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The Influence of The Role of Internal Audit on Fraud Prevention in The Government of Prabumulih City (Study at the Prabumulih City Inspectorate)

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Abstract: This study aims to determine the influence of internal audit on fraud prevention in the Prabumulih City Government. The study was conducted at the Prabumulih City Inspectorate. The research method used was quantitative. The sampling technique used saturated sampling, with 66 respondents. Data collection was conducted by distributing questionnaires to respondents, while data analysis used SPSS version 27 statistical software, with stages of validity testing, reliability testing, classical assumption testing, and hypothesis testing. The results showed that the role of internal audit has a positive and significant effect on fraud prevention. This is evidenced by the calculated t-value of 16.442 and a significance level of less than 0.001, which is smaller than 0.05. Thus, the hypothesis in this study is accepted, meaning that the better the role of internal audit, the more effective fraud prevention efforts will be at the Prabumulih City Inspectorate.

Keyword: Internal Audit, Fraud Prevention.

INTRODUCTION

Government administration, which is closely related to political dynamics, can create opportunities for fraud committed by public officials. Fraud refers to intentional actions carried out to gain personal or group benefits, including the presentation of financial statements that do not reflect actual conditions. This practice contradicts the demand for local governments to implement transparent, accountable, and fraud-free governance.

The increasing demand for transparency and accountability in regional financial management may lead to negative impacts if not supported by effective internal control. Fraud can cause financial losses to the state, reduce public trust, and hinder regional development. According to the Association of Certified Fraud Examiners (ACFE), fraud consists of three main types: asset misappropriation, corruption, and financial statement fraud. Among these, corruption is the most common in the public sector (ACFE,2019). Data from Indonesia Corruption Watch (ICW) shows that corruption cases in Indonesia tended to increase from 2019 to 2023, although a decline occurred in 2024 (Kumparan,2024). This condition highlights the importance of internal government supervision. The Government Internal Supervisory Apparatus (APIP), through the Inspectorate, is responsible for conducting audits, evaluations, and monitoring of regional government activities. This role is supported by Government Regulation Number 60 of 2008 concerning the Government Internal Control System (SPIP), which aims to strengthen internal control and prevent fraud.

Prabumulih City, as a developing region, also faces the risk of fraud. Several cases, such as misuse of official travel budgets, abuse of grant funds, and non-compliance in development projects, indicate that supervision still needs to be improved. Therefore, the role of the Inspectorate as an internal audit function is very important in preventing fraud and achieving good governance. This study aims to examine the effect of internal audit roles on fraud prevention in the Prabumulih City Government, focusing on the Inspectorate of Prabumulih City.

METHOD

This study was conducted at the Inspectorate of Prabumulih City, which functions as the internal supervisory body of the local government and is responsible for auditing and ensuring the effectiveness of the internal control system in fraud prevention. The selection of this location is based on its relevance to the research focus, namely the role of internal audit in preventing fraud within the Prabumulih City Government. The research was carried out from October 2025 to March 2026, covering all stages from instrument preparation, data collection, to data analysis.

This research employs a quantitative approach. Quantitative research is used to analyze relationships between variables using statistical procedures and numerical data. The data were collected through questionnaires distributed to internal auditors working at the Inspectorate of Prabumulih City. The type of data used in this study is primary data in quantitative form. Primary data was obtained directly from respondents through questionnaires. The population of this study consists of all internal auditors at the Inspectorate of Prabumulih City. The sampling technique used is non-probability sampling with a saturated sampling method, where all members of the population are included as the sample. The total sample size in this study is 66 respondents.

Data collection techniques in this study include questionnaires and documentation. The questionnaire was designed to measure the variables studied using a Likert scale. Documentation was used to support the data obtained from respondents. This study uses two variables: the independent variable (X), namely the role of internal audit, and the dependent variable (Y), namely fraud prevention. The role of internal audit is measured through indicators such as audit implementation, auditor competence and independence, and follow-up of audit results. Fraud prevention is measured through indicators including control environment, internal control systems and procedures, as well as fraud detection and reporting mechanisms.

Data analysis was performed using SPSS version 27. The analysis includes validity and reliability tests, classical assumption tests, simple linear regression analysis, and hypothesis testing. The validity test is conducted to ensure that the questionnaire items accurately measure the variables, while the reliability test uses Cronbach's Alpha to assess the consistency of the instrument. Classical assumption tests include normality and heteroscedasticity tests. The normality test is conducted using the Kolmogorov-Smirnov test and normal probability plot, while heteroscedasticity is tested using Spearman's rho and the regression model used in this study is simple linear regression, expressed as:

$$\mathbf{Y = a + \beta X + e}$$

Where Y represents fraud prevention, X represents the role of internal audit, a is a constant, β is the regression coefficient, and e is the error term.

Hypothesis testing is conducted using the t-test to determine the partial effect of the independent variable on the dependent variable, and the coefficient of determination (R^2) to measure the explanatory power of the model. A significance level of 0.05 is used as the decision criterion.

RESULT AND DISCUSSION

Respondent Characteristics

Table 1. Respondents Based on Years of Work

No	Years	Frequency	Percentage (%)
1.	> 10 Years	28 People	42,42
2.	< 5 Years	28 People	42,42
3.	6-10 Years	10 People	15,15
	Jumlah	**66 People**	**100 %**

This study involved 66 respondents from the Inspectorate Office of Prabumulih City. Based on job position and auditor level, the majority of respondents were First-Level Auditors, accounting for 31.82% of the total sample. Structural staff followed with 30.30%, indicating that both functional auditors and supporting staff play significant roles in internal supervision activities. In terms of work experience, respondents were dominated by employees with less than 5 years and more than 10 years of experience, each contributing 42.42%. This composition reflects a balanced perspective between experienced personnel and relatively new employees, thereby enhancing the representativeness of the data.

Descriptive Statistical Analysis

Table 2. Descriptive analysis

	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Internal Audit	66	58	75	4414	66.88	6.128	37.554
Fraud Prevention	66	57	75	4346	65.85	6.625	43.884
Valid N (listwise)	66						

Descriptive statistics were used to provide an overview of the research variables, including minimum, maximum, mean, and standard deviation values. The variable of Internal Audit Role showed a minimum value of 58 and a maximum of 75, with a mean of 66.88 and a standard deviation of 6.128. Meanwhile, the Fraud Prevention variable had a minimum value of 57 and a maximum of 75, with a mean of 65.85 and a standard deviation of 6.625. These results indicate that both variables are categorized as high, suggesting that respondents generally perceive the role of internal audit and fraud prevention efforts as good. The relatively low standard deviation values imply that the data distribution is homogeneous

Simple Linear Regression Analysis

Based on the results of the simple linear regression analysis, the regression equation obtained is as follows: Fraud Prevention = 0.839 + 0.972 (Role of Internal Audit). The calculated t-value is 16.442, which is significantly higher than the t-table value. Therefore, the hypothesis stating that the role of internal audit has an effect on fraud prevention is accepted. This finding indicates that an improved role of internal audit is associated with a higher level of fraud prevention.

The regression equation shows that the constant value of 0.839 implies that when the role of internal audit is zero, the fraud prevention variable has a value of 0.839. Meanwhile, the regression coefficient of 0.972 indicates that every one-unit increase in the role of internal audit leads to an increase of 0.972 in fraud prevention. This result confirms the existence of a positive relationship between the variables studied, demonstrating that the effectiveness of internal audit plays a significant role in enhancing fraud prevention within the organization.

Partial Test (t-test) and Coefficient of Determination

Table 3. Test (t-test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.839	3.970		.211	.833
	Peranana Audit Internal	.972	.059	.899	16.442	.000

Based on the results of the partial test (t-test), the calculated t-value is 16.442 with a significance level of less than 0.001. Since the significance value is lower than 0.05, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. This finding indicates that the role of internal audit has a positive and statistically significant effect on fraud prevention in the Prabumulih City Government, particularly within the Inspectorate.

The regression coefficient value of 0.972 suggests that every increase in the role of internal audit leads to an improvement in the effectiveness of fraud prevention. This result reinforces the importance of strengthening internal audit functions as a key mechanism in minimizing fraudulent activities within public sector organizations. Furthermore, based on the coefficient of determination test, the R Square value is 0.809 and the Adjusted R Square value is 0.806. These results indicate that 80.9% of the variation in fraud prevention can be explained by the role of internal audit, while the remaining 19.1% is influenced by other factors outside the scope of this study.

The high value of the coefficient of determination demonstrates that the research model has strong explanatory power in describing the relationship between variables. Therefore, it can be concluded that enhancing the role of internal audit within the Prabumulih City Inspectorate makes a substantial contribution to fraud prevention efforts. Strengthening supervision quality, maintaining auditor independence, and improving the effectiveness of internal control systems are strategic steps toward achieving transparent, accountable, and good governance.

Discussion

The findings of this study indicate that the internal audit function plays a crucial role in preventing fraud within the Inspectorate of Prabumulih City. The positive and significant relationship suggests that stronger internal audit practices contribute to more effective fraud prevention mechanisms. These results are consistent with prior studies, which emphasize that internal audit functions serve as a key component in ensuring transparency, accountability, and good governance. The presence of structured audit procedures, risk-based supervision, and continuous monitoring enhances the organization's ability to detect and prevent fraudulent activities. From a theoretical perspective, this study supports the agency theory, which highlights the importance of monitoring mechanisms in reducing information asymmetry and preventing opportunistic behavior.

Practically, the findings imply that government institutions should strengthen their internal audit systems by improving auditor competence, implementing risk-based audits, and enhancing supervision processes. However, this study is limited to one institution, which may affect the generalizability of the findings. Future research is recommended to include a broader sample and additional variables to provide more comprehensive insights.

CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the results of this study examining the effect of the role of internal audit on fraud prevention in the Prabumulih City Government, specifically at the Inspectorate Office, it can be concluded that the role of internal audit has a positive and significant influence on fraud prevention. This conclusion is supported by the results of the partial test (t-test), which show a calculated t-value of 16.442 with a significance level of less than 0.001, which is lower than 0.05. Therefore, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. This indicates that the better the role of internal audit, the more effective the fraud prevention efforts. Furthermore, the coefficient of determination test results shows an R Square value of 0.809 and an Adjusted R Square value of 0.806. This implies that 80.9% of the variation in fraud prevention can be explained by the role of internal audit, while the remaining 19.1% is influenced by other factors not examined in this study, such as internal control systems, organizational culture, human resource competence, and leadership commitment.

The findings of this study also indicate that internal audits conducted effectively through proper audit planning, systematic implementation, as well as accurate reporting and follow up can enhance supervision and minimize the potential occurrence of fraud within local government environments, particularly in Prabumulih City. Therefore, the existence of the Inspectorate as the Government Internal Supervisory Apparatus (APIP) plays a highly strategic role in promoting good governance and accountability. Overall, the research model demonstrates strong explanatory power, indicating that the findings can serve as a basis for policymaking, especially in efforts to improve the effectiveness of internal audit in preventing fraud within the Prabumulih City Government.

limitations

A limitation of this study is that it focuses solely on the role of internal audit in fraud prevention at the Prabumulih City Inspectorate. This study uses two main variables: the role of internal audit as the independent variable (X) and fraud prevention as the dependent variable (Y). Furthermore, research with similar titles is rare in the Prabumulih City government.

Suggestion

Further research is recommended to expand the scope of research objects, increase the number of samples, use a longer observation period, and include other relevant variables to obtain a more comprehensive research model.

Author Contributions

All authors contributed significantly to this research. The first author was responsible for conceptualizing the study, collecting data, performing data analysis, and drafting the manuscript. The second and third author contributed to the research design, provided methodological guidance, and reviewed and revised the manuscript critically for important intellectual content. All authors have read and approved the final version of the manuscript and agree to be accountable for all aspects of the work.

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