Reconstruction of the role internal auditors in preventing fraud in the regional government: case study inspectorate of Malang City

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ABSTRACT

This study aims to explain the practice of fraud prevention by internal auditors of the local government of Malang City. The research method used is critical ethnemethodology in the local government environment of Malang City. Seven informants served as key informants. The results showed that the internal auditors of the local government of Malang City have not been able to carry out their role optimally, due to the weak legitimacy of internal auditors, community involvement in fraud prevention programs, and partial fraud prevention activities. As a result, the research findings provide an overview of the regional inspectorate’s institutional integration with elements authorized to handle fraud cases, such as BPKP and BPK. The findings of this study suggest that the Malang City Inspectorate should gain legitimacy through regulations, government support, and effective and efficient consultation to identify and prevent fraud.

INTRODUCTION

The government, as a state organizer and public sector organization that the public trusts to manage state finances, is inextricably linked to the threat of fraud. Fraud in government offices is a common occurrence. According to the Association of Certified Fraud Examiners (ACFE, 2016) fraud in the government sector is ranked second only to banking and financial services. This phenomenon is caused by public sector organizations complex bureaucratic structures, low employee integrity, and weak control systems (Sulastri, 2014). Fraud involves the intentional misrepresentation of facts and acquiring improper information to gain an illegal advantage. One of the factors for fraud is related to the existence of an internal audit function that is not optimal or even the absence of this function. This is consistent with what (Gamar & Djamhuri, 2015) reveals: “Organizations that have an internal audit function will be better able to detect and reduce the opportunity for potential fraud.”

Types of fraud that often occur in the Indonesian government system include markup of goods & services procurement, gratuities, embezzlement of assets, fictitious activities, inappropriate auction arrangements, illegal levies, lack of volume in project construction, fictitious salaries and embezzlement of state coffers (Aksa, 2018). Preventive efforts have also been made, such as authorizing each government agency to have an Internal Control System structure, developing various electronic systems to support the transparency and accountability process, and providing performance incentives in order to increase revenue and boost government employee morale. However, these efforts have not been successful in resolving these issues.

The internal auditor’s role is to conduct checks and supervision, as well as to make recommendations for management improvements. Quality internal audits will be able to detect irregularities and provide management with timely and accurate information. As a result, the inspectorate should be the first institution to investigate local government irregularities so that they can be corrected and avoided
in the future. However, the inspectorate continues to use information from the Supreme Audit Agency (BPK) regarding financial problems in its area (Sutrisno, 2013).

The Corruption Eradication Commission (KPK) said that one of the causes of rampant corruption cases committed by regional heads is ineffective supervision at the regional level. This demonstrates that the role of internal supervisors (Internal Auditors) in fraud prevention and detection is still considered ineffective. Internal auditors are part of internal control, and their role is to help an organization prevent, detect, and investigate fraud (Perry & Bryan, 1997). The Regional Inspectorate is the government's internal auditor in charge of ensuring and assessing the fairness and reliability of financial statements presented by the Regional Apparatus Organization (OPD). Information about OPD performance is heavily reliant on the results of the Inspectorate auditor's assessment, so the Inspectorate is the party held accountable for detecting potential fraud or material and non-material errors.

Internal audits are an effective line of defense in the fight against fraud, both in terms of prevention and detection. Internal auditors are uniquely positioned to detect fraud (Petrașcu & Ticeanu, 2014). Internal auditors can prevent fraud by improving the organization's internal controls, attending fraud control training, providing fraud complaint services, and establishing public sector forensic departments. In the context of this study, the regional inspectorate, as an internal auditor assisting the regional head as management, should be able to perform its duties. However, the regional inspectorate's position has been weak thus far, and it has legitimized the regional head's actions. Several cases in the regions show that the regional inspectorate is ineffective at preventing and detecting fraud. The failure of the regional inspectorate as an internal auditor to detect and prevent fraud contributes to a loss of public trust in internal auditors.

According to Prasetyono (2019), from 2004 to 2019, 114 Regional Heads were arrested by the Corruption Eradication Commission (KPK) for various types of budget abuse, or fraud committed by the Regional Head. This phenomenon necessitates that auditors with prevention, detection, and supervision functions expand their role and function in order to give the public confidence that the government is run in an accountable and transparent manner. Internal auditors are still very much needed in the public sector, according to data released by (ACFE, 2016), which show that in 2016, the results of studies related to the role of internal auditors in preventing and detecting fraud in Asia Pacific reached 15.80% of all fraud cases. This report demonstrates that internal auditors have great potential, and that their role is at the forefront of fraud prevention, because the findings of this study indicate that some fraud cases can be prevented and detected by internal auditors using specific audit procedures.

Rustendi (2017) explained that the function of internal auditors in the public sector is not optimal in preventing fraud due to two factors: the maturity of the internal auditor organization and the transformation of the role of internal audit. These two issues must be addressed immediately, based on management and stakeholder commitment. This can impede the achievement of organizational goals, including the advancement of the internal auditor function, which in the context of this study refers to the internal auditor within the Regional Inspectorate government agency.

In Indonesia as well, corruption scandals in the regions have further discredited the role of internal auditors. The regional inspectorate should be backed up by qualified auditors. The corruption scandal in Malang City in 2018, became a national issue when the Corruption Eradication Commission (KPK) named 41 DPRD members out of a total of 45 members, as well as the Mayor of Malang, aka the regional head, as corruption suspects, demonstrated that fraud is a serious problem (Kompas, 2018). Furthermore, this problem demonstrates that the process of monitoring, detecting, and preventing fraud in the regions has yet to be implemented. The aforementioned phenomenon raises public concerns that fraud, specifically corruption, collusion, and nepotism (KKN), has become a serious problem, particularly in Malang City's local government area.

In contrast, from 2015 to 2019, the Malang city government received the title of Unqualified Opinion (WTP) based on the results of the BPK examination (Malangkota.go.id, 2020). This is an anomaly that occurs in relation to the condition of local government management in Malang city. On the one hand, the WTP predicate legitimizes good government management, but on the other hand, it demonstrates fraud problems in the region. Aside from the WTP predicate, it should be considered how the regional inspectorate can help prevent fraud in Malang. For this problem, researchers are interested in conducting observations at Malang's regional inspectorate.

Based on the phenomena described above, this study aims to reveal the reality of accounting from the business side of Islamic boarding schools so that this research can be classified as non-corporate accounting.

**Literature Review**

**Conceptual Background**

Fraud is an intentional act committed by a person or group that can affect financial statements and cause losses for entities or other parties. Albrecht et al., (2014) define fraud as a representation of material facts that are false and intentionally falsified, resulting in an act of fraud, fraud, and carelessness. As a result, fraud is considered an illegal act (Irianto & Novianti, 2019). According to the Association of Certified Fraud Examiners (ACFE), fraud is defined as unlawful acts committed intentionally for a specific purpose (manipulation or providing manipulative reports to other parties) by individuals from within or outside the organization in order to gain personal or group benefits while directly or indirectly harming other parties (Nusantara et al., 2020).
Fraud Triangle
Cressey (1950) developed a fraud triangle theory based on why people commit fraud. According to the fraud triangle, fraud is based on the perpetrator's pressure, the perpetrator's opportunity (opportunity), and rationalization from within the perpetrator.

Fraud Diamond
This theory extends the fraud triangle hypothesis. Wolfe and Hermanson (2004) identified four factors that contribute to fraud: incentives pressures (the need or desire to commit fraud), opportunities/opportunities (system weaknesses that can be exploited), rationalization, and ability/capability. Even if there is pressure or incentive to commit fraud, the perpetrator is unlikely to have the necessary skills or power. This theory offers a new perspective on the role of capability (power) in the occurrence or assessment of the risk of fraud.

The Fraud Star
Irianto (2012) investigated the factors contributing to fraud, drawing on the Corruption Eradication Commission's (KPK) research on Public Sector Integrity in Indonesia. Integrity is one of the factors being investigated. Integrity is a determinant of fraud triggers, combined to form a fraud star as part of the fraud diamond theory.

Fraud Pentagon
Horwath (2012) expands on Cressey's fraud triangle theory by incorporating competence and arrogance elements. This theory explains that fraud occurs due to five factors: pressure, opportunity, rationalization, competence, and arrogance. These five elements consist of financial and non-financial factors that can be an indication of why fraud on financial statements occurs. This model is known as Crowe's Fraud Pentagon.

Government Internal Audit Apparatus (APIP)
The role of APIP based on government regulations, namely as a form of realization of the effective role of APIP in the control environment element, discusses in more depth the realization of the effective role of APIP. The role of APIP in government is to serve as an internal auditor. To realize APIP's influential role, it must employ modern internal auditing approaches and practices to achieve organizational goals through assurance, assurance, and consulting services.

Research & Methodology
This study employs a qualitative research method, which allows it to raise subjective facts in the field. (Creswell, 2015) defines qualitative research as researchers engaging in increasingly visible interpretive practices with the potential to change the world (Garfinkel, 1967). This study takes a qualitative approach using critical ethnomethodology to investigate the role of internal auditors, specifically the Regional Inspectorate, in preventing fraud in local government.

Critical ethnomethodology was chosen to provide a complete picture of how local government internal auditors prevent and detect fraud by presenting other research objects' perspectives or points of view (not just local government internal auditors). Critical ethnomethodology employs a critical paradigm in which researchers attempt to present the perspectives of other objects in order to broaden the analysis process and research findings. Key informants include the Inspector (Head of the Regional Inspectorate of Malang City), the Internal Auditor of the Regional Inspectorate of Malang City, Commission A of the Malang City DPRD in the field of government, and the Head of Malang Corruption Watch (MCW).

Data from informants were gathered through observation, interviews, and documentation. The research was conducted at the Malang City Regional Inspectorate Office's. This is because the research methodology used is to make observations related to the "daily activities" or daily activities of internal auditors within the regional inspectorate of Malang City. Furthermore, this study used observations from third parties, such as the Malang City DPRD and Malang Corruption Watch (MCW), to help build a critical discourse about the role of internal audit in Malang City's regional inspectorate.

The data analysis for this research was conducted in three critical stages. The first stage is the search for indexicality, the second stage is the reflexivity that underpins practical action, and the third stage is the Critical Discourse Analysis of Action Data from Malang City DPRD and Malang Corruption Watch. The data from observations and interviews have implied and implicit meanings; this is a textual and contextual interpretation of the data from interviews and observations. This critical ethnomethodology not only explains the implied and explicit meanings, but it also provides a changing perspective on the object of study and how ideality can be formed.

Findings And Discussion
As local government internal auditors, it is critical that they understand their role in order to meet the demands of the paradigm shift. Internal auditors' tasks are not limited to inspection but also include many service and consultative functions (Irianto, 2020) to improve the performance of local government agencies per the desired internal auditor paradigm. Researchers categorize important concepts in ethnomethodological analysis into two groups based on observations and interviews. First, there is the explicit group,
also known in ethnomethodological research as indexicality analysis, which is an indexed sentence containing the understanding of the actors, in this case, the internal auditors of the Malang City inspectorate, in understanding their role. Second, the implicit group, also known as reflexivity analysis in ethnomethodology, is the meaning that emerges outside of the actors’ consciousness and the connection of meaning between one event/phenomenon and the next.

**Table 1: Informant Tabulation Results**

<table>
<thead>
<tr>
<th>Name</th>
<th>Positions</th>
<th>Institution</th>
<th>Work Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. R</td>
<td>Commissioner of A</td>
<td>DPRD</td>
<td>3 years</td>
</tr>
<tr>
<td>MR. LJ</td>
<td>Director</td>
<td>MCW</td>
<td>10 years</td>
</tr>
<tr>
<td>Mr. A</td>
<td>Coordinator</td>
<td>MCW</td>
<td>7 years</td>
</tr>
<tr>
<td>Mr. E</td>
<td>Auditor Reg 1</td>
<td>inspectorate</td>
<td>8 years</td>
</tr>
<tr>
<td>Mr. S</td>
<td>Auditor Reg 2</td>
<td>inspectorate</td>
<td>10 years</td>
</tr>
<tr>
<td>Mrs. F</td>
<td>Auditor Reg 3</td>
<td>inspectorate</td>
<td>6 years</td>
</tr>
<tr>
<td>Mr. J</td>
<td>Secretary</td>
<td>inspectorate</td>
<td>12 years</td>
</tr>
</tbody>
</table>

Source: Author 2024

**Legitimacy of the Internal Auditor of Malang City Local Government**

Internal auditors assist management in identifying risks that can slow down and hinder the achievement of organizational goals. They must also be able to suggest improvements that can add value to the organization. Internal auditors are expected to determine future organizational goals (Gamar & Djamhuri, 2015). The results of this study obtained information related to the position of internal auditors at the Regional Inspectorate of Malang City. This is because their position as internal auditors, both structurally and culturally, and the regulations governing internal auditor positioning do not appear to significantly impact fraud prevention in the Regional Government of Malang City. This departs from the statement of one member of the Malang City DPRD, Mr. R, who stated the following:

"The Regional Inspectorate of Malang City is sometimes underestimated by the State Civil Apparatus / ASN in the agencies because they are more concerned with being audited by BPK than with the inspectorate. Even structurally, they are accountable to the Mayor, so if anything complicates their work as ASN, the supervision process may appear to be a formality."

Mr. R appeared relaxed about the arguments raised while brewing coffee and occasionally smiling during the researcher's interview at his home. Mr. R's statement exemplifies indexicality in that internal auditors' structural position and legitimacy appear to be sidelined, resulting in suboptimal legitimacy or power in the eyes of stakeholders. Mr. R's relaxed attitude toward the arguments raised demonstrates the meaning of reflexivity, as the answers given by Mr. R as a member of the Malang City DPRD genuinely understand the condition of Malang City's regional inspectorate, even though Malang City experienced a "tsunami" of fraud a few years ago. Mr. A, the coordinator of Malang Corruption Watch (MCW), also confirmed the statement, saying:

"The inspectorate's inspections and meetings with the agencies we frequently participate in are purely administrative, and even then, there is no follow-up."

Mr. A appeared serious and enthusiastic when researchers inquired about the regional inspectorate's role in fraud prevention, and MCW frequently attended and participated in meetings. Mr. A's statement as MCW coordinator "...only administrative and compromising in nature..." implies that the internal auditor at Malang City's regional inspectorate only performs his duties to fulfill the requirements of his role as an ASN. Of course, this is based on the point of view and perspective of the MCW coordinator, who, in this case, has a relationship and communication with the regional inspectorate of Malang City.

When interviewed by researchers, Mr. A, the MCW coordinator, appears very serious and enthusiastic, implying that MCW has a critical attitude toward Malang City's regional inspectorate. As a result, the legitimacy of internal auditors in Malang City's regional inspectorate is undermined because certain segments of society favor this institution, which is a bastion of fraud prevention.

On the other hand, when researchers interviewed one of the internal auditors at Malang City's regional inspectorate, Mr. E stated:

"Support for the regional inspectorate of Malang City is perceived to be lacking; for example, in one of the regional inspectorates in Central Java, the Mayor or Head of Region occasionally has an office in the Regional Inspectorate office building. This is due to the regional head's concern about the regional inspectorate agency." (Holding a cell phone, he intended to show the researcher one of the regional head's news stories.)

Mr. E's statement demonstrates the meaning of indexicality: the Regional Inspectorate has yet to receive support and legitimacy from local government agencies, particularly the Regional Head, in this case, the Mayor of Malang. The legitimacy referred to by Mr. E in this context is understood by researchers as fundamental and essential to maintaining the performance climate of the regional inspectorate's internal auditors in supporting fraud prevention programs. The meaning of indexicality in the context of Mr. E's argument shows that the legitimacy of internal auditors in their work area is sometimes interpreted as something wrong by auditees. This is due to the need for more socialization and understanding of the performance work of the regional inspectorate in Malang City.
The legitimacy of internal auditors in the regional inspectorate of Malang City is fundamental to creating a fraud prevention system. Internal auditors at Malang City's regional inspectorate require legitimacy in the form of regulations, local government support both morally and in communication, and the process of consultation and examination by auditors with the Regional Apparatus, which is interpreted as a prevention system rather than in other ways, which is depressing and results in the delegitimization of internal auditors when performing their duties. The legitimacy of Malang City's regional inspectorate can be changed through a regulatory drafting mechanism, which will provide legitimacy for internal auditors to carry out their functions. Internal auditors are less flexible in carrying out their responsibilities due to a lack of legitimacy. Specifically, the issue of the regional inspectorate structure, which reports to the regional head.

**Internal auditors are inextricably linked to local government systems.**

Local government internal auditors must actively provide assurance and consulting services to local government leaders regarding regional financial management accountability, including governance, risk management, and control issues. They serve as internal supervisors, controlling the effectiveness of regional financial management accountability and ensuring that it is free of irregularities. As a result, the involvement of internal auditors during the implementation process is critical to assess potential risks and make immediate suggestions for improvement to achieve the region's governance objectives.

Local government functions similarly to a human body, with the internal auditor as an essential component. Internal auditors are inextricably linked to the success or failure of local government administration, as demonstrated by the analogy given by Gamar and Djamhuri (2015). However, a lack of leadership commitment and understanding of the importance of supervision has resulted in the region's internal auditors not performing to their full potential. The inefficient use of the local government's internal auditor institution demonstrates this.

The role of government internal auditors, who should be able to provide the first information to the leadership on the occurrence of irregularities and irregularities in government administration, has yet to be realized. Even in certain conditions, its existence could be more optimal in guarding the course of government management. This could be due to the different interests in interpreting internal supervision, which is, on the one hand, "to protect" and, on the other hand, "to make corrections" for the leadership.

Mr. S smiling attitude when he said, "It should be the commitment of the local government, the mayor, and his staff to make the inspectorate better so that this region will also be better."

This reflects his high hopes regarding the "recognition" of the internal auditor's work and its role so that the top leadership and its staff can be committed. Auditors can only improve their performance and strengthen their role if they are supported by the top leadership (mayor) and related elements in local government. As also expressed by Mrs. F as a private auditor:

"The regional inspectorate, which represents the internal auditors of local governments as a functional institution, is under much pressure, especially from local government policies. The inspectorate's position is precarious, and many people enjoy making mistakes because they feel safe”.

As unity between the regional inspectorate of Malang City and the local government of Malang City, a harmonious bureaucratic relationship should be well established, but the opposite is the case, as stated by Mrs. F: "The position of the inspectorate is precarious... and the factor of someone's closeness to the internal auditor..." shows the meaning of indexicality that even though personal relationships are good, bureaucratic relationships are not necessarily carried out professionally in carrying out fraud prevention tasks. Mrs. F said with emphasis and enthusiasm in the context of this conversation, the meaning of reflexivity, that the closeness between people in the OPD and the regional inspectorate's internal auditors has conflict of interest issues that can lead to fraud. Understanding the role of the internal auditor of the Malang City local government, the Regional Apparatus Organization (OPD) in the Malang City local government needs to be improved, as the operation of the government is inextricably linked to one another. This clearly implies that one organization and another share a position with the same strategic role.

**Public Complaint Service Towards Fraud Prevention**

Internal auditors are the "bridge" between the public and local government, either directly or indirectly. Although the role in implementing fraud prevention policies varies significantly from one local government agency to another, there is a general agreement that the responsibility of the owner of the fraud prevention policy lies with the agency leadership (tone at the top). This prevention mechanism can be carried out by utilizing third-party information (for example, community organizations, customers, vendors, or other parties) within the framework of a whistleblowing mechanism regarding complaints or objections directed at the organization, management or certain personnel, or specific information as clues related to indications of fraud (Rustendi, 2017).

Public complaints are reports from the public about indications of irregularities, fraud, corruption, collusion, and nepotism (KKN) committed by local government officials in governance. In the context of implementing local government fraud prevention, the Regional Inspectorate of Malang City has several public complaint service systems, including Unit Task Force Sapu Bersih Pungutan Liar (SABER PUNGLI) SERTA SAMBAT ONLINE, which is a facility provided to bridge and facilitate Malang city residents in particular to send aspirations, suggestions, criticisms, complaints and questions to the government.
Mr. E's statement supports this: "We have services that are connected to the Inspectorate's complaint system, including SABER PUNGLI and SAMBAT ONLINE, so people can now complain directly and be involved in government affairs, especially in the context of fraud prevention." (While playing with his phonecell and showing the Sambat Online website for Malang city residents.).

Mr. E's statement has the indexical meaning that the regional inspectorate of Malang City gives the people of Malang City facilities to take part in preventing fraud in the local government of Malang City. Fraud prevention measures, especially in the context of community involvement, have been carried out by the Regional Inspectorate of Malang City. However, whether this has been implemented in accordance with the hopes and expectations of this program is a question. This is as expressed in the researcher's conversation with the MCW coordinator, Mr. A:

"We often make complaints related to the procurement of goods and services for the Health and Education Offices both directly and online, but the media for public complaints has not yet received a straightforward answer from the regional inspectorate of Malang City" (while showing photographic evidence of an audience between MCW and the head of the Malang City education office).

Mr. A's statement has the meaning of indexicality, meaning that, from MCW's perspective, the regional inspectorate of Malang City has not been maximized in facilitating public complaints regarding fraud prevention in the form of potential fraud and irregularities in governance. In the researcher's conversation with the MCW coordinator, the meaning of reflexivity when showing photographic evidence of an audience between MCW and the head of the Malang City education office can be interpreted as meaning that MCW, in this case, is a civil society movement that plays an active role in utilizing the public complaint service provided by the regional inspectorate of Malang City. However, because it has not been able to get a satisfactory response, MCW intends to go directly to the Malang City education office to provide suggestions and criticisms about potential fraud that occurs.

The lack of optimal public complaint services was also mentioned in a conversation between researchers and MCW director Mr. LJ:

“The socialization and dissemination of information with the complaint service indicate that the regional inspectorate of Malang City tends to be passive.”

The meaning of indexicality that can be captured in Mr. LJ's statement shows that the Regional Inspectorate's community complaints program has not been maximized in terms of socialization, information dissemination, and active initiatives of the regional inspectorate of Malang City, even though transparency and public accountability can be seen from the community complaints program that the regional inspectorate of Malang City has prepared. This public complaint service program is essential for public participation in fraud prevention, both directly and indirectly. Fraud prevention must be done by building an integrated system because fraud problems are complex and comprehensive in the public sector (Ramadhani et al., 2019). Therefore, the principle of active initiatives from institutions such as regional inspectorates must be carried out. The role of the community in providing reports can improve the quality of fraud prevention.

Reconstructing Local Government Fraud Prevention

Good governance with an honest bureaucracy is the solution to overcoming the problem of fraud. All countries set long-term goals to achieve good governance through economic management and a transparent organizational environment. The Regional Inspectorate needs help running the institution alone as an internal local government auditor. However, it must coexist and integrate with other local government institutions so that organizational goals can find fraud prevention formulations. There needs to be a systematic effort to prevent local government fraud. Although the regional inspectorate has implemented fraud prevention programs, there needs to be a system that regulates in such a way as to create an optimal bureaucratic climate and keep the potential for fraud away. Malang City experienced a "fraud tsunami" in 2017, which certainly hurt public confidence in the problem of local government fraud. This is like what Mr. A revealed in a particular conversation regarding the "Fraud Tsunami" that occurred in 2017:

“The BPK WTP opinion in 2017 legitimized public opinion so that public complaints to the inspectorate seemed weakened. So that the inspectorate’s power to prevent fraud is hampered. This is evidenced during the proposal and approval of the bridge project budget in the Kedung Kandang sub-district; the inspectorate was weak in its assistance process. If a comprehensive assistance process is carried out, at least the prevention of conflict of interest should be able to be carried out because the prevention of fraud can start from here.” (Mr. A said this by looking at the laptop before him.)

The indexical phrase "BPK WTP Opinion in 2017 legitimates public opinion" means that public opinion seems to understand that the local government of Malang City has an excellent financial management record. However, at the same time, congregational corruption has been committed by 41 DPRD members and one regional head in Malang City. This is undoubtedly a question regarding the fraud prevention function, which is one of the duties of the regional inspectorate. The expression indexicality means that, from MCW's critical perspective, the regional inspectorate needs to carry out a comprehensive assistance process. Therefore, the fraud prevention function, which is the task of internal auditors in the regional inspectorate, must be rebuilt and systematically reconstructed to create a transparent bureaucratic and political climate.
Given the higher expectations of stakeholders, including the public, for internal auditor performance and the increased legitimacy of the internal auditor organization, which in this case is the Regional Inspectorate, it is difficult for internal auditor organizations to demonstrate capability and competence in preventing fraud. Although internal auditors are not required to have specific expertise in conducting fraud investigations, the inspector, as the head of the local government internal auditor section, is responsible for developing and improving internal auditor competence. Suppose the internal auditor is confident that corruption or fraud has occurred. In that case, he must immediately report the findings of the fraud (even though the audit activity has not been completed) to management, which has the authority to take the necessary follow-up steps (Pitt, 2014).

Figure 1. Fraud Prevention Reconstruction Pattern of Malang City Regional Inspectorate; Source: Authors 2024

The Government Internal Control Apparatus (APIP), based on case studies that occur, especially in Malang City, is a relevant case example of a conflict of interest between internal auditors and regional heads. This change certainly does not change the function of the regional inspectorate as an internal auditor. However, it only changes the responsibility pattern so that the regional head's authority in dealing with internal auditors can avoid conflicts of interest. Thus, the positioning of internal auditors has its structure, such as BPKP and BPK, but with different functions.

Internal auditor organizations that do not have forensic auditors, then external auditors can be empowered (assigned) to assist internal auditors in preventing fraud, where cooperation between other internal auditors, such as the Government Internal Control Apparatus (APIP) in this case (BPKP) and internal auditors (Regional Inspectorate), makes it possible to conduct investigations effectively and efficiently because these internal auditors are considered to be more familiar with and master the organization's territory, systems, and personnel.

BPK, as an independent state institution established by law, also has the task of examining the management and financial responsibility of the region. As a result, there is a need for synergy and integration of linkage patterns that must be developed to perform the supervisory function of fraud prevention. Before the external auditor takes action against fraud, the internal auditor has the responsibility of providing advice and consultation to the auditee to make improvements, considering that the issue of local government fraud is not only related to financial management but also regulatory issues and compliance with the rules of public sector organizations are things that must be obeyed, with this institutional integration, the movement, and patterns of fraud prevention.

Conclusions

Internal auditors assist management in identifying risks that can slow down and hinder the achievement of organizational goals. Internal auditors must also be able to make recommendations for improvements that can add value to the organization. Internal auditors at Malang City's Regional Inspectorate require legitimacy in the form of structural regulation and budget planning by the Malang City DPRD. The local government provides moral support and communication between the local government and the local inspectorate. The Regional Apparatus's auditor consultation and inspection process is interpreted as a prevention system rather than one that causes distress and delegitimates internal auditors when performing their duties.

The Malang City Regional Inspectorate must restructure its role as an internal auditor of local government through an integrated system pattern that connects elements of government and society. One is the communication channel between the Development Finance Supervisory Agency (BPKP), the external auditor, the Supreme Audit Agency (BPK), and the Regional Inspectorate. This creates a transparent bureaucratic climate system, increasing the regional inspectorate's legitimacy and public trust in its ability to carry out fraud prevention functions.
This study makes a theoretical contribution by supporting theories about the role and function of internal audits. Furthermore, this study has practical implications for the Malang Inspectorate to continue performing its duties under applicable regulations. Being able to detect and prevent fraud. Three recommendations are made to improve the role of internal auditors in the Malang City government. First, change regulations and organizational structures to increase internal auditors' legitimacy. Second, increase internal auditors' and Malang city's local government apparatus' understanding that internal auditors have an inseparable unitary function and should not be moved in parts. Third, provide insight to the community in order to increase the role of public oversight through the public complaint's platform. The limitations of this study stem from the amount of time spent conducting research in the field. Exploring social facts in the reality of practice at the Regional Inspectorate of Malang City was completed in 6 months, so there may be information or items that have not been revealed and cannot be obtained by researchers. Second, in this critical perspective, researchers may encounter a myopic point of view so that some things may be obscured. Third, several informants in this study were dissatisfied with the research theme, so researchers could not elicit information from these informants, including the Regional Head (Mayor of Malang) and several department heads who should have been able to provide information from the perspective of government administrators.

Based on the limitations of this study, future researchers can dig deeper into internal auditing and fraud issues, particularly the role of local government internal auditors. Furthermore, future research is expected to take a critical approach by conducting holistic and comprehensive scientific studies to ensure that the information obtained is concrete, broad, and up-to-date, allowing for the collection of complete and accurate information to aid in policymaking and research. Another limitation discovered by researchers is that not all internal auditors provide information, either explicitly or implicitly, which can affect the scope of research data. Additionally, the Malang city government still considers the issue of fraud to be a taboo thing to disclose.

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Conflicts of Interest: The authors declare no conflict of interest

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