

Professional ethical awareness: An approach in detecting public sector fraud

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Abstract. Fraud practice is an extraordinary crime that has an impact on the loss of integrity that has a direct impact on oneself and society overall. This research was conducted in order to present a perspective in preventing fraud not only preventive or corrective processes but also detective processes. The benefits of this research are expected to be able to build character, behavior and ethical behavior that lead to moral integrity and honesty values. The research methodology used is a descriptive and explanatory analysis survey of the Public Sector Internal Auditors at the district/city Inspectorate in West Java Province with the technique Data analysis used is multiple regression analysis. In this study, the independent variable is ethical awareness with indicators of ethical principles and rules of behavior; while the dependent variable is Auditor Performance with indicators of Accountability, Independent and Objectives. The results of this study indicate that the Internal Auditor's Ethical Awareness with the Principles of Ethics and Behavior Rules has a significant influence on the performance of the public sector Internal Auditors partially or simultaneously. This research implies that professional ethical awareness of internal auditors can preventively detect fraud in the public sector, especially in the early detection of various fraudulent financial statements.

Keywords: Ethical awareness, public sector fraud, internal auditor performance.

INTRODUCTION

The rise of news about investigations of fraud in various media in the country has made us realize that there is still a lot of cunning behavior, deception, and dishonesty in the management of the country. The application of good governance practices related to the management of state finances as mandated in Article 23 paragraph (1) of the 1945 Constitution has not been carried out openly and is responsible for the greatest prosperity of the people. (Hadi, 2016) Fraud is a criminal act and a bad practice that harms others. Fraud in contemporary civilization is more in the form of manipulation practices in the accounting and financial reporting system with the aim that fraud perpetrators benefit from their actions (Kristiyani and Hamidah, 2020; Saputra and Kesumaningrum, 2017). Fraud has a large negative impact on the people in a country, in the public sector fraud results in high costs and reduces the quality of public infrastructure (Nurhasanah, 2016) (Annisya and

Asmaranti, 2016).

Government organizations as a public sector organization, in theory, must be able to distribute resources that are fairly owned, but in reality, the fairness of government resource distribution cannot be achieved due to fraud in the public sector, one of which is corruption. As is known that one of the obstacles that can hinder the achievement of WTP (Fair without exception) opinion and excellent service to the community is corruption and non-compliance with applicable laws. (Indrawati, 2016) Corruption is considered a crime that is not touched by law and is very dangerous for the life of a country's people (Fasa and Sani, 2020; Satria, 2020; Gardiner, 2017). Based on a recent survey conducted by Transparency International in 2019, the position of CPI (Corruption Perception Index) in Indonesia was ranked 85th (of 180 countries) with the score obtained by Indonesia was 40.

The results of the ACFE (survey Association of Certified Fraud Examiners) Chapter Indonesian 2020, where ACFE is an organization that conducts control activities, prevention/preventive fraud. According to the results of the survey, there are 239 cases of fraud, fraud the most common Indonesia consisting of 167 cases of corruption (69.87%), behavior asset misappropriation of 50 cases (20.92%) and 22 cases of Financial Statements Fraud (9.21%) (Siregar, 2020). The main driving factors for fraud are internal, in the form of psychological aspects such as pressure in committing fraud and rationalization of fraud, while external aspects are opportunities and opportunities to commit fraud. Both of these factors, if owned by someone, make individuals tend to commit fraud (Mulyatini, 2018; Siswantoro, 2020; Pelamonia, 2020). The results of the BPK's examination of the Regional Government Performance Reports in the first semester of 2020 revealed 6,160 findings containing 10,499 problems consisting of 5,175 internal control system problems and 5,324 non-compliance with applicable legislation amounting to Rp1.52 trillion. The BPK concluded that performance, in general, was not effective, and the condition showed that there was still a lack of awareness of auditors in carrying out a professional code of ethics that contained the auditor's code of conduct and ethics as a guide in internal control (Kurnia, 2020; Hadi *et al.*, 2017).

To accelerate good governance, the government has carried out bureaucratic reform in the field of supervision which aims to improve clean and free government administration from corruption, collusion, and nepotism. In line with these objectives, the government has issued Government Regulation No. 60 of 2008 concerning the realization of the role of the public sector internal supervisory apparatus in which the role of internal control officers is to provide adequate confidence in compliance, efficiency, effectiveness, and achievement of government agencies' tasks and functions. The effectiveness of risk management in the implementation of duties and maintaining and improving the quality of governance of the implementation of duties and functions of government agencies. In government oversight of regional government affairs carried out by the Government Internal Supervisory Apparatus (APIP) in accordance with its functions and authorities, APIP has the role to eradicate corruption, collusion, and nepotism in the implementation of Government activities. However, based on the results of the self-assessment of the Capability of the Supervisory Apparatus conducted by the BPKP (Financial and Government Supervisory Board) that the Government Internal Supervisory Apparatus 85.23% is still at Level 1, which means that the independence and objectivity of the Supervisory Apparatus have not been fully implemented and the work patterns have not been fully in accordance with the applied strategy and the still not optimal application of professional practices in organizational governance so

that it has not been able to provide compliance auditing, auditing and practice advisory services (Maryani, 2017; Titania, 2017; Rustendi, 2018).

Based on this background, this research is conducted in order to understand the various factors that encourage someone to commit fraud and factors that can prevent and eradicate fraud practices. one of the factors that can detect fraud is internal auditors who have an important role in internal audit activities so that internal auditors must have sufficient knowledge to detect indications of fraud within the organization, besides that an internal audit must cling to professional ethics in reporting and provide recommendations from the results of investigations (Nandari and Latrini, 2015; Wuysang *et al.*, 2016; Mahmudah, 2016). Internal auditors function as quality assurance which assists the government in the administration of government management to ensure the achievement of efficiency and effectiveness as well as meet the requirements of the economy.

The purpose of this study is to explain empirically the approach taken in detecting fraud in the public sector, through the implementation of the professional code of ethics of internal auditors covering ethical principles and behavioral rules to establish and strengthen fraud prevention and enforcement systems to establish a culture of integrity and governance that goes well through the principles of transparency, participation and accountability.

THEORETICAL FRAMEWORK AND HYPOTHESIS

Ethical awareness

In general, ethics are values and behavior or rules of behavior that are accepted and used by certain individuals or groups. Ethics as a moral system plays an important role and becomes the principle of human life in government affairs and accountability of the public sector. Awareness of implementing ethical behavior breeds trust, integrity, objective, accountability and transparency in public sector auditors which is the motivation for sustainable professional development (Rohr, 2017; Sawant, 2020). Ethics is the key to the smooth, effective and efficient operation of an organization. Ethics will build reputation and justice that influence decisions in a society. People who know behavioral processes in organizations will be able to influence others to behave ethically or not (Barrainkua and Espinosa-Pike, 2017).

Ethics are principles, values, and beliefs that define right and wrong decisions and actions. People who have bad morals can commit fewer violations if limited by rules, laws, job descriptions and structural norms (Nasrabadi and Arbabian, 2015; Ma'Ayan and Carmeli, 2016). In principle, the code of ethics is a system of moral principles that apply in a profession and is determined jointly. In a profession, a code of ethics is a provision of

behavior that must be obeyed by those who carry out professional duties (Oktarini and Ramantha, 2016). The code of ethics is formed as a form of formal statements of organizational values and ethical rules that are adhered to by employees, so in principle, ethics are values and beliefs that define right and wrong decisions and actions, ethics influences the level of moral development and various other variables including individual characteristics, organizational structure, and organizational culture (Robbins and Coulter, 2013).

The Government Internal Supervisor Code of Ethics is a provision of behavior that must be obeyed by all those who carry out professional duties. Therefore, it is very important for public officials to act fairly for all, to do good service and show ethical behavior and to ensure that something tangible can be done and continue to improve performance and avoid frustration and avoid unethical behavior while maintaining good governance, transparent and responsible (Kartini, 2017; Kusumastuti *et al.*, 2016).

Public sector fraud

According to the Association of Certified Fraud Examiners (ACFE, 2016), fraud is unlawful acts committed intentionally for certain purposes (manipulation or giving false reports to other parties) by people from inside or outside the organization to gain profit benefit from others in a wrong way or by force, full of tactics, cunning and hidden (Schuchter and Levi, 2015; Wells, 2017; Rusmana and Tanjung, 2020). In the International Standards of Auditing, fraud is said to be a deliberate action by members of company management, parties who play a role in corporate governance, employees, or third parties who do fraud to obtain unfair or illegal profits (Andrian, 2010; Huang *et al.*, 2017).

Association of Certified Fraud Examiners (ACFE) compiled a fraud map consisting of three branches, namely corruption, asset misappropriation, and fraudulent statements. Four factors drive a person to commit fraud, namely greed, opportunity, need, and disclosure. The greed and opportunity factors are referred to as individual factors while the need and disclosure are related to the organization and are called generic/general factors. In the fraud triangle theory by Donald Cressey, fraudulent behavior is supported by three elements, namely 1) individual pressure or motivation which causes one to look for opportunities to commit fraud, 2) opportunity, usually arising from weak internal control in the organization, 3) rationalization occurs because someone seeks justification for activities that contain fraud so that the perpetrators of fraud believe and feel that their actions are not a fraud but are indeed their rights (Comer, 2017; Gubler, 2019; Rani *et al.*, 2021).

In general, the trigger factors of fraud can be divided into two, namely: 1) Generic factors which include the opportunity to commit fraud, and disclosure of fraud which has not guaranteed the recurrence of the fraud both by the same perpetrator and by other actors; 2)

Individual factors - this is related to moral factors related to greed. This factor relates to needs that are more likely to relate to the views/thoughts and needs of employees/officials associated with the assets of the organization where he works (Ardiyani and Utaminingsih, 2015; Tiffani and Marfuah, 2015).

Like in the fraud tree, forms of fraud that occur in the public sector can be various types of fraudulent schemes in financial reporting, asset misuse, and corruption. Corruption can be combated in two ways, namely prevention and eradication. Corruption is done by misusing the influence that is owned in carrying out one's duties so as to obtain certain benefits. In the corruption scheme, there are four categories: conflict of interest, economic extortion, illegal acceptance, and gratification (Prabowo *et al.*, 2017).

Internal auditors

As a profession, internal auditors have a widely recognized professional association, namely The Institute of Internal Auditors (IIA). There are two main components in the IIA's code of ethics, namely: (1) principles relevant to the profession and practice of internal auditing and (2) codes of conduct that explain the norms and behavior expected of internal auditors. There are two main components in the IIA's code of ethics, namely: (1) principles relevant to the profession and practice of internal auditing, namely integrity, objectivity, confidentiality and competence; (2) codes of conduct that explain the norms and behavior expected of internal auditors. For internal auditors in government, the code of ethics according to the Association of Indonesian Government Internal Auditors (AAPI) in 2014. The IIA adds four ethical principles with two more principles, namely accountability and professional behavior

Performance is a manifestation of work done in order to achieve better or more prominent work results towards achieving organizational goals. Achieving better auditor performance must be in accordance with the standards and period of time, which includes: 1) quality of work which is the quality of work completion by working based on all abilities and skills, as well as knowledge possessed by the auditor; 2) work quantity is the number of work results that can be completed with targets that are the auditor's job responsibilities, as well as the ability to utilize work supporting facilities and infrastructure; 3) timeliness, namely the accuracy of the completion of work in accordance with the time available (Masdiantini and Erawati, 2016; Fembriani and Budiarta, 2016).

Internal audit is an independent assessment function to test and evaluate organizational activities carried out. Internal auditors are responsible for detecting fraud that may have occurred as early as possible, before causing a negative impact to the organization (Herda and Martin, 2016). This detection can be done when conducting internal auditing activities. In the public sector, internal

auditors can be carried out by the inspectorate in each department and by the Supreme Audit and Development Agency (BPKP) based on requests from the Government with reference to Law No. 15 of 2004 concerning the examination and responsibility of state finance, truth, accuracy, credibility, and fairness of information regarding the management and responsibility of state finances whose implementation is governed by the State Financial Inspection Standards so as to be able to provide positive added value for the management and responsibility of the state (Alderson and Morrow, 2020).

The Internal Auditor is an independent assessment function to test and evaluate the activities carried out. In conducting testing and evaluation of the program, an auditor must have the ability to understand the various standards that have been set (Stanciu, 2018, Plesa, 2019). Performance Indicators that meet the criteria of Government Performance Accountability Systems according to Republic of Indonesia Regulation Number 29 The Year 2014 is specific (specific), measurable, achievable, attainable, time-bound, can be monitored and collected (trackable). To support the successful implementation of public sector organizations, the organization's finances must be managed in an orderly manner, comply with laws and regulations, be efficient, effectively transparent and accountable by paying attention to a sense of justice and propriety (Popoola *et al.*, 2018). The auditor is a civil servant who has a functional auditor position and/or other parties who are given full duty, authority, responsibility, and rights by the official authorized to supervise government agencies for and on behalf of the Government Internal Supervisory Apparatus. The Internal Audit Apparatus in question is the Department Inspectorate General, Non-Departmental Government Institution Supervision Unit, Provincial Inspectorate and Regency/City Inspectorate which is regulated in Government Regulation Number 60 of 2008 concerning Government Internal Control System and Regulation of the Minister of State for Administrative Reform Number: PER/05/M.PAN/03/2008 concerning Audit Standards of Government Internal Supervision Apparatus (Suryanto *et al.*, 2017).

In performance audits and investigative audits covering various related standards including the characteristics of the organization and individuals conducting audit activities, where the General Standards of Audit activities regulate about: 1) Vision, Mission, Objectives, authority and responsibility, 2) Independence and Objectivity (APIP Independence, Auditor Objectivity, interference with independence and objectivity), 3) Expertise (Educational background, Technical Competence, Position Certification and education and Training sustainable), 4) Professional care, and 5) Compliance with the Code of Ethics (Kartini, 2017; Lumbantobing *et al.*, nd) To encourage ethical behavior of public sector internal auditors can be done by conducting a comprehensive ethical program that has the potential improve the performance of the public sector Internal Auditor, where auditors of supervision/supervision

refer to the Professional Standards (Code of Ethics) by prioritizing independence and independence that allows the implementation of the work of free and objective internal auditors to provide impartial and unbiased judgments. (Eilifsen *et al.*, 2020).

Based on the theoretical framework, hypotheses can be formulated, namely: 1) Ethical principles have a partial effect on the performance of Internal auditors in detecting fraud in the public sector, 2) Rules of behavior partially influence the performance of Internal auditors in detecting fraud in the public sector, 3) Principles of ethics and rules of behavior have a simultaneous effect on the performance of Internal auditors in detecting fraud in the public sector.

RESEARCH METHOD

The research method used in this study is a type of quantitative research that uses numerical data and emphasizes the research process on measuring objective results using methods descriptive survey and explanatory survey. Descriptive surveys are conducted to get an idea of the variables under study. While the explanatory survey to obtain a picture of causal linkages between variables was studied through hypothesis testing based on data obtained in the field. This study aims to examine the effect of indicators of ethical awareness, namely Ethics Principles and Behavior Rules on the performance of internal auditors in detecting fraud in the public sector. In addition, this study is cross-sectional, that is, information from a portion of the population (sample) of 271 respondents, namely the Government Internal Supervisory Apparatus with the category of Functional Position of Auditors and Supervisors for the Implementation of Local Government Affairs at the Regency/City Inspectorate in the West Java Province. The reason for choosing the location is because in West Java province there is still a low value of Accountability so it still needs to be improved in order to detect fraud (base on the Government Agency Performance Report of West Java Province in 2019)

To test the research instrument and measure the reliability of the instrument used Validity and Reliability Test using Cronbach's Alpha. The data analysis technique used is multiple linear regression to see linear relationships Independent variables namely Ethics Principle (X1) and Behavior Rules (X2) with dependent variables namely Internal Auditor Performance (Y) using SPSS program assistance (Statistical Package for Social Science) version 22.00.

DATA ANALYSIS AND DISCUSSION

Based on data collected directly from the location through a questionnaire on 271 government officials with 184 categories of auditors with Functional Auditors and 87

Table 1. Statistics partial tests.

		Performance internal auditor (Y)	Ethical principles (X ₁)	Behavior rules (X ₂)
Pearson Correlation	Internal Auditor Performance (Y)	1.000	0.260	0.335
	Ethical Principles (X ₁)	0.260	1.000	0.284
	Behavior Rules (X ₂)	0.335	0.284	1.000
Sig. (1-tailed)	Internal Auditor Performance (Y)	.	.000	.000
	Principles of Ethics (X ₁)	.000	-	.000
	Rules of Conduct (X ₂)	.000	.000	-
N	Internal Auditor Performance (Y)	271	271	271
	Ethical Principles (X ₁)	271	271	271
	Code of Conduct (X ₂)	271	271	271

Source: Data Processing Results (2021)

Table 2. Testing statistics simultaneously.

Model	R	R square	Adjusted R square	Std. error of the estimate	Change statistics				
					R square change	F change	d f 1	df 2	Sig. F change
1.	0.377	0.142	0.136	8.91179	0.142	22.176	2	268	.000

Notes:

a. Dependent Variable: Internal Auditor Performance (Y)

b. Predictors: (Constant), Rules of Conduct (X₂), Principles of Ethics (X₁)

Source; Data Processing Results, 2021

Supervisors for Government Affairs at the Regency/City Inspectorates in the Province West Java. To measure the degree of measuring instruments, a validity test using Person Product Moment correlation results in a value > 0.50. Furthermore, to test the reliability and consistency of the measuring instruments of all valid question items used reliability test using Cronbach's Alpha > 0.60 which means that all questions are reliable so that the instruments used in research to obtain information and can be trusted to reveal the facts that occur in the field. To test the hypothesis either partially or simultaneously using linear regression analysis, after analyzing the data processing using the assistance program Statistical Package for Social Science version 22.00 as shown in Table 1.

From Table 1, the Pearson correlation calculation shows that there is a weak relationship of the Ethics Principle to the performance of the internal sector Public auditors and has a positive value of 0.260 (26%). This means that the Ethics Principle is implemented through the application of norms and the professional code of ethics and the availability of guidelines that become the standard to prevent moral-ethical inequality as a standard of work for an Internal Auditor. Furthermore, the Code of Conduct which includes obedience to the rules and

legislation in force, adherence to the vision and mission that is a guideline in the organization and coupled with honesty, thoroughness and responsible attitude has a positive relationship with a value of 0.335 (33.5%); in the weak category. Next, to simultaneously test both Independent Variables (Principles of Ethics and Rules of Conduct) on Internal Auditor Performance are presented in Table 2.

From Table 2, there is an R-value of 0.377 indicating that there is a weak relationship between the Ethics Principles and the Rules of Conduct with Internal Auditor Performance. This value can be said to be "contaminated" by various disturbing values that cause a measurement error, for that there is an alternative value of R Square as a comparison of the accuracy of its effect. It can be seen that the value of R-Square is 0.142 (14.2%) which is smaller than the value of R. For more accurate predictions of influence based on the Adjusted R Square value, the adjusted R Square value shows that the Adjusted R Square value is 0.377 or 37.7% influence of independent variables (Principles of Ethics and Rules of Conduct) on the dependent variable of Internal Auditor Performance). The Model Summary table shows the accuracy of the regression model can be seen in the Standard Error of The Estimate column of 8.91179, the

more accurate because it is close to the number 0 (zero). While the F-test shows that the independent variables significantly influence the dependent variable.

Based on the data analysis, it can be explained that awareness of the application of ethics which includes the Principles of Ethics and Rules of Behavior both partially and simultaneously has a weak category influence on the performance of Internal Auditors which includes accountability, independence, and objectivity through the implementation of systems and accountability, clarity in presentation and disclosure of all activities and activities. Ethical Principles provide a basic framework for ethical rules that govern the implementation of audit professional services (Barrainkua and Espinosa-Pike, 2017; Plesa, 2019). In addition, the principles and rules of behavior lead to the concept of internal audit performance that is carried out professionally without any conflict of interest and pressure or intervention from any party that is not in accordance with the applicable laws and regulations (Alissa, Capkun, Jeanjean and Suca, 2014). In carrying out the profession, awareness of ethical principles and rules of behavior also directs the objective attitude of the auditors so that having a mental attitude that is free to conduct supervision and has confidence in the quality of the results of the assessment is not the result of a doubtful agreement (Suryanto *et al.*, 2017; Ferry *et al.*, 2017).

The performance of internal auditors in detecting fraud is influenced by attitudes and traits that emit honesty, authority as a mirror of integrity and are always consistent in actions and upholding the principles and values value of supervision. Having a neutral and unbiased attitude and avoiding conflicts of interest by acting and behaving professionally and always maintaining a professional reputation by refraining from any behavior that removes trust in the profession is important (Siregar, 2020; Kristiyani and Hamidah, 2020).

Based on Government Regulation Number 60 of 2008 concerning the Government's Internal Control System, internal supervisors carry out professional internal control based on applicable rules by taking into account the control environment that will affect the effectiveness of overall internal control which includes integrity and ethical values. Integrity refers to the personality that is based on honest, courageous, wise and responsible attitudes which are important traits in effective internal control. Furthermore, ethical values are implemented through a code of ethics and standards of behavior as guidelines for the apparatus in carrying out their activities. If ethical values have become a culture then ethical values will automatically be carried out by all organizational components in decision making (Badjuri, 2013). Enforcement of integrity and ethical values can be done by compiling and implementing rules of behavior by enforcing appropriate discipline for deviations from policies and procedures or violating rules of conduct and removing policies that can encourage unethical behavior

(Rustendi, 2018; Eilifsen *et al.*, 2020).

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATION

From the results of the research, it can be concluded that ethical principles and rules of behavior are part of the auditor's ethical professional awareness internal relations and influence on internal performance in detecting fraud in the public sector with a very strong category. This shows that awareness of ethical principles and enforcement of rules is one way that can be used to prevent the occurrence of irregularities and attempts by criminals and bad deeds and rationalization of fraud. Enforcement of integrity, values and ethical principles can be done through the formulation of rules of behavior, and implementing rules of conduct and enforcement of discipline which is the implementation of codes of conduct and standards of behavior as guidelines for government officials in carrying out their activities. In the application of ethical principles and rules of conduct to create integrity and professionalism in the execution of work, the auditor must have consistent behavior in words and actions, be honest with oneself and towards the environment, brave and decisive in acting and making decisions and discipline and being responsible in carrying out their duties and encouraging the creation of principles of accountability and transparency so that the values of integrity become a culture in the organization.

The implications of the values of integrity and ethics in carrying out public sector supervision are very important because integrity and ethical application are important elements of behavior. The application of rules of behavior and integrity is very important for eradicating fraud especially corruption in the public sector by internalizing ethical values. If the integrity and ethical values of the auditors are ignored, the government will be vulnerable to corrupt behavior. For that, several aspects need to be considered in the application of national integrity by optimizing the role of the organization in carrying out its main tasks and functions with high integrity, upholding transparency and accountability through public information disclosure and performance accountability effectively and efficiently. Furthermore, to build an integrity system based on the application and rules of behavior, it needs to be optimized by increasing the capacity of human resources in the field of supervision.

The final result of the performance carried out by the public sector internal auditors are giving an opinion which of course the giving of the opinion does not mislead the user. For this reason, the research is expected to encourage the provision of opinions based on sufficient audit evidence. For this reason, internal auditors must always be required to adhere to standards and behave according to the code of ethics by upholding professional behavior through an attitude that is always directed to

find convincing evidence as to the basis for giving opinions. So that internal auditors must be able to act as financial enforcers and become respected and respected professions to be able to detect and eradicate various frauds. Internal auditors help build ethical awareness, efficiency, and effectiveness of the organization. This research is also directed to produce an accountable auditor performance where the auditors are obliged to hold the mandate in providing accountability to parties who have the right and authority to ask for accountability. Furthermore, an auditor must also have independent principles that are not easily influenced, without an attitude of independence. able to get the correct audit report. In addition, objectivity is one of the principles that must be held by the auditor where the auditor's position must be free from problems of interest and not allow material misstatements. By maintaining its objectivity an auditor will act fairly and impartially in carrying out work.

To conclude this research is an expectation to make the best contribution to the creation of clean state governance from corruption, collusion and nepotism through the development of behavior of supervisory officers who are aware of their profession and responsibilities so that they can detect fraud, dishonesty, and manipulation done intentionally or unintentionally without any pressure and intervention from any party. Integrity and honesty become a fixed price in upholding the profession, being able, to be honest without compromising the quality of the audit and ensuring quality that guarantees that no system is violated. This study only discusses a small part of the method that can be used to minimize and even eliminate fraud in the public sector because there are still many ways and approaches that can be used. Therefore, the spirit of bureaucratic reform for the creation of good and clean governance is expected to have other studies capable of peeling complete eradication of fraud on Indonesian soil.

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LEMBAR

HASIL PENILAIAN SEJAWAT SEBIDANG ATAU PEER REVIEW

ATAS NAMA Dr. Nurdiana Mulyatini, S.E., M.M.

KARYA ILMIAH : JURNAL ILMIAH

Judul Karya Ilmiah : *Professional ethical awareness : An approach in detecting public sector fraud*

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CATATAN PENILAIAN :

Karya ilmiah sudah bagus, akan tetapi alangkah lebih baiknya jika hipotesis dibuat sub judul tersendiri. Setelah kerangka teori.

Ciamis, 06 Januari 2022

Reviewer 1 / 2



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NIK/NIDN : 0410046401

Jabatan Fungsional : Lektor Kepala

Unit Kerja : Fakultas Ekonomi Univ. Galuh

Bidang Ilmu : Manajemen

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d. Kelengkapan Unsur & Kualitas terbitan/Jurnal (30%)	12			11
Total= (100%)	40			35

CATATAN PENILAIAN :

Pada simpulan karang menjelaskan secara komprehensif dari hipotesis baik parsial maupun simultan

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Professional ethical awareness: An approach in detecting public sector fraud

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Professional ethical awareness: An approach in detecting public sector fraud

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Abstract. Fraud practice is an extraordinary crime that has an impact on the loss of integrity that has a direct impact on oneself and society overall. This research was conducted in order to present a perspective in preventing fraud not only preventive or corrective processes but also detective processes. The benefits of this research are expected to be able to build character, behavior and ethical behavior that lead to moral integrity and honesty values. The research methodology used is a descriptive and explanatory analysis study of the Public Sector Internal Auditors at the district/city Inspectorate in West Java Province with the technique Data analysis used is multiple regression analysis. In this study, the independent variable is ethical awareness with indicators of ethical principles and rules of behavior; while the dependent variable is Auditor Performance with indicators of Accountability, Independent and Objectives. The results of this study indicate that the Internal Auditor's Ethical Awareness with the Principles of Ethics and Behavior Rules has a significant influence on the performance of the public sector Internal Auditors partially or simultaneously. This research implies that professional ethical awareness of internal auditors can preventively detect fraud in the public sector, especially in the early detection of various fraudulent financial statements.

Keywords: Ethical awareness, public sector fraud, internal auditor performance.

INTRODUCTION

The rise of news about investigations of fraud in various media in the country has made us realize that there is still a lot of cunning behavior, deception, and dishonesty in the management of the country. The application of good governance practices related to the management of state finances as mandated in Article 10 paragraph (1) of the 1945 Constitution has not been carried out openly and is responsible for the greatest prosperity of the people. (Hadi, 2016) Fraud is a criminal act and a bad practice that harms others. Fraud in contemporary civilization is more in the form of manipulation practices in the accounting and financial reporting system with the aim that fraud perpetrators benefit from their actions (Kristiyani and Hamidah, 2020; Saputra and Kesumaningrum, 2017). Fraud has a large negative impact on the people in a country, in the public sector fraud results in high costs and reduces the quality of public infrastructure (Nurhasanah, 2016) (Annisyah and

Asmaranti, 2016).

Government organizations as a public sector organization, in theory, must be able to distribute resources that are fairly owned, but in reality, the fairness of government resource distribution cannot be achieved due to fraud in the public sector, one of which is corruption. As is known that one of the obstacles that can hinder the achievement of WTP (Fair without exception) opinion and excellent service to the community is corruption and non-compliance with applicable laws. (Indrawati, 2016) Corruption is considered a crime that is not touched by law and is very dangerous for the life of a country's people (Fasa and Sani, 2020; Satria, 2020; Gardiner, 2017). Based on a recent survey conducted by Transparency International in 2019, the position of CPI (Corruption Perception Index) in Indonesia was ranked 85th (of 180 countries) with the score obtained by Indonesia was 40.

The results of the ACFE (survey Association of Certified Fraud Examiners) Chapter Indonesian 2020, where ACFE is an organization that conducts control activities, prevention/preventive fraud. According to the results of the survey, there are 239 cases of fraud, fraud the most common Indonesia consisting of 167 cases of corruption (69.87%), behavior asset misappropriation of 50 cases (20.92%) and 22 cases of Financial Statements Fraud (9.21%) (Siregar, 2020). The main driving factors for fraud are internal, in the form of psychological aspects such as pressure in committing fraud and rationalization of fraud, while external aspects are opportunities and opportunities to commit fraud. Both of these factors, if owned by someone, make individuals tend to commit fraud (Mulya³⁸, 2018; Siswanto, 2020; Pelamonia, 2020). The results of the BPK's examination of the Regional Government Performance Reports in the first semester of 2020 revealed 6,160 findings containing 10,499 problems consisting of 5,175 internal control system problems and 5,324 non-compliance with applicable legislation amounting to Rp1.52 trillion. The BPK concluded that performance, in general, was not effective, and the condition showed that there was still ¹ lack of awareness of auditors in carrying out a professional code of ethics that contained the auditor's code of conduct and ethics as a guide in internal control (Kurnia, 2020; Hadi *et al.*, 2017).

To accelerate good governance, the government has carried out bureaucratic reform ¹⁴ in the field of supervision which aims to improve clean and free government administration from corruption, collusion, and ³⁶ nepotism. In line with these objectives, the government has issued ¹⁵ Government Regulation No. 60 of 2008 concerning the realization of the role of the public sector internal supervisory apparatus in which the role of internal control officers is to provide adequate confidence in compliance, efficiency, effectiveness, and achievement ³⁴ of government agencies' tasks and functions. The effectiveness of risk ¹⁷ management in the implementation of duties and maintaining and improving the quality of governance of the implementation of duties and functions of government agencies. In gov²⁸ernment oversight of regional government affairs carried out by the Government Internal Supervisory Apparatus (APIP) in accordance with its functio⁴⁵ and authorities, APIP has the role to eradicate corruption, collusion, and nepotism in the ⁴³ implementation of Government activities. However, based on the results of the self-assessment of the Capability of the Supervisory Apparatus conducted by the BPKP (Financial and Government Supervisory Board) that the Government Internal Supervisory Apparatus 85.23% is still at Level 1, which means that the independence and objectivity of the Supervisory Apparatus have not been fully implemented and the work patterns have not been fully in accordance with the applied strategy and the still not optimal application of professional practices in organizational governance so

that it has not been able to provide compliance auditing, auditing and practice advisory services (Maryani, 2017; Titania, 2017; Rustendi, 2018).

Based on this background, this research is conducted in order to understand the various factors that encourage someone to commit fraud and ³⁵ factors that can prevent and eradicate fraud practices. one of the factors that can detect fraud is internal auditors who ³¹ have an important role in internal audit activities so that internal auditors must have sufficient knowledge to detect indications of fraud within the organization, besides that an internal audit must cling to professional ethics in reporting and provide recommendations from the results of investigations (Nandari and Latrini, 2015; Wuysang *et al.*, 2016; Mahmudah, 2016). Internal auditors function as quality assurance which assists the government in the administration of government management to ensure the achievement of efficiency and effectiveness as well as meet ¹⁵ requirements of the economy.

The purpose of this study is to explain empirically the approach taken in detecting fraud in the public sector, through the implementation of the professional code of ethics of internal auditors covering ethical principles and behavioral rules to establish and strengthen fraud prevention and enforcement systems to establish a culture of integrity and governance that goes well through the principles of transparency, participation and accountability.

THEORETICAL FRAMEWORK AND HYPOTHESIS

Ethical awareness

In general, ethics are values and behavior or rules of behavior that are accepted and used by certain individuals or groups. Ethics as a moral system plays an important role and becomes the principle of human life in government affairs and accountability of the public sector. Awareness of implementing ethical behavior breeds trust, integrity, objective, accountability and transparency in public sector auditors which is the motivation for sustainable professional development (Rohr, 2017; Sawant, 2020). Ethics is the key to the smooth, effective and efficient operation of an organization. Ethics will build reputation and justice that influence decisions in a society. People who know behavioral processes in organizations will be able to influence others to behave et²⁶hically or not (Barrainkua and Espinosa-Pike, 2017).

Ethics are principles, values, and beliefs that define right and wrong decisions and actions. People who have bad morals can commit fewer violations if limited by rules, laws, job descriptions and structural norms (Nasrabadi and Arbabian, 2015; Ma²ayan and Carmeli, 2016). In principle, the code of ethics is a system of moral principles that apply in a profession and is determined jointly. In a profession, a code of ethics is a provision of

behavior that must be obeyed by those who carry out professional duties (Oktarini and Ramantha, 2016). The code of ethics is formed as a form of formal statements of organizational values and ethical rules that are adhered to by employees, so in principle, ethics are values and beliefs that define right and wrong decisions and actions, ethics influences the level of moral development and various other variables including individual characteristics, organizational structure, and organizational culture (Robbins and Coulter, 2013).

The Government Internal Supervisor Code of Ethics is a provision of behavior that must be obeyed by all those who carry out professional duties. Therefore, it is very important for public officials to act fairly for all, to do good service and show ethical behavior and to ensure that something tangible can be done and continue to improve performance and avoid frustration and avoid unethical behavior while maintaining good governance, transparent and responsible (Kartini, 2017; Kusumastuti *et al.*, 2016).

Public sector fraud

According to the Association of Certified Fraud Examiners (ACFE, 2016), fraud is unlawful acts committed intentionally for certain purposes (manipulation or giving false reports to other parties) by people from inside or outside the organization to gain profit benefit from others in a wrong way or by force, full of tactics, cunning and hidden (Schuchter and Levi, 2015; Wells, 2017; Rusmana and Tanjung, 2020). In the International Standards of Auditing, fraud is said to be a deliberate action by members of company management, parties who play a role in corporate governance, employees, or third parties who do fraud to obtain unfair or illegal profits (Andrian, 2010; Huang *et al.*, 2017).

Association of Certified Fraud Examiners (ACFE) compiled a fraud map consisting of three branches, namely corruption, asset misappropriation, and fraudulent statements. Four factors drive a person to commit fraud, namely greed, opportunity, need, and disclosure. The greed and opportunity factors are referred to as individual factors while the need and disclosure are related to the organization and are called generic/general factors. In the fraud triangle theory by Donald Cressey, fraudulent behavior is supported by three elements, namely 1) individual pressure or motivation which causes one to look for opportunities to commit fraud, 2) opportunity, usually arising from weak internal control in the organization, 3) rationalization occurs because someone seeks justification for activities that contain fraud so that the perpetrators of fraud believe and feel that their actions are not a fraud but are indeed their rights (Comer, 2017; Gubler, 2019; Rani *et al.*, 2021).

In general, the trigger factors of fraud can be divided into two, namely: 1) Generic factors which include the opportunity to commit fraud, and disclosure of fraud which has not guaranteed the recurrence of the fraud both by the same perpetrator and by other actors; 2)

Individual factors - this is related to moral factors related to greed. This factor relates to needs that are more likely to relate to the views/thoughts and needs of employees/officials associated with the assets of the organization where he works (Ardiyani and Utaminingsih, 2015; Tiffani and Marfuah, 2015).

Like in the fraud tree, forms of fraud that occur in the public sector can be various types of fraudulent schemes in financial reporting, asset misuse, and corruption. Corruption can be combated in two ways, namely prevention and eradication. Corruption is done by misusing the influence that is owned in carrying out one's duties so as to obtain certain benefits. In the corruption scheme, there are four categories: conflict of interest, economic extortion, illegal acceptance, and gratification (Prabowo *et al.*, 2017).

Internal auditors

As a profession, internal auditors have a widely recognized professional association, namely The Institute of Internal Auditors (IIA). There are two main components in the IIA's code of ethics, namely: (1) principles relevant to the profession and practice of internal auditing and (2) codes of conduct that explain the norms and behavior expected of internal auditors. There are two main components in the IIA's code of ethics, namely: (1) principles relevant to the profession and practice of internal auditing, namely integrity, objectivity, confidentiality and competence; (2) codes of conduct that explain the norms and behavior expected of internal auditors. For internal auditors in government, the code of ethics according to the Association of Indonesian Government Internal Auditors (AAIPI) in 2014. The IIA adds four ethical principles with two more principles, namely accountability and professional behavior.

Performance is a manifestation of work done in order to achieve better or more prominent work results towards achieving organizational goals. Achieving better auditor performance must be in accordance with the standards and period of time, which includes: 1) quality of work which is the quality of work completed by working based on all abilities and skills, as well as knowledge possessed by the auditor; 2) work quantity is the number of work results that can be completed with targets that are the auditor's job responsibilities, as well as the ability to utilize work supporting facilities and infrastructure; 3) timeliness, namely the accuracy of the completion of work in accordance with the time available (Masdiantini and Erawati, 2016; Fembriani and Budiarta, 2016).

Internal audit is an independent assessment function to test and evaluate organizational activities carried out. Internal auditors are responsible for detecting fraud that may have occurred as early as possible, before causing a negative impact to the organization (Herda and Martin, 2016). This detection can be done when conducting internal auditing activities. In the public sector, internal

auditors can be carried out by the inspectorate in each department and by the Supreme Audit and Development Agency (BPKP) based on requests from the Government with reference to Law No. 15 of 2004 concerning the examination and responsibility of state finance, truth, accuracy, credibility, and fairness of information regarding the management and responsibility of state finances whose implementation is governed by the State Financial Inspection Standards so as to be able to provide positive added value for the management and responsibility of the state (Alderson and Morrow, 2020).

The Internal Auditor is an independent assessment function to test and evaluate the activities carried out. In conducting testing and evaluation of the program, an auditor must have the ability to understand the various standards that have been set (Stanciu, 2018, Plesa, 2019). Performance Indicators that meet the criteria of Government Performance Accountability Systems according to Republic of Indonesia Regulation Number 29 The Year 2014 is specific (specific), measurable, achievable, attainable, time-bound, can be monitored and collected (trackable). To support the successful implementation of public sector organizations, the organization's finances must be managed in an orderly manner, comply with laws and regulations, be efficient, effectively transparent and accountable by paying attention to a sense of justice and propriety (Popoola *et al.*, 2018). The auditor is a civil servant who has a functional auditor position and/or other parties who are given full duty, authority, responsibility, and rights by the official authorized to supervise government agencies for and on behalf of the Government Internal Supervisory Apparatus. The Internal Audit Apparatus in question is the Department Inspectorate General, Non-Departmental Government Institution Supervision Unit, Provincial Inspectorate and Regency/City Inspectorate which is regulated in Government Regulation Number 60 of 2008 concerning Government Internal Control System and Regulation of the Minister of State for Administrative Reform Number: PER/05/M.PAN/03/2008 concerning Audit Standards of Government Internal Supervision Apparatus (Suryanto *et al.*, 2017).

In performance audits and investigative audits covering various related standards including the characteristics of the organization and individuals conducting audit activities, where the General Standards of Audit activities regulate about: 1) Vision, Mission, Objectives, authority and responsibility, 2) Independence and Objectivity (APIP Independence, Auditor Objectivity, interference with independence and objectivity), 3) Expertise (Educational background, Technical Competence, Position Certification and education and Training sustainable), 4) Professional care, and 5) Compliance with the Code of Ethics (Kartini, 2017; Lumbantobing *et al.*, nd) To encourage ethical behavior of public sector internal auditors can be done by conducting a comprehensive ethical program that has the potential to improve the performance of the public sector Internal Auditor, where auditors of supervision/supervision

refer to the Professional Standards (Code of Ethics) by prioritizing independence and independence that allows the implementation of the work of free and objective internal auditors to provide impartial and unbiased judgments. (Eilifsen *et al.*, 2020).

Based on the theoretical framework, hypotheses can be formulated, namely: 1) Ethical principles have a partial effect on the performance of Internal auditors in detecting fraud in the public sector, 2) Rules of behavior partially influence the performance of Internal auditors in detecting fraud in the public sector, 3) Principles of ethics and rules of behavior have a simultaneous effect on the performance of Internal auditors in detecting fraud in the public sector.

RESEARCH METHOD

The research method used in this study is a type of quantitative research that uses numerical data and emphasizes the research process on measuring objective results using methods descriptive survey and explanatory survey. Descriptive surveys are conducted to get an idea of the variables under study. While the explanatory survey to obtain a picture of causal linkages between variables was studied through hypothesis testing based on data obtained in the field. This study aims to examine the effect of indicators of ethical awareness, namely Ethics Principles and Behavior Rules on the performance of internal auditors in detecting fraud in the public sector. In addition, this study is cross-sectional, that is, information from a portion of the population (sample) of 271 respondents, namely the Government Internal Supervisory Apparatus with the category of Functional Position of Auditors and Supervisors for the Implementation of Local Government Affairs at the Regency/City Inspectorate in the West Java Province. The reason for choosing the location is because in West Java province there is still a low value of Accountability so it still needs to be improved in order to detect fraud (base on the Government Agency Performance Report of West Java Province in 2019).

To test the research instrument and measure the reliability of the instrument used Validity and Reliability Test using Cronbach's Alpha. The data analysis technique used is multiple linear regression to see linear relationships Independent variables namely Ethics Principle (X1) and Behavior Rules (X2) with dependent variables namely Internal Auditor Performance (Y) using SPSS program assistance (Statistical Package for Social Science) version 22.00.

DATA ANALYSIS AND DISCUSSION

Based on data collected directly from the location through a questionnaire on 271 government officials with 184 categories of auditors with Functional Auditors and 87

Table 1. Statistics partial tests.

		Performance internal auditor (Y)	Ethical principles (X ₁)	Behavior rules (X ₂)
Pearson Correlation	Internal Auditor Performance (Y)	1.000	0.260	0.335
	Ethical Principles (X ₁)	0.260	1.000	0.284
	Behavior Rules (X ₂)	0.335	0.284	1.000
Sig. (1-tailed)	Internal Auditor Performance (Y)	.	.000	.000
	Principles of Ethics (X ₁)	.000	-	.000
	Rules of Conduct (X ₂)	.000	.000	-
N	Internal Auditor Performance (Y)	271	271	271
	Ethical Principles (X ₁)	271	271	271
	Code of Conduct (X ₂)	271	271	271

Source: Data Processing Results (2021)

Table 2. Testing statistics simultaneously.

Model	R	R square	Adjusted R square	Std. error of the estimate	Change statistics				
					R square change	F change	df 1	df 2	Sig. F change
1.	0.377	0.142	0.136	8.91179	0.142	22.176	2	268	.000

44 es:

a. Dependent Variable: Internal Auditor Performance (Y)

b. Predictors: (Constant), Rules of Conduct (X₂), Principles of Ethics (X₁)

Source: Data Processing Results, 2021

Supervisors for Government Affairs at the Regency/City Inspectorates in the Province West Java. To measure the degree of measuring instruments, a validity test using Person Product Moment correlation results in a value > 0.50. Furthermore, to test the reliability and consistency of the measuring instruments of all valid question items used reliability test using Cronbach's Alpha > 0.60 which means that all questions are reliable so that the instruments used in research to obtain information and can be trusted to reveal the facts that occur in the field. To test the hypothesis either partially or simultaneously using linear regression analysis, after analyzing the data processing using the assistance program Statistical Package for Social Science version 22.00 as shown in Table 1.

From Table 1, the Pearson correlation calculation shows that there is a weak relationship of the Ethics Principle to the performance of the internal sector Public auditors and has a positive value of 0.260 (26%). This means that the Ethics Principle is implemented through the application of norms and the professional code of ethics and the availability of guidelines that become the standard to prevent moral-ethical inequality as a standard of work for an Internal Auditor. Furthermore, the Code of Conduct which includes obedience to the rules and

legislation in force, adherence to the vision and mission that is a guideline in the organization and coupled with honesty, thoroughness and responsible attitude has a positive relationship with a value of 0.335 (33.5%); in the weak category. Next, to simultaneously test both Independent Variables (Principles of Ethics and Rules of Conduct) on Internal Auditor Performance are presented in Table 2.

From Table 2, there is an R-value of 0.377 indicating that there is a weak relationship between the Ethics Principles and the Rules of Conduct with Internal Auditor Performance. This value can be said to be "contaminated" by various disturbing values that cause a measurement error, for that there is an alternative value R Square as a comparison of the accuracy of its effect. It can be seen that the value of R-Square is 0.142 (14.2%) which is smaller than the value of R. For more accurate predictions of influence based on the Adjusted R Square value, the adjusted R Square value shows that the Adjusted R Square value is 0.377 or 37.7% influence of independent variables (Principles of Ethics and Rules of Conduct) on the dependent variable of Internal Auditor Performance). The Model Summary table shows the accuracy of the regression model can be seen in the Standard Error of The Estimate column of 8.91179, the

more accurate because it is close to the number 0 (zero). While the F-test shows that the independent variables significantly influence the dependent variable.

Based on the data analysis, it can be explained that awareness of the application of ethics which includes the Principles of Ethics and Rules of Behavior both partially and simultaneously has a weak category influence on the performance of Internal Auditors which includes accountability, independence, and objectivity through the implementation of systems and accountability, clarity in presentation and disclosure of all activities and activities. Ethical Principles provide a basic framework for ethical rules that govern the implementation of audit professional services (Barrainkua and Espinosa-Pike, 2017; Plesa, 2019). In addition, the principles and rules of behavior lead to the concept of internal audit performance that is carried out professionally without any conflict of interest and pressure or intervention from any party that is not in accordance with the applicable laws and regulations (Alissa, Capkun, Jeanjean and Su, 2014). In carrying out the profession, awareness of ethical principles and rules of behavior also directs the objective attitude of the auditors so that having a mental attitude that is free to conduct supervision and has confidence in the quality of the results of the assessment is not the result of a doubtful agreement (Suryanto *et al.*, 2017; Ferry *et al.*, 2017).

The performance of internal auditors in detecting fraud is influenced by attitudes and traits that emit honesty, authority as a mirror of integrity and are always consistent in actions and upholding the principles and values value of supervision. Having a neutral and unbiased attitude and avoiding conflicts of interest by acting and behaving professionally and always maintaining a professional reputation by refraining from any behavior that removes trust in the profession is important (Siregar, 2020; Kristiyani and Hamidah, 2020).

Based on Government Regulation Number 60 of 2008 concerning the Government's Internal Control System, internal supervisors carry out professional internal control based on applicable rules by taking into account the control environment that will affect the effectiveness of overall internal control which includes integrity and ethical values. Integrity refers to the personality that is based on honest, courageous, wise and responsible attitudes which are important traits in effective internal control. Furthermore, ethical values are implemented through a code of ethics and standards of behavior as guidelines for the apparatus in carrying out their activities. If ethical values have become a culture then ethical values will automatically be carried out by all organizational components in decision making (Badjuri, 2013). Enforcement of integrity and ethical values can be done by compiling and implementing rules of behavior by enforcing appropriate discipline for deviations from policies and procedures or violating rules of conduct and removing policies that can encourage unethical behavior

(Rustendi, 2018; Eilifsen *et al.*, 2020).

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATION

From the results of the research, it can be concluded that ethical principles and rules of behavior are part of the auditor's ethical professional awareness internal relations and influence on internal performance in detecting fraud in the public sector with a very strong category. This shows that awareness of ethical principles and enforcement of rules is one way that can be used to prevent the occurrence of irregularities and attempts by criminals and bad deeds and rationalization of fraud. Enforcement of integrity, values and ethical principles can be done through the formulation of rules of behavior, and implementing rules of conduct and enforcement of discipline which is the implementation of codes of conduct and standards of behavior as guidelines for government officials in carrying out their activities. In the application of ethical principles and rules of conduct to create integrity and professionalism in the execution of work, the auditor must have consistent behavior in words and actions, be honest with oneself and towards the environment, brave and decisive in acting and making decisions and discipline and being responsible in carrying out their duties and encouraging the creation of principles of accountability and transparency so that the values of integrity become a culture in the organization.

The implications of the values of integrity and ethics in carrying out public sector supervision are very important because integrity and ethical application are important elements of behavior. The application of rules of behavior and integrity is very important for eradicating fraud especially corruption in the public sector by internalizing ethical values. If the integrity and ethical values of the auditors are ignored, the government will be vulnerable to corrupt behavior. For that, several aspects need to be considered in the application of national integrity by optimizing the role of the organization in carrying out its main tasks and functions with high integrity, upholding transparency and accountability through public information disclosure and performance accountability effectively and efficiently. Furthermore, to build an integrity system based on the application and rules of behavior, it needs to be optimized by increasing the capacity of human resources in the field of supervision.

The final result of the performance carried out by the public sector internal auditors are giving an opinion which of course the giving of the opinion does not mislead the user. For this reason, the research is expected to encourage the provision of opinions based on sufficient audit evidence. For this reason, internal auditors must always be required to adhere to standards and behave according to the code of ethics by upholding professional behavior through an attitude that is always directed to

find convincing evidence as to the basis for giving opinions. So that internal auditors must be able to act as financial enforcers and become respected and respected professions to be able to detect and eradicate various frauds. Internal auditors help build ethical awareness, efficiency, and effectiveness of the organization. This research is also directed to produce an accountable auditor performance where the auditors are obliged to hold the mandate in providing accountability to parties who have the right and authority to ask for accountability. Furthermore, an auditor must also have independent principles that are not easily influenced, without an attitude of independence. able to get the correct audit report. In addition, objectivity is one of the principles that must be held by the auditor where the auditor's position must be free from problems of interest and not allow material misstatements. By maintaining its objectivity an auditor will act fairly and impartially in carrying out work.

To conclude this research is an expectation to make the best contribution to the creation of clean state governance from corruption, collusion and nepotism through the development of behavior of supervisory officers who are aware of their profession and responsibilities so that they can detect fraud, dishonesty, and manipulation done intentionally or unintentionally without any pressure and intervention from any party. Integrity and honesty become a fixed price in upholding the profession, being able, to be honest without compromising the quality of the audit and ensuring quality that guarantees that no system is violated. This study only discusses a small part of the method that can be used to minimize and even eliminate fraud in the public sector because there are still many ways and approaches that can be used. Therefore, the spirit of bureaucratic reform for the creation of good and clean governance is expected to have other studies capable of peeling complete eradication of fraud on Indonesian soil.

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