

## Auditor's Ability to Detect Fraud Through Competence, Independence, Integrity and Professionalism

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### Abstract

*This research aims to analyze the influence of competence, independence, integrity and professionalism on the ability of internal auditors to detect fraud. The type of research in this research is quantitative. The population in this study were all auditors at the Makassar City Inspectorate Office. Data provided by the Inspectorate was 35 auditors (source: Makassar City Inspectorate Performance Report). The sampling method used in this research is the saturated sample method. The saturated sampling method is a sampling technique when all members of the population are used as samples. By using multiple linear regression analysis and hypothesis testing. The research results found that competence has a positive and significant effect on the ability of internal auditors to detect fraud; independence has a positive and significant effect on the ability of internal auditors to detect fraud; integrity has a positive and significant effect on the ability of internal auditors to detect fraud; professionalism has a positive and significant effect on the ability of internal auditors to detect fraud.*

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### Keywords :

*Competency;  
Independence; Integrity;  
Professionalism; The  
Ability Of Internal  
Auditors To Detect Fraud*

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## INTRODUCTION

The government as a public organization that has the mandate to manage state finances and society is required to be responsible through clean government. However, a phenomenon that has occurred in Indonesia in recent years is legal problems which are always related to misuse of state finances such as gratuities, illegal levies, use of state money for personal interests.

State finances are the main target of officials who are managers or power users of the budget who eventually become corrupt, so they become a concern of

the public and are considered to be a common thing in this country. In this way, the government carries out multi-layered and continuous supervision of state finances to prevent fraud from occurring (Kuntadi, 2023). This supervision is carried out by internal government auditors and external government auditors.

The Government Internal Auditor is tasked with carrying out internal supervision and control/internal auditing of the government. This internal control is carried out by the Financial and Development Supervisory Agency (BPKP), the Inspectorate General/Inspectorate/unit which functions as internal supervision at the Ministry of State, next namely the Main Inspectorate/Inspectorate of Non-Ministerial Government Institutions, Inspectorate/internal supervision unit at the Secretariat of Higher Institutions State and State Institutions, Provincial/Regency/City Inspectorates, and internal supervision units found in other government legal entities based on statutory regulations.

Internal auditors are part of internal control whose function is to help prevent and detect fraud that might occur (Aresteria, 2018). An auditor's ability is needed to detect fraud and there are several things that auditors need to pay attention to, including understanding and comprehending fraud, types of fraud, characteristics of fraud and ways to detect it.

*Fraudor* fraud has an impact that can be detrimental to the fraud victim and can be profitable for the parties who commit the fraud, such as financial and non-financial losses. For example, government financial losses, loss of trust, and other negative impacts. The negative impact of fraud on fraudulent acts encourages the importance of fraud prevention measures or appropriate fraud prevention strategies in order to avoid cases of fraud or fraud by a public agency by knowing in advance what the impact will be if committing an act of fraud in the financial or financial sector. non-financial.

The phenomenon of fraud that occurs in regional governments puts local government auditors in the main spotlight. Cases of fraud in regional government have caused the performance of regional inspectorates to begin to be questioned, as in the case of The project to procure surveillance cameras or CCTV at the Makassar Communication and Informatics Service (Diskominfo) used a 2020 budget of alleged corruption of IDR 2 billion, based on the Agency's BPK audit Examiner The Finance of the Republic of Indonesia (BPK RI) Representative

of South Sulawesi (Sulsel) found 16 findings, this shows the failure of the Makassar City inspectorate in carrying out inspections.

The existence of individual government auditors who cannot detect fraud implies that the individual auditors of the Makassar City Inspectorate are considered to lack competence regarding their audit function, independence and lack of integrity. Auditors are also considered unprofessional. Auditors in the Inspectorate are under the authority of other regional governments. So it is necessary to conduct research regarding the ability of Makassar City Inspectorate auditors to prevent fraud.

In carrying out their duties, especially in detecting fraud, auditors need to be supported by an attitude of competence, independence, integrity and professionalism. These attitudes are included in the general audit standards in the State Financial Audit Standards (SPKN). SPKN states that the general attitude of auditors regarding their character is competence (Knowledge and Ability), independence, integrity and professionalism (Landarica, 2020). Therefore, auditors must maintain these four attitudes, because auditors need these attitudes so that they do not fail to detect fraud.

The competency possessed by the Auditor is proven by a professional certificate issued by an authorized institution or other documents stating expertise in the use of experts (Peuranda et al., 2019), BPK must believe that the expert is independent, qualified, competent in their field, and must document this belief. Issues related to competency were raised by (IAPI, 2019) expressing his disappointment with the names who passed the initial selection results carried out by the House of Representatives to advance as candidates for members of the Financial Audit Agency or BPK for the 2019-2024 period. This disappointment was because none of the candidates who passed had proof of competence as auditors.

An auditor must also have and maintain an independent attitude (independence). This attitude requires the auditor not to support or take sides with anyone. An independent spirit does not mean needing other parties, but rather a character that always tries to face and solve the problems it faces itself. SPKN's second general standard statement states that examining organizations and auditors must not allow their mental attitudes and behavior to be disturbed by personal, external and organizational factors that interfere with independence in

all aspects of audit work. An independent attitude is needed by the auditor so that he is not influenced by the interests and pressure of any party, so that the auditor can find out whether the company is fraudulent or not. Once the fraud is discovered, the auditor will not participate in the security of this fraud.

Apart from the two traits above, there is also the trait of integrity which is the most important trait for an auditor to have. Integrity is a self-image in an organization that can be seen from daily behavior and actions. Integrity shows consistency between words and beliefs which are reflected in daily actions (Basmar, 2020). The principle of integrity requires every professional accountant to be straightforward and honest in all professional and business relationships. Integrity also means being honest and always telling the truth (Khotimah, 2024). Each member must be able to carry out their work responsibilities with high integrity so that public trust can be maintained.

Auditor professionalism is the attitude of auditors who carry out audits guided by applicable standards (DW Sari & Tiara, 2020). Professionalism is a form of professional dedication to the profession, social obligations, independence and belief in professional regulations regarding public trust, the indicators of which include professional responsibility, integrity and confidentiality. Professionalism is a form of responsibility for behavior that goes beyond individual responsibility that goes beyond and meets the legal and regulatory requirements of our society (Tuanakotta, 2013).

Previous research regarding the ability of auditors to detect fraud has been carried out by Arnanda et al., (2022) found that competence has a positive and significant effect on the auditor's ability to detect fraud; Rinaldy & Amin, (2023) who found that independence had a positive and significant effect on the auditor's ability to detect fraud; Apriwandi & Christine (2023) found that integrity has a positive and significant effect on the auditor's ability to detect fraud; Kusuma et al., (2021) found that professionalism had a positive and significant effect on the auditor's ability to detect fraud. This research aims to analyze the influence of competence, independence, integrity and professionalism on the ability of internal auditors to detect fraud.

Based on the explanation above, the hypothesis in this research is as follows:

H1: Competence influences the ability of internal auditors to detect fraud

H2: Independence affects the ability of internal auditors to detect fraud

H3: Integrity influences the ability of internal auditors to detect fraud

H4: Professionalism influences the ability of internal auditors to detect fraud

## METHODS

The type of research in this research is quantitative. Population is a generalized area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn (Sugiyono 2019:285). The population in this study were all auditors at the Makassar City Inspectorate Office. Data provided by the Inspectorate was 35 auditors (source: Makassar City Inspectorate Performance Report).

A sample is a subgroup or part of a population. The sampling method used in this research is the saturated sample method. The saturated sampling method is a sampling technique when all members of the population are used as samples. By using multiple linear regression analysis and hypothesis testing.

$$Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$$

Information :

Y = Auditor's ability to detect fraud

$\alpha$  = Constant

$\beta_1 \beta_2 \beta_3 \beta_4$  = Regression Coefficient

X1 = Competence

X2 = Independence

X3 = Integrity

X4 = Professionalism

e = Error.

## RESULTS AND DISCUSSION

The normality test uses graphic analysis in the form of a histogram graph, which can be seen in the following picture:

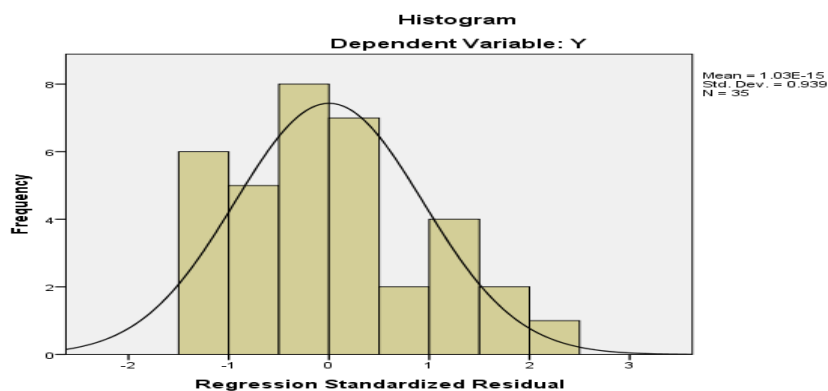


Figure 1. TestNormality

The image above is a histogram graph. The histogram graph above forms a bell and does not lean to the right or left so the histogram graph is declared normal.

**Multiple Linear Regression Analysis**

Multiple Linear Regression Analysis Test Results are as follows:

**Table 1. Multiple Regression Analysis Test Results**

Variable	B	t count	Sig.	Information
Constant	4,693	5,173	,000	
Competency (X1)	,257	2,320	,027	Significant positive effect
Independence (X2)	,796	6,601	,000	Significant positive effect
Integrity (X3)	,231	3,327	,002	Significant positive effect
Professionalism (X4)	,255	2,216	,034	Significant positive effect

Source: processed data, 2024

Based on the table above, the regression equation formed in this regression test is:

$$Y = 4.693 + 0.257X1 + 0.796X2 + 0.231X3 + 0.255X4 + e,$$

This model can be interpreted as follows: First of all, the constant value  $\beta_0 = 4.693$  is that if the variables of competence, independence, integrity and professionalism do not change, then the auditor's ability to detect fraud is 4.693. The competency regression coefficient ( $\beta_1$ ) is 0.257 and has a positive sign. This means that the value of variable Y will increase by 0.257 if the value of variable X1 increases by one and the other independent variables have a fixed value. The regression coefficient of independence ( $\beta_2$ ) is 0.796 and has a positive sign. This means that the value of variable Y will increase by 0.796 if the value of variable X2 increases by one and the other independent variables have a fixed value. The integrity regression coefficient ( $\beta_3$ ) is 0.231 and has a positive sign. This means that the value of variable Y will increase by 0.231 if the value of variable X3 increases by one and the other independent variables have a fixed value. And the professionalism regression coefficient ( $\beta_4$ ) is 0.255 and has a positive sign. This means that the value of variable Y will increase by 0.255 if the value of variable X4 increases by one and the other independent variables have a fixed value.

### Hypothesis testing

Based on the results of the R test on the variables of competence, independence, integrity and professionalism on the auditor's ability to detect fraud, it can be seen in the following table:

**Table 2. Test Coefficient of Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965a	.931	.922	.60879

Source: processed data, 2024

The table above shows the Adjusted R square value of 0.922. The Adjusted R square results show that the influence of competence, independence, integrity and professionalism on the auditor's ability to detect fraud is 92.20%, while the remaining 7.80% is influenced by other factors outside this research.

Based on the results of the Anova test on the variables of competence, independence, integrity and professionalism on the auditor's ability to detect fraud, it can be seen in the following table:

**Table 3. Anova test**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	149,567	4	37,392	100,890	,000b
Residual	11,119	30	,371		
Total	160,686	34			

Source: processed data, 2024

The results of data analysis regarding the influence of competence, independence, integrity and professionalism on the auditor's ability to detect fraud show that the F calculated coefficient of influence is 100,890 with a sig value of 0.000. If the calculated F value is compared with the F table, it can be seen that the calculated F is greater than the F table ( $100,890 > 2,680$ ) and if the sig value is compared with sig  $\alpha = 0.05$ , then the sig value is smaller than sig  $\alpha$ , namely  $0.000 < 0.05$ . These results can be concluded that competence, independence, integrity and professionalism simultaneously influence the auditor's ability to detect fraud.

Based on the results of the Coefficients test on the variables of competence, independence, integrity and professionalism on the auditor's ability to detect fraud, it can be seen in the following table:

**Table 4. Partial Test Results (t Test)**

Variable	B	t count	Sig.	Information
Constant	4,693	5,173	,000	
Competency (X1)	,257	2,320	,027	Significant positive effect
Independence (X2)	,796	6,601	,000	Significant positive effect
Integrity (X3)	,231	3,327	,002	Significant positive effect
Professionalism (X4)	,255	2,216	,034	Significant positive effect

Source: processed data, 2024

The following are the results of hypothesis testing using a partial test (t-test) and the discussion for each independent variable on the dependent variable based on the table above which will be explained as follows:

1. The influence of competency on the ability of internal auditors to detect fraud  
Based on the results of the t test, the competency variable obtained a t value of  $2.320 > 2.039$  t table with a significance level of  $0.027 < 0.05$ . This explains that the competency variable partially has a positive and significant effect on the ability of internal auditors to detect fraud, thus it can be concluded that the first hypothesis (H1) is accepted.
2. The influence of independence on the ability of internal auditors to detect fraud  
Based on the results of the t test, the competency variable obtained a t value of  $6.601 > 2.039$  t table with a significance level of  $0.000 < 0.05$ . This explains that the independence variable partially has a positive and significant effect on the ability of internal auditors to detect fraud, so it can be concluded that the second hypothesis (H2) is accepted.
3. The influence of integrity on the ability of internal auditors to detect fraud  
Based on the results of the t test, the integrity variable obtained a t value of  $3.327 > 2.039$  t table with a significance level of  $0.002 < 0.05$ . This explains that the integrity variable partially has a positive and significant effect on the ability of internal auditors to detect fraud, thus it can be concluded that the third hypothesis (H3) is accepted.
4. The influence of professionalism on the ability of internal auditors to detect fraud  
Based on the results of the t test, the competency variable obtained a t value of  $2.216 > 2.039$  t table with a significance level of  $0.034 < 0.05$ . This explains that the professionalism variable partially has a positive and



significant effect on the ability of internal auditors to detect fraud, so it can be concluded that the fourth hypothesis (H4) is accepted.

## **Discussion**

### **The Influence of Competency on Fraud Detection**

The results of this research found that competence has a positive and significant effect on the ability of internal auditors to detect fraud. This means that the higher the competency possessed by the internal auditor, the greater the internal auditor's ability to detect fraud. If internal auditors have high competence and comply with the government's internal audit standard criteria, the level of accuracy in detecting fraud by internal auditors will be higher.

The results of this research support the theory put forward by Arens et al., (2016) which defines competency as a requirement for auditors to have formal education in auditing and accounting, adequate practical experience for the work being carried out, as well as following continuing professional education. There is an influence between auditor competency on fraud detection, where fraud detection can be achieved well if the internal auditor has competency. The results of this study support the research results NPIE Sari & Adnantara (2019) and DW Sari & Tiara (2020) found that auditor competency has a positive effect on fraud detection.

### **The Effect of Independence on Fraud Detection**

The results of this research found that independence has a positive and significant effect on the ability of internal auditors to detect fraud. This means that the higher the independence of the internal auditor, the greater the internal auditor's ability to detect fraud. There is an influence between auditor independence on fraud detection, where by using independence, the auditor's ability to detect fraud will be better and after fraud is detected, the auditor is not involved in securing the fraudulent practice.

The results of this research support the theory put forward by Arens et al., (2016) which defines auditor independence as an important auditing standard because the independent accountant's opinion aims to increase the credibility of the financial reports presented by management. Independence also means there is honesty in the auditor in considering facts and there is objective, impartial consideration in the auditor in formulating and stating his income. The

measurement indicators used for auditor independence in this research are the length of the relationship with the client and the presence of pressure from the client. Auditor Independence Has a Positive Influence on Fraud Detection. The results of this study support the research results (Primasari et al., 2019) and Laloan et al., (2021) found that independence has a positive and significant effect on the auditor's ability to detect fraud.

### **The Influence of Integrity on Fraud Detection**

The results of this research found that integrity has a positive and significant effect on the ability of internal auditors to detect fraud. This means that the higher the integrity of the internal auditor, the greater the internal auditor's ability to detect fraud. The higher the integrity of an auditor, the better he will be at carrying out audits honestly, responsibly and wisely to detect fraud and not be easily influenced by other parties when carrying out their duties. So it is said that auditor integrity has a positive effect on fraud detection.

The results of this research support the theory put forward by Arens et al., (2016) which defines Integrity as a person's character to be consistent and honest in taking action. Auditors are considered to have an attitude of integrity if they are trustworthy, committed, responsible and have strong principles. Integrity is the "price of admission" for internal audit, because integrity is so fundamental that without this characteristic a person cannot function as a professional internal auditor. The results of this study support the research results Piserah et al., (2022) and Daniel et al., (2024) found that auditor integrity has a positive effect on fraud detection.

### **The influence of professionalism on fraud detection**

The results of this research found that professionalism has a positive and significant effect on the ability of internal auditors to detect fraud. This means that the higher the competency possessed by the internal auditor, the greater the internal auditor's ability to detect fraud. Professionalism as a form of Professionalism is a form of responsibility for behavior that goes beyond individual responsibility that goes beyond and meets the legal and regulatory requirements of our society.

The results of this research support the theory put forward by Arens et al., (2016) which defines professionalism as a form of professional dedication to the profession, social obligations, independence and belief in professional regulations

regarding public trust, whose indicators include professional responsibility, integrity and confidentiality (Arens et al., 2015). The results of this study support the research results and found that Wulandari & Nuryanto (2018) and (Rifki et al., 2022) found that professionalism had a positive effect on fraud detection.

## **CONCLUSION**

Based on the research results, it can be concluded that competency has a positive and significant effect on the ability of internal auditors to detect fraud. This means that the higher the competency possessed by the internal auditor, the greater the internal auditor's ability to detect fraud; Independence has a positive and significant effect on the ability of internal auditors to detect fraud. This means that the higher the independence possessed by the internal auditor, the greater the internal auditor's ability to detect fraud; integrity has a positive and significant effect on the ability of internal auditors to detect fraud. This means that the higher the integrity of the internal auditor, the greater the internal auditor's ability to detect fraud; professionalism has a positive and significant effect on the ability of internal auditors to detect fraud. This means that the higher the competency possessed by the internal auditor, the greater the internal auditor's ability to detect fraud.

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