IMPROVING FRAUD DETECTION AND PREVENTION THROUGH THE ROLE OF INTERNAL AUDITORS AND ORGANIZATIONAL CULTURE

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Abstract – *The purpose of this study is to determine how fraud detection and prevention are improved through the role of auditors and organizational culture. The data obtained from this study are data from interviews with informants at the Ministry of Religion office. This study uses a method of determining competent informant to answer interviews with a total of four informants. The analysis technique of this study uses qualitative data analysis. The results of this study use a description of the conclusion and find that the role of auditors and organizational culture have an effect on improving fraud detection and prevention.*

Keywords: *internal auditor, organizational culture, fraud prevention, fraud detection*

I. INTRODUCTION

Fraud remains a serious challenge to the sustainability of organizations across various sectors, both public and private. Fraud is the misuse of authority or power for personal or group gain, causing financial and reputational losses. According to the Association of Certified Fraud Examiners (ACFE, 2018), organizations lose an average of 5% of their annual revenue due to fraud. In Indonesia, the ACFE Indonesia survey (2019) recorded over 239 fraud cases with losses exceeding 800 billion rupiah.

Fraud may occur due to various factors, both individual and systemic. In an organizational context, fraud detection and prevention are collective responsibilities of all organizational elements, especially internal auditors and organizational culture. Internal auditors serve as the frontline in identifying potential fraud through operational supervision and evaluation of internal controls. Meanwhile, an organizational culture that instills honesty, integrity, and accountability forms the ethical foundation that effectively prevents fraud.

This study selects the Ministry of Religious Affairs as the case study object due to its significant financial management responsibilities, including hajj funds, religious education, and other religious activities. The complexity of activities and the large budget make this ministry susceptible to fraud, making it a compelling case for investigating the role of internal oversight and organizational culture.

II. LITERATURE REVIEW

Fraud Star Theory

The Fraud Star theory, developed by Umar (2016), expands upon the earlier Fraud Triangle (Cressey, 1953) and Fraud Diamond (Wolfe & Hermanson, 2004) theories. This model introduces a fifth element integrity resulting in five core components: pressure, opportunity, rationalization, capability, and lack of integrity. Integrity is considered crucial, as many fraud cases stem not only from weak systems but also from a loss of moral values in the perpetrators.

Internal Auditor

An internal auditor is an individual or unit with an independent and objective function to evaluate and enhance the effectiveness of risk management, control, and governance processes. According to Elisabeth & Simanjuntak (2020), internal auditors play a vital role in preventing and detecting fraud by assessing the adequacy and effectiveness of internal controls. They also provide necessary recommendations to minimize deviations.

Organizational Culture

Organizational culture comprises the values, beliefs, and norms that guide member behavior. A strong culture encourages ethical conduct and upholds integrity. According to Suastawan et al. (2017), organizations with ethical and positive cultures are less likely to experience fraud. Such a culture also fosters collective thinking that prioritizes transparency and accountability.

III. METHODS

This research employs a qualitative approach with a case study method. The object of the study is the Ministry of Religious Affairs of the Republic of Indonesia. Primary data were collected through in-depth interviews with four key informants: internal auditors, finance and BMN staff, and structural officials directly involved in financial management. Data analysis techniques included data reduction, narrative presentation, and drawing conclusions.

Informants were selected using purposive sampling based on their competence and direct involvement in supervision and budget management. Data validity was tested using data triangulation from interviews and supporting documents.

IV. RESULTS AND DISCUSSION

1. The Role of Internal Auditors in Fraud Detection

Interview findings indicate that internal auditors at the Ministry of Religious Affairs play a critical role in supervising and evaluating budget implementation and ensuring compliance. They conduct performance and compliance audits and assist in early fraud detection—even before external audits are conducted.

2. The Role of Internal Auditors in Fraud Prevention

Internal auditors not only act as examiners but also provide education and recommendations to work units to minimize fraud potential. This role strengthens internal control systems through SOP evaluations, financial report monitoring, and corrective actions.

3. The Influence of Organizational Culture on Fraud Detection

An organizational culture that emphasizes transparency and active participation aids fraud detection. Informants noted that an open work environment encourages staff to report suspicious activities and fosters a conducive atmosphere for whistleblowing.

4. The Influence of Organizational Culture on Fraud Prevention

The organizational culture at the Ministry of Religious Affairs promotes integrity, accountability, and professionalism, which reduces the risk of fraud. These values are reflected in the code of ethics, internal regulations, and regular training for staff. This culture also enables effective social control, as all members participate in informal oversight.

V. CONCLUSION

Based on the results of interviews with sources and data analysis that has been presented, the following conclusions can be drawn:

- The role of internal auditors has a significant influence and is essential in fraud detection. This is evident from the explanations provided by all informants, who emphasized the importance of internal auditors in identifying and even investigating anomalies within the organization. Auditors are also necessary to ensure objectivity in the process of detecting problems.
- The role of internal auditors in fraud prevention helps ease the responsibilities of management. This is because auditors possess knowledge of fraud and must also be capable of testing and evaluating findings from detection efforts. Preventive actions should be promptly taken to protect the organization's reputation from fraud incidents.
- Organizational culture plays a crucial and influential role in fraud detection. This is because it guides internal members of the company in carrying out organizational functions. The role of organizational culture in fraud detection is important as it establishes behavioral boundaries that must be followed by company members.
- Organizational culture also influences fraud prevention, as it contributes to evaluating the character and behavior within the company. A well-implemented organizational culture ensures that member behavior aligns with their functions, which in turn becomes a performance assessment indicator in fraud prevention.

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