, the effectiveness of internal audits will be better.
- b. Management support influences the effectiveness of internal audit, this means the greater the management support, then the effectiveness of internal audit will be better.
- c. The independence of internal auditors influences the effectiveness of internal audits, this means that more independent internal auditors then the effectiveness of internal audit will be better.
- d. APIP capabilities have an impact on fraud detection, this means more competent internal auditors, the better the fraud detection that can be carried out by internal auditors.
- e. Management support has no effect on fraud detection, this means greater management support then it will not affect fraud detection that can be carried out by internal auditors.
- f. The independence of internal auditors has an impact on fraud detection, this means that more independent internal auditors then the fraud detection that can be carried out by internal auditors will be better.

- g. The effectiveness of internal audits has an impact on fraud detection, this means that the more effective the implementation of internal audits then the fraud detection that can be carried out by internal auditors will be better.

Recommendation

For Government Internal Auditors:

1. Internal auditors need to undergo training and professional development to develop technical skills, knowledge of current regulations and a better understanding of modern audit techniques.
2. Internal auditors need to maintain and increase their independence by upholding the principles of professional ethics and avoiding conflicts of interest that could damage objectivity.
3. Auditors must focus more on areas that are at high risk of fraud.
4. Auditors must leverage technology, such as data-driven audit software, to improve audit efficiency and effectiveness.
5. Auditors must conduct periodic audits and ongoing monitoring of high-risk transactions or policies.

For Local Government:

1. Local governments need to develop special training and certification programs for internal auditors to improve the competence of internal auditors, especially in the aspects of fraud detection and risk-based audits.
2. Local governments need to provide support for smooth and clean audits and create an environment that encourages transparency, accountability and fraud prevention.
3. The government needs to provide sufficient resources to conduct audits effectively, such as adequate budget, appropriate technological tools, and sufficient time to conduct audits.
4. The government needs to improve internal communication and mutual understanding with auditors regarding the limits of independence in conducting audits.
5. The government needs to develop a fraud reporting system that is secure and easily accessible to all employees.

ADVANCED RESEARCH

1. Population Limitations
The population used in this study were only auditors and PPUPD in the Regional Government in Jambi Province, not covering all auditors and PPUPD in the Regional Government in Indonesia.
2. Limitations of Respondent Perception
Respondents tend to provide answers according to personal beliefs or preferences and respondents may interpret questions in ways that are different from those intended by the researcher.
3. Limitations of Research Methodology

The approach used (quantitative) may not fully capture the complexity of public service performance. The limited number of respondents or entities studied may affect the generalization of research results.

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