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THE MODERATING ROLE OF LEADERSHIP FOR FRAUD PREVENTION EFFORTS IN PUBLIC SECTOR

Bisma Akbar Anggara Surya¹⁾, Amrie Firmansyah²⁾

¹⁾ Indonesian Financial and Development Supervisory Agency,

²⁾ Universitas Pembangunan Nasional “Veteran” Jakarta

E-mail : 4132220045_bisma@pknstan.ac.id¹⁾, amriefirmansyah@upnvj.ac.id²⁾

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ABSTRACT

This Fraud continues to be rampant in Indonesia. It follows an ACFE poll performed in 2019. This survey uncovers at least 239 fraud incidents in Indonesia, resulting in a total loss of IDR. 873,430,000,000.00. However, there is a belief that there is no fraud prevention in Indonesia. Indonesia has various Ministries/Institutions in charge of combatting fraud, including the Financial and Development Supervisory Agency. As one of the Ministries/Institutions that has the task of preventing fraud, fraud prevention at the Financial and Development Supervisory Agency must be able to run well. All leaders of Government Agencies are required to uphold integrity and ethical values, commit to competence, and create conducive leadership so that the variables integrity, competence, and internal control system are determined as independent variables that are tested for their influence on fraud prevention efforts with leadership as a moderating variable. The research results show that integrity and internal control systems positively affect fraud prevention efforts, while competency has no effect. Meanwhile, the leadership fails to moderate all variable relationships. Thus, in fraud prevention efforts, the most influential variables in this research are integrity and internal control systems.

Keywords: Integrity, Competency, Internal Control System, Leadership, Fraud Prevention Efforts, Moderating Variable.

INTRODUCTION

Fraudulent activities continue to be prevalent in Indonesia. According to the ACFE study, there were at least 239 fraud instances in 2019, resulting in a total loss of Rp.873,430,000,000.00, with an average loss of Rp.7,248,879,668.00 (ACFE Indonesia, 2020). According to the study report, corruption was the most common type of fraud in Indonesia, with total losses of Rp.373,650,000,000.00 (ACFE Indonesia, 2020). The corruption perception index also indicates increased fraud charges in Indonesia, with the country's score falling from 40 in 2019 to 34 in 2022 (TI Indonesia, 2023). As a result of this report, the ranking of the Indonesian Corruption Perception Index fell to 110th out of 180 countries (TI Indonesia, 2023).

Fraud, increasingly widespread in Indonesia, is also marked by several recent arrests of parties related to corruption cases. For example, the arrest of the Bogor Regent and several auditors from the Financial Audit Agency in 2022 (CNN Indonesia, 2022). The arrest was carried out by Corruption Eradication Commission with a Hand Arrest Operation in the West Java region (CNN Indonesia, 2022). The results of the Hand Arrest Operation revealed that the Bogor Regent carried out corruption in the form of bribes to Financial Audit Agency auditors to provide an Unqualified Opinion on the Bogor Regency Financial Report for Fiscal Year 2021 (CNN Indonesia, 2022). Furthermore, the Corruption Eradication Commission also carried out Hand Arrest Operation on the Regent of Meranti, who was also known to have bribed the Financial Audit Agency Examiner to provide a Unqualified Opinion on the Meranti Regency Financial Report (Ni'am & Asril, 2023).

The enormous number of corruption cases in Indonesia and the findings of polls conducted by numerous independent agencies appear to convey the impression that there is no fraud prevention in the country. According to the Indonesian Regulation, Financial and Development Supervisory Agency is primarily responsible for state and regional financial supervision and national development. Also, Financial and Development Supervisory Agency's responsibilities as an Government Internal Oversight Apparatus include auditing, reviewing, evaluating, monitoring, and other supervisory activities related to executing organizational duties and functions (Republic of Indonesia Government, 2008). In other words, the Financial and Development Supervisory Agency is a supervisory entity responsible for preventing fraud in ministries/agencies and regional governments. Usually, each ministry/agency and regional government is responsible for fraud within their organization. However, Financial and Development Supervisory Agency can carry out supervision if the fraud involves cross-organizational activities or when internal auditors in the organization are unable to handle fraud cases that occur (Republic of Indonesia Government, 2008).

An auditor, especially a team member at a Financial and Development Supervisory Agency, must have a high value for integrity. The value of integrity is the primary value that all Financial and Development Supervisory Agency employees must have, seen from the values that Financial and Development Supervisory Agency has, namely PIONIR (professional, integrity, results orientation, conscience & common sense, independent & responsible). The obligation to have integrity values for Financial and Development Supervisory Agency employees as a supporting factor for fraud prevention (Huslina et al., 2015; Pradana et al., 2018; Sari, 2022; Widayani & Wati, 2020; Wulandari & Nuryanto, 2018).

In carrying out its duties as Government Internal Oversight Apparatus in charge of preventing fraud, Financial and Development Supervisory Agency must have an auditor who meets the minimum ability/competency measures for an Auditor, including knowledge, skills/expertise, and behavioral attitudes. Financial and Development Supervisory Agency auditors should continually improve their competence following developments in science and technology in supervision. This obligation is contained in the Regulation of the Head of Financial and Development Supervisory Agency Number PER-211/K/JF/2010 of 2010 concerning Auditor Competency Standards. In line with these obligations, auditors must have competency because it can support fraud prevention efforts (Choirunnisa, 2022; Huslina et al., 2015; Kadir, 2017; Laksmi & Sujana, 2019; Lianto & Purnamasari, 2020; Saputra et al., 2019; Widayani & Wati, 2020).

Apart from that, the internal control system can support the work of internal auditors in supporting their work (Handoyo & Bayunitri, 2021). The internal control system is built by an organization to maintain the professionalism of internal auditors (Handoyo & Bayunitri, 2021). Furthermore, the internal control system can improve the fraud prevention capabilities of internal auditors (Laksmi & Sujana, 2019; Pradana et al., 2018; Wulandari & Nuryanto, 2018).

This research examines the influence of internal auditor integrity, competence, and internal control systems on fraud prevention efforts. This research is different from previous research, which mainly used respondents from government and corporate inspectorates. Meanwhile, this research uses respondents from Financial and Development Supervisory Agency auditors, who are government auditors who report directly to the President. In addition, this research places leadership as a moderating variable in testing the independent variable against the dependent variable. Good leadership has a role in improving organizational performance in government agencies (Firmansyah et al., 2022). A good organization is defined by the leader's capacity to command and govern a group of people in a specific organizational context (Firmansyah et al., 2022).

This research uses attribution theory to analyze independent variables that influence the dependent variable because it relates to internal and external factors that determine the individual's decisions (Arham & Firmansyah, 2021; Schmitt, 2015). Internal and external elements influence a person's actions (Ferdiansyah, 2016). These internal elements come from oneself, while external elements are external things that come from the surrounding environment. These elements can influence a person's behavior under certain conditions (Ferdiansyah, 2016). Internal team member elements (integrity, competence) and external team member elements (internal control system, leadership) can influence fraud prevention efforts in the team member's agency. Internal and external factors encourage someone to carry out an activity. In this case, integrity, competence, an internal control system, and leadership drive the fraud prevention effort.

Aside from those perpetrated by persons within an organization, another kind of fraud protection is the presence of an Internal Control System (SPI) expressly designed to prevent fraud. According to the AAPII Code of Ethics, integrity is a characteristic, attribute, or state characterized by total unity and the capability to emanate authority and honesty. Integrity expresses both honesty and a rational relationship to the current circumstances. As a result, someone with integrity will reject numerous fraud scenarios, either by not committing the fraud or by guaranteeing that no fraud occurs in their surroundings. Therefore, employees who have integrity will certainly support fraud

prevention efforts in their work environment. The following research by Huslina et al. (2015), Pradana et al. (2018), Sari (2022), Widayani & Wati (2020), and Wulandari & Nuryanto (2018) found that integrity has a positive effect on fraud prevention. Sari (2022) tested the influence of integrity on fraud prevention among auditors at the Banten Province Inspectorate, concluding that the higher the integrity trait that an internal auditor has, the higher the attitude of discretion, which also influences the higher level of fraud prevention at the Banten Province Inspectorate. Sari (2022) also found that integrity positively influences fraud prevention because it is an attitude where internal auditors can maintain their profession and expand public trust through their responsibilities. Thus, one of the most merciful ways to prevent fraud is to increase government governance standards, including developing internal auditors with a high integrity attitude.

H₁: Integrity positively affects fraud prevention efforts

Auditor competency is an auditor's ability to apply their knowledge and experience to produce audit results that are thorough, accurate, intuitive, and objective (Lianto & Purnamasari, 2020). An auditor is considered competent if they have sufficient technical expertise and training as an auditor obtained from formal education, which is then expanded into practice in the field by conducting audits (Kadir, 2017). Thus, competent auditors can reliably detect fraud, which is part of fraud prevention. In other words, the higher an auditor's competency, the higher their ability to detect fraud, so the higher the fraud prevention efforts. It is in line with Choirunnisa (2022), Huslina et al. (2015), Kadir (2017), Laksmi & Sujana (2019), Saputra et al. (2019), Lianto & Purnamasari (2020) and Widayani & Wati (2020), which concluded that competency has a positive effect on fraud prevention efforts. An auditor with comprehensive competence can prevent fraud in implementing his work.

H₂: Competency positively affects fraud prevention efforts

According to Government Regulation No. 60 of 2008, an internal control system is a process that is integral to actions and activities carried out on an ongoing basis by all elements of the agency to provide adequate confidence in achieving organizational goals effectively and efficiently, having reliable financial reports, safeguarding state assets, and compliance with laws and regulations (Republic of Indonesia Government, 2008). With an excellent internal control system, fraud can be prevented because fraud hinders the effective and efficient achievement of organizational goals. A tremendous internal control system is an external element that encourages an auditor to support fraud prevention efforts in their workplace. With an excellent internal control system, auditors will be more comfortable and find it easier to carry out fraud prevention efforts because of the support from the surrounding environment. Pradana et al. (2018), Laksmi & Sujana, (2019), and Wulandari & Nuryanto (2018) concluded that the internal control system has a positive effect on fraud prevention efforts.

H₃: The internal control system positively affects fraud prevention efforts

Sari (2022) explained that leadership is a method organizational leaders use to influence and integrate employees to act and behave according to the leader's wishes to achieve organizational goals. Also, Dewi et al. (2017) stated that good leadership can motivate a leader's employees or subordinates. Thus, leadership has a vital role in achieving organizational goals, so its role in fraud prevention efforts is also essential, considering that fraud prevention is vital in achieving organizational goals effectively and efficiently. With leadership that supports the character of integrity, auditors, as employees

or subordinates of leadership, can safely and comfortably demonstrate the nature of integrity to support fraud prevention efforts. The better or higher the leadership, the better or higher the fraud prevention efforts in an organization. It aligns with Riska (2019), who found that leadership positively affects fraud prevention efforts.

H4: Leadership increases the beneficial impact of integrity on fraud prevention effort

A leader must be competency-oriented in creating a great system in the organization (Firmansyah et al., 2022). It means that leaders must encourage their employees or subordinates to develop their competencies continuously, formally and non-formally. With leadership that encourages employees to be competent, leaders can create employees who are proficient and expert in detecting existing fraud to support fraud prevention efforts in the organization. Wijayanto (2020) concluded that good leadership could positively influence fraud prevention efforts. The leadership's ability can increase the potential for an auditor's fraud prevention efforts so that the leadership's role can increase the competence of internal auditors in their work.

H5: Leadership increases the beneficial impact of competency on fraud prevention efforts

Implementing an excellent internal control system is very dependent on the commitment of top management or leadership (tone at the top), and this also applies to regional-level leaders and technical teams (Pradana et al., 2018). With leadership that supports the proper implementation of the internal control system, an internal control system that is adequate and effective in preventing fraud can be created. Employees will be encouraged to support fraud prevention efforts in their organization with leadership in harmony with an adequate and effective internal control system. Fajariyah & Carolina (2023) concluded that it positively affects fraud prevention efforts. The leadership's ability to improve the internal control system in an organization can encourage the ability of internal auditors to increase fraud prevention efforts.

H6: Leadership increases the beneficial impact of internal control system on fraud prevention efforts.

RESEARCH METHODS

This research employs surveys/questionnaires as a medium to collect respondents' perceptions and uses primary data received directly from the source. This research tests several hypotheses that have been proposed with data received from questionnaires distributed online to Financial and Development Supervisory Agency Auditors or former Auditors from June 30 to July 31, 2023, via Google Forms. This research employs fraud prevention efforts as the dependent variable. Fraud prevention efforts, as explained by Sudarmo et al. (2008), have indicators that can be assessed for the efforts made by management to prevent fraud: determination of anti-fraud policy, standard prevention procedures, supportive organizations, control engineering, and sensitivity to fraud.

Furthermore, integrity, competency, and internal control systems are independent variables. Auditor integrity can be measured using several indicators, as Irianto and Baridwan (2015) explained. These indications include the integrity of government internal supervisory officials, the courage of the government's internal supervisory apparatus, the careful attitude of the government internal supervisory apparatus, and the duties of the government internal supervisory apparatus. Competency in this research

follows Government Regulation No. 60 of 2008, which consists of government agency leaders identifying and determining the activities needed to complete tasks and functions; government agencies develop competency standards for each position's duties and functions; government agencies give training and coaching to employees to help them maintain and enhance their job competency; government agency executives have substantial management and technical experience in operating government agencies (Republic of Indonesia Government, 2008). Internal control systems are measured with the following indicators: control environment, risk assessment, control environment, information and communication, and monitoring internal control activities (Republic of Indonesia Government, 2008).

This research considers leadership as a moderating variable. It can be assessed from specific indicators as follows: Wicaksono & Urumsah (2016): good leadership attitude, providing work motivation, and adopting an attitude of honesty. This research's hypothesis testing approach utilizes Structural Equation Modeling (SEM).

RESULTS AND DISCUSSION

Respondents in this research were 51 auditors from the Financial and Development Supervisory Agency. To process the acquired data, the researchers employ Smart PLS 3 software as a statistical analysis test tool. Data is collected via a questionnaire disseminated in a Google form to Financial and Development Supervisory Agency workers via WhatsApp. The data analyzed are respondents' replies about the effect of the variables integrity, competence, and internal control system on fraud prevention efforts, with leadership as a moderating variable.

Validity testing can be done by looking at the outer loading value for each component of the respondent's answer in the indicator of a variable. Indicators that have good validity can be stated by looking at an outer loading score above 0.7000, while indicators that have a value below 0.7000 are removed from the model. However, the outer loading value can still be tolerated above 0.6000 (Ghozali & Latan, 2015).

Table 1. Loading Factor Result

Indicator	GK	INT	KMP	PF	SPI	Result
GK1	0.8370					Valid
GK2	0.8710					Valid
GK3	0.8910					Valid
GK4	0.7970					Valid
GK5	0.9110					Valid
GK6	0.8890					Valid
GK7	0.8900					Valid
GK8	0.8880					Valid
GK9	0.8850					Valid
GK10	0.7980					Valid
GK11	0.8470					Valid
INT1		0.7100				Valid

Table 1. Loading Factor Result (continuous)

Indicator	GK	INT	KMP	PF	SPI	Result
INT2		0.7020				Valid
INT3		0.7060				Valid
INT4		0.8040				Valid
INT5		0.8570				Valid
INT6		0.8110				Valid
INT7		0.8420				Valid
INT8		0.8000				Valid
KMP1			0.8480			Valid
KMP2			0.8840			Valid
KMP3			0.8450			Valid
KMP4			0.7350			Valid
KMP5			0.8270			Valid
KMP6			0.7600			Valid
KMP7			0.6380			Valid
KMP8			0.6100			Valid
PF1				0.8750		Valid
PF2				0.7790		Valid
PF3				0.7650		Valid
PF4				0.7630		Valid
PF5				0.6930		Valid
PF6				0.8350		Valid
PF7				0.8030		Valid
PF8				0.8500		Valid
PF9				0.8420		Valid
PF10				0.7840		Valid
PF11				0.8730		Valid
SPI1					0.7920	Valid
SPI2					0.6440	Valid
SPI3					0.8440	Valid
SPI4					0.8060	Valid
SPI5					0.7240	Valid
SPI6					0.8000	Valid
SPI7					0.8240	Valid
SPI8					0.8400	Valid
SPI9					0.8200	Valid
SPI10					0.8540	Valid
SPI11					0.7190	Valid

Table 1. Loading Factor Result (continuous)

Indicator	GK	INT	KMP	PF	SPI	Result
SPI12					0.8730	Valid
SPI13					0.7100	Valid

Source: Data Processed, 2023

Based on the table above, all indicators have an outer loading value above 0.6000, so all indicators can be declared to have passed the validity test, and the data can be used to develop a model. Apart from the outer loading test, testing was done by looking at each variable's Average Variance Extracted (AVE) value. If the indicator in a variable has an AVE value > 0.5000, then the variable is declared to have passed the Validity Test.

Table 2. AVE Result

Variable	Average Variance Extracted (AVE)
GK	0.7480
INT	0.6100
KMP	0.5990
PF	0.6520
SPI	0.6260

Source: Data Processed, 2023

Based on the table above, all variables have an AVE value above 0.5000, so the data on these variables is valid and can be used to construct the model. The reliability test determines if the respondents' responses are dependable enough to be employed in developing a model. Indicators representing variables are considered trustworthy, with a Cronbach Alpha value > 0.6000 and Composite Reliability > 0.7000%. (Ghozali & Latan, 2015). The following is a presentation of data from Cronbach Alpha and Composite Reliability.

Table 3. Reliability Test Result

Variable	Cronbach's Alpha	Composite Reliability
GK	0.9660	0.9700
INT	0.9080	0.9260
KMP	0.9010	0.9220
PF	0.9460	0.9530
SPI	0.9490	0.9560

Source: Data Processed, 2023

According to the table above, all variables have Cronbach Alpha values > 0.6000 and Composite Reliability > 0.7000, implying that the data on these variables is trustworthy and may be used to construct models. The correlation test is carried out by looking at the R-squared value, which aims to assess the strength of the correlation or prediction of an independent variable on the dependent variable. A strong correlation can be stated if the R-Square score is > 0.5000 and weak if it is < 0.5000. The R-Square measurement results are as follows:

Table 4. Correlation Test Result

Indicator	R ²	Adjusted R ²
Fraud Prevention Efforts	0.8780	0.8560

Source: Data Processed, 2023

Based on the table above, the R-Square value for Fraud Prevention is 0.8780, which means that the integrity, competency, internal control system, and leadership factors explain 87.8000% of the fraud prevention variable. In comparison, other variables explain the remaining 12.2000%.

The SEM-PLS model was used to test hypotheses at a 10% significance level based on the Null Hypothesis (H_0). The Alternative Hypothesis (H_a) implies that the variables have a link, whereas H_0 implies that they do not. If the P-value value is <0.1000 , H_0 is rejected, and the research hypothesis is accepted. If the P-value value is >0.1000 , H_0 is accepted, but the research hypothesis is rejected. Hypothesis testing using one-tailed is as follows:

Table 5. Hypothesis Test Result

No.	Research Hypothesis	Coeff.	t-Stat	P Values	Results
H ₁	INT - > PF	0.1040	1.4480	0.0740	Accepted
H ₂	KMP - > PF	-0.0860	0.7250	0.2340	Rejected
H ₃	SPI - > PF	0.6560	4.2440	0.0000	Accepted
H ₄	INT*GK - > PF	-0.0790	0.5930	0.2770	Rejected
H ₅	KMP*GK - > PF	0.1050	0.6950	0.2440	Rejected
H ₆	SPI*GK - > PF	-0.0300	0.2880	0.3870	Rejected

Source: Data Processed, 2023

Based on the hypothesis testing table above, there is a hypothesis with a P-value <0.1000 , so the hypothesis is accepted. However, other hypotheses have P-Values >0.1000 , so the hypothesis is rejected, and H_0 is accepted.

The effect of integrity on fraud prevention efforts

The hypothesis test suggests that integrity positively affects fraud prevention efforts. This result aligns with Huslina et al. (2015), Pradana et al. (2018), Sari (2022), Widayani & Wati (2020), and Wulandari & Nuryanto (2018). Integrity can positively influence fraud prevention efforts in an organization based on the philosophy that someone with the character of integrity can radiate authority and honesty. Meanwhile, fraud is a fraudulent act committed by someone, so the nature of integrity is the opposite of fraud. It is appropriate if it is linked to the attribution theory, which states that internal and external factors influence a person when doing something. Thus, concerning fraud prevention efforts, someone with integrity (internal factors) will refuse to commit fraud and attempt hard to support fraud prevention efforts within their organization.

The integrity of the government's internal auditor shows the ability of the internal auditor in his work activities. Integrity is an attitude that internal auditors need to have in improving the quality of their work. One work performance that can be achieved by always prioritizing integrity is fraud prevention capabilities. The impact of this capability is the protection of state finances that government officials can carry out. Therefore, internal auditors who always prioritize integrity can own fraud prevention efforts.

The effect of competency on fraud prevention efforts

The hypothesis test suggests that competency does not affect fraud prevention efforts. The result of this research aligns with research from Durnila & Santoso (2018)

and Fiar & Jaeni (2022). However, it is not in line with Choirunnisa (2022), Huslina et al. (2015), Kadir (2017), Laksmi & Sujana (2019), Saputra et al. (2019), Lianto & Purnamasari (2020) and Widayani & Wati (2020). It shows that even though an auditor's competency increases or decreases, it does not affect fraud prevention efforts in the organization. The AAIPI Code of Ethics defines competencies as a person's talents and traits in the form of knowledge, skills, and behavioral attitudes when carrying out the tasks related to his job. This research shows that fraud prevention efforts in Financial and Development Supervisory Agency do not need to involve competency. In other words, auditor competency is not needed in fraud prevention efforts because fraud prevention efforts can function by involving other things, such as the nature of the auditor's integrity. It is supported by the respondents' average work experience of less than ten years. It is appropriate if it is linked to the attribution theory that internal and external factors influence a person in doing something, and competency (internal factors) does not influence someone to support fraud prevention efforts.

An internal auditor at work must have adequate competence so that the auditor can achieve the required quality of work. Competency is the minimum ability of an internal auditor to carry out his activities. On the other hand, fraud prevention efforts are the auditor's ability to safeguard government assets for activities carried out by government officials. An auditor's competency must include the ability to prevent fraud. Thus, the competency of government internal auditors in Indonesia includes the ability to prevent fraud.

The association between internal control systems and fraud prevention efforts

The hypothesis test suggests that an internal control system positively affects fraud prevention efforts. This finding is in line with Pradana et al. (2018), Laksmi & Sujana (2019), and Wulandari & Nuryanto (2018). It demonstrates that the better/higher the internal control system, the more successful the fraud prevention measures. According to Government Regulation No. 60 of 2008, the internal control system is a continuous process that ensures adequate trust in attaining organizational goals, the accuracy of financial reporting, the security of state assets, and statutory compliance. The internal control system is specifically designed to prevent and eliminate fraud in a corporation since fraud contradicts all of the objectives the internal control system should achieve.

An auditor will support fraud prevention efforts in his organization because of a great internal control system (external factors). Auditors will avoid attitudes that can give rise to fraud because of the existence of a good Internal Control System. Auditors will also support fraud prevention efforts in their organization because a great system motivates auditors to help prevent fraud. A well-implemented internal control system in an internal auditor organization can increase the auditor's ability in fraud prevention efforts. An internal control system is a series of control processes that must be carried out within an organization to achieve organizational goals properly. This system involves internal auditors to achieve this goal. The existence of this control encourages internal auditors to carry out fraud prevention to protect state finances easily.

The moderating role of leadership in the association between integrity and fraud prevention efforts

The hypothesis test suggests that the leadership fails to strengthen the positive association between integrity and fraud prevention efforts. Integrity is a fundamental characteristic of a person. These traits are a person's core values, so any leadership will

not change them because they are already their belief (Sari, 2022). Thus, fraud prevention efforts can run well if a person's integrity is upright and will not be influenced by the superior's leadership. Integrity is inherent in individuals, including internal auditors, whose leadership roles cannot intervene in the organization. Integrity determines the quality of internal audit work, including detecting fraud prevention, which can protect state finances.

The moderating role of leadership in the association between competency and fraud prevention efforts

The hypothesis test suggests that it failed to strengthen the positive association between competency and fraud prevention efforts. Fraud prevention efforts will not be influenced by leadership or team member competence. No leadership will affect their implementation. Those will always exist regardless of the type of leadership that exists. Team member competency can also not influence those because the organization still requires low and high competency to support fraud prevention efforts.

The competency of an internal auditor must be independent of leadership because competency is inherent in the individual internal auditor. The quality of internal audit work depends on the auditor's competency and cannot be influenced by leadership, including the internal auditor's competency in detecting fraud prevention.

The moderating role of leadership in the association between the internal control system and fraud prevention efforts

The hypothesis test does not increase the beneficial relationship between the internal control system and fraud prevention efforts. The internal control system will always contribute to an organization's fraud prevention efforts, regardless of the leadership in place. The internal control system will always prevent fraud since it has become the foundation for an organization to avoid and eradicate fraud to accomplish mutually established corporate goals. The internal control system can be run well without leadership intervention, including increasing internal auditors' ability to prevent fraud. An internal control system is a system that is implemented within an organization so that organizational goals can be achieved well. It must be embedded in the internal auditor's organization to operate without influence by leadership. It is also attached to the internal auditor, which can influence its ability to prevent fraud.

CONCLUSION

This research found that integrity and internal control systems can boost fraud prevention efforts. However, competency is not associated with fraud prevention efforts. Someone with the character of integrity can radiate authority and honesty that contradict fraud. Competency is the minimum ability of an internal auditor to carry out his activities, but it does not necessarily mean an internal auditor will be adept at preventing fraud. It is in line with the Regulation of the Head of Financial and Development Supervisory Agency Number PER-211/K/JF/2010 of 2010 concerning Auditor Competency Standards that do not require internal auditors to be adept at preventing fraud. Fraud is a fraudulent act committed by someone, so the nature of integrity is the opposite of fraud. The system is designed to be a continuous process that guarantees sufficient confidence in achieving organizational goals, the reliability of financial reporting, the security of state

assets, and statutory compliance. According to Government Regulation No. 60 of 2008, this system is mandatory for all organizations. Therefore, all internal auditors must ensure that internal controls align with government regulations, positively affecting fraud prevention efforts.

Furthermore, the leadership fails to strengthen the positive relationship between fraud prevention efforts and integrity, Financial and Development Supervisory Agency No. 3 of 2017, there is no requirement for the leadership role to be adept at fraud prevention. Thus, fraud prevention efforts in Financial and Development Supervisory Agency CY are supported by integrity and internal control systems, not by competency and leadership.

This research still has limitations, such as the fact that it only employs data-gathering techniques in the form of questionnaires and does not go through an interview stage; thus, the data acquired cannot be studied further, and indicators used in this research are taken from journals or other scientific works. However, it does not rule out the possibility that the indicators used do not represent conditions in the real world. This research can be improved by using a broader sample in the future. Furthermore, future research might use interview techniques to delve deeper into the material and improve the test outcomes. This research suggests that Financial and Development Supervisory Agency should set criteria for promoting employees as leaders both in the internal auditor team and in representative offices to increase the role of leaders in auditor performance, especially regarding the ability to prevent fraud.

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