

## THE ROLE OF INTERNAL AUDITORS IN PREVENTING FRAUD: A LITERATURE REVIEW



**Abdul Rasak<sup>1</sup>**

**Universitas Hasanuddin, Makassar, Indonesia**  
[rasak6163@gmail.com](mailto:rasak6163@gmail.com)

**Irensa Femmy<sup>2</sup>**

**Universitas Hasanuddin, Makassar, Indonesia**  
[irensafemmy8@gmail.com](mailto:irensafemmy8@gmail.com)

**Gratia Triyana Nusa<sup>3</sup>**

**Universitas Hasanuddin, Makassar, Indonesia**  
[gratianusa10@gmail.com](mailto:gratianusa10@gmail.com)

**Amiruddin<sup>4</sup>**

**Universitas Hasanuddin, Makassar, Indonesia**  
[amiruddinj64@gmail.com](mailto:amiruddinj64@gmail.com)

---

### Abstract

This study explores the role of internal auditors in preventing and detecting fraud in public and private sector organizations, focusing on influencing factors and the evolution of their role in the digital era. Through a literature review of 37 articles from 2013–2025, the research identifies that internal auditors serve as guardians of organizational integrity by strengthening internal controls, early risk detection, and collaboration with external parties. Factors such as independence, experience, professional skepticism, and digital technology adoption are shown to enhance fraud prevention effectiveness. In the digital era, the internal auditor's role evolves with the integration of tools like CAATTs, AI, and whistleblowing systems, despite challenges like dependence on top management. These findings underscore the need for investment in digital competencies and strong governance to bolster internal auditors' roles in maintaining accountability and transparency.

**Keywords:** Internal Auditor, Fraud Prevention, Fraud Detection, Internal Control, Digital Era, Organizational Governance

## INTRODUCTION

Fraud is one of the greatest threats to the sustainability and reputation of organizations, both in the public and private sectors. Fraud can manifest in various forms, such as misappropriation of assets, manipulation of financial statements, and corruption, ultimately resulting in financial losses and a decline in public trust in the institution. The Association of Certified Fraud Examiners (ACFE, 2022) reports that the average organization loses approximately 5% of its total revenue annually due to fraudulent practices. This fact demonstrates that fraud prevention and detection are crucial aspects of maintaining organizational accountability and transparency.

Within the context of internal control, internal auditors hold a strategic position as the party tasked with ensuring that organizational activities are carried out in accordance with established policies, regulations, and objectives. According to the Institute of Internal Auditors (IIA, 2020), internal auditing is an independent and objective activity designed to add value and improve organizational operations through a systematic approach to evaluating the effectiveness of risk management, controls, and governance. Thus, internal auditors function not only as compliance examiners but also as strategic partners with management in detecting and preventing fraud.

Various studies have shown that the success of internal auditors in preventing and detecting fraud depends heavily on the effective implementation of the audit function. Suci Indah Permata and Monika Handayani (2024) explain that internal audit plays a crucial role in ensuring that every organizational activity is carried out in accordance with the principles of accountability and efficiency, while also serving as the primary line of defense in preventing irregularities. Similar findings were presented by Miryam Pingkan Lonto et al. (2023), who stated that audit quality and auditor independence significantly influence the effectiveness of internal audit in detecting fraud. This confirms that the effectiveness of internal auditors is largely determined by their professional abilities and independence. Furthermore, Annika Bonrath and Marc Eulerich (2024) highlight that a strong governance environment strengthens the role of internal auditors in fraud prevention. When management supports a culture of oversight and transparency, internal auditors can perform their audit functions objectively and thoroughly.

Conversely, weak organizational commitment to internal control can reduce audit effectiveness and increase the risk of fraud. Structural support, open communication, and coordination between internal and external auditors are also important factors in improving fraud prevention efforts, as demonstrated by research by \*Porschia Nkansa (2024), which found that coordination between internal and external auditors influences the intensity and effectiveness of audit activities in responding to fraud risks.

In addition to institutional factors and coordination, individual auditor characteristics also significantly influence the success of fraud prevention. I Putu Budi Anggiriawan et al. (2024) emphasized that auditor experience, independence, and professional skepticism play a crucial role in fraud detection. Auditors with extensive experience and a high level of skepticism tend to be more alert to indications of irregularities, thus detecting potential fraud earlier. Similarly, Valencia Angelique et al. (2024) demonstrated that the competence and integrity of individual auditors determine the timeliness and accuracy of the fraud detection process.

In practice, internal auditors play a role not only in the detection stage but also in fraud prevention through the implementation of an effective internal control system.

Widilestariningtyas and Karo Karo (2016) found that internal audit has a direct impact on fraud prevention in local government, although its effectiveness still needs to be strengthened through improvements in control systems and management support. These research findings align with those of Sudirman et al. (2020), who stated that internal audit contributes significantly to building a culture of honesty and strengthening internal oversight systems to prevent asset misuse and corrupt practices.

The development of digital technology has brought significant changes to accounting, auditing, and organizational governance systems, both in the public and private sectors. The increasingly rapid digital transformation creates opportunities for organizations to increase efficiency and transparency. In the context of the digital era, the effectiveness of internal auditors is greatly influenced by their ability to adapt to new technologies. Aidi Ahmi et al. (2014) found that the adoption of information technology such as Computer-Assisted Audit Techniques (CAATs) can strengthen fraud prevention and improve audit efficiency, particularly in the public sector.

Similarly, Hamza Alqudah et al. (2024) stated that the use of cloud-based accounting and the digital skills of internal auditors significantly influence audit effectiveness. Factors such as digital competence, independence, experience, and management support also determine the extent to which internal auditors can optimally perform their functions in an increasingly digitalized environment.

As modern governance evolves, internal auditors are also required to play a strategic role in enhancing organizational integrity. Cecilia A.F. Anthony et al. (2023) stated that the integration of technologies such as whistleblowing systems and electronic data interchange (EDI) assists internal auditors in controlling fraud in the digital age. Thus, the use of information technology is not merely a technical tool, but a crucial element in building an adaptive, efficient, and transparent oversight system.

However, the implementation of the internal audit function does not always run optimally. Some of the main challenges faced include limited resources, lack of auditor independence from top management, and minimal support for the implementation of strong internal controls. Mélanie Roussy (2013), in her research in the Canadian public sector, found that internal auditors often play a dual role as both supervisors and "assistants" to management, which can create conflicts of interest and diminish audit objectivity. This situation demonstrates the importance of balancing independence and collaboration with management to ensure the effective implementation of the oversight role.

Based on the above description, it can be concluded that the role of internal auditors in fraud prevention and detection is crucial. Internal auditors serve as guardians of organizational integrity through systematic oversight, evaluation of internal controls, and recommendations for continuous improvement. However, the effectiveness of this role is determined not only by technical skills but also by institutional support, independence, the organization's ethical culture, and coordination with external parties.

## REVIEW OF LITERATURE

### Agency Theory

Agency theory, first proposed by Jensen and Meckling (1976), is a fundamental theoretical framework describing the contractual relationship between a company's owners (principals) and management or executives (agents), in which both parties are bound by an agreement to achieve shared organizational goals. However, this theory highlights the

potential for conflicts of interest arising from information asymmetry, where agents have greater access to internal data than principals, allowing agents to act in their own self-interest, such as making decisions that are detrimental to the owners.

In the context of fraud prevention, agency theory provides a foundation for understanding how internal auditors function as an effective independent control mechanism in addressing information asymmetry and conflicts of interest. Internal auditors, as neutral third parties, perform continuous monitoring of management activities, including fraud risk assessments, internal control evaluations, and financial transaction verification, thereby reducing the opportunities for management to manipulate financial statements, misappropriate assets, or engage in other forms of corruption (Lubis et al., 2024).

### **Fraud Triangle Theory**

The Fraud Triangle Theory, first developed by Donald R. Cressey (1953) through his sociological studies of embezzlement cases, is a fundamental conceptual framework explaining that fraud occurs when three key elements converge: pressure, which includes financial or emotional factors such as personal debt or unrealistic performance targets; opportunity, which arises from weaknesses in internal control systems or lack of oversight; and rationalization, where the perpetrator justifies their actions as a "temporary loan" or "deserved entitlement" to mitigate guilt (Cressey, 1953; Dorminey et al., 2012).

In fraud prevention, internal auditors play a key strategic role in targeting the opportunity element of the Fraud Triangle by strengthening internal controls through regular evaluations, risk-based audits that identify potential gaps, and assessing compliance with procedures and regulations such as COSO or IPPF standards (Institute of Internal Auditors [IIA], 2020). Specifically, internal auditors can reduce opportunities by implementing data-driven transaction testing, establishing secure whistleblowing mechanisms, and recommending system improvements to minimize unauthorized access to assets, thereby breaking the chain of fraud before pressure and rationalization trigger action (Albrecht et al., 2023).

### **Internal Auditor Concept**

According to the Institute of Internal Auditors (IIA, 2020), internal auditing is an independent and objective activity designed to provide assurance and consultation to add value and improve an organization's operations. This definition emphasizes two important aspects: the independence of internal auditors in carrying out their functions and their strategic role in helping the organization achieve its objectives, including fraud prevention. Internal auditors are tasked not only with detecting fraud that has already occurred but also with anticipating potential fraud through preventive audits (Lubis et al., 2024).

### **The Concept of Fraud**

The Association of Certified Fraud Examiners (ACFE, 2022) defines fraud as an illegal act committed intentionally to obtain personal or party benefit, at the expense of others. In the accounting context, fraud can include manipulation of financial statements, misappropriation of assets, or corruption. Fraud prevention cannot be achieved in isolation but requires an integrated approach that combines robust internal controls with the active involvement of internal auditors in detecting and managing risk areas early. Internal controls, as outlined in the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission, 2013), encompass elements such as the control environment, risk assessment, and oversight activities designed to prevent misappropriation of assets or manipulation of data, thereby reducing opportunities within the Fraud Triangle (ACFE,

2022). Internal auditors, on the other hand, play a crucial role as "gatekeepers" by conducting independent evaluations of these systems, identifying potential vulnerabilities through risk-based audits, and recommending timely improvements.

**RESEARCH METHOD**

This research was conducted by exploring various relevant scientific sources, with the aim of compiling a structured literature to identify the role of internal audit in fraud prevention. This approach selected 37 relevant articles published between 2013 and 2025. The process involved reviewing several sources, including ScienceDirect, Scopus, Sinta, and Garuda. Of the total articles, 10 were found from ScientDirect, 10 from Scopus, 8 from Sinta, and 9 from Garuda. The selection criteria included topic suitability, namely internal audit and fraud prevention, and the use of clear research methods, both quantitative and qualitative, or mixed methods, with publications in reputable national and international journals.

The analysis phase involved reading and in-depth review of each article to identify the research objectives, methods used, and findings related to the role of internal audit in fraud prevention. Descriptive analysis was then conducted to identify patterns, compare results, and identify common views among researchers. Thus, based on the literature, this study provides an overview of how internal audit contributes to strengthening internal control, increasing accountability, and preventing fraud in both the public and private sectors. Therefore, this study is expected to provide a comprehensive overview of the strategic role of internal audit in maintaining organizational integrity in the digital age.

**RESULTS AND DISCUSSION**

The results of the analysis of articles and journals related to the role of internal auditors in preventing fraud can be seen in the table below:

**Table 1.**  
**Research Results**

No	Author and Year	Title	Method	Research Result
1	Porschia Nkansa (2024)	Does External Auditor Coordination Influence Internal Auditor Effort?	Experiment	Koordinasi dengan auditor eksternal mempengaruhi jam kerja auditor internal dan respon terhadap risiko kecurangan. Semakin tinggi risiko fraud, semakin besar upaya auditor internal.
2	Aidi Ahmi, Siti Zabedah Saidin, Akilah Abdullah (2014)	IT Adoption by Internal Auditors in Public Sector: A Conceptual Study	2x2 (fraud risk × external auditor coordination)	Adopsi IT (CAATTs) oleh auditor internal memperkuat pencegahan fraud dan meningkatkan efisiensi audit sektor publik.

3	Zuraidah Mohd-Sanusni et al. (2015)	An Evaluation of Clients' Fraud Reasoning Motives in Assessing Fraud Risks	Conceptual study	Faktor internal control, tekanan, dan rasionalisasi berpengaruh terhadap penilaian risiko fraud oleh auditor internal dan eksternal.
4	Hamza Alqudah et al. (2024)	Enhancing Internal Auditors' Effectiveness in Jordanian Companies	Experiment	Penggunaan cloud-based accounting dan kecakapan digital auditor internal meningkatkan efektivitas audit internal.
5	Suci Indah Permata & Monika Handayani (2024)	The Role of Internal Audit in Fraud Prevention and Detection	(129 auditors)	Audit internal dan sistem pengendalian internal yang kuat berperan penting dalam memastikan operasi perusahaan berjalan sesuai tujuan, meningkatkan efisiensi, akuntabilitas, dan mencegah kecurangan.
6	Syifa Aulia Ramadhanti & Ghina Fitri Ariestani Susilo (2022)	Literature Study: The Role of Internal Audit in Fraud Prevention and Detection	Survey (98 respondents, SPSS analysis)	Audit internal berperan penting dalam mencegah dan mendeteksi kecurangan di perguruan tinggi melalui sistem pengendalian internal yang efektif, efisiensi kegiatan, dan tata kelola universitas yang baik.
7	Novita Putri (2022)		Literature review with a qualitative descriptive approach	Audit internal berperan signifikan dalam mencegah dan mendeteksi kecurangan di universitas. Efektivitas

		The Role of Internal Audit in Fraud Prevention and Detection in Higher Education	Literature study	audit tergantung pada kebijakan manajemen yang mendukung independensi auditor internal.
8	Winda Aprilia, Evi Marlina & Agustiawan (2024)		Library research	Auditor internal berperan penting dalam mencegah dan mengendalikan kecurangan melalui tahapan audit internal yang sistematis. Auditor menelusuri potensi fraud sebelum terjadi untuk mencegah risiko kerugian.
9	Annika Bonrath & Marc Eulerich (2024)	The Role of Internal Auditors in Fraud Prevention in Higher Education in Pekanbaru	with analysis of 17 journals	Lingkungan tata kelola yang kuat meningkatkan keterlibatan auditor internal dalam pencegahan dan deteksi fraud. Penggunaan teknologi audit berbasis risiko memperkuat efektivitas audit internal.
10	Cecilia A. F. Anthony dkk. (2023)	Internal Auditing's Role in Fraud Prevention and Detecting: An Empirical Analysis	Qualitative (interviews, observation, and documentation)	Audit internal memiliki peran besar dalam pengendalian fraud di era digital melalui sistem whistleblowing, software audit, dan Electronic Data Interchange (EDI). Audit internal harus didukung teknologi informasi untuk efektivitas pengawasan.

11	Yanie Sugianto, Asep Shofyan Permana, Suripto (2024)	Analisis Peran Auditor Internal Pemerintah dalam Mitigasi Risiko Fraud pada Sektor Pemerintahan	Studi literatur dengan pendekatan deskriptif kualitatif	Auditor internal berperan penting dalam mendeteksi dan mencegah fraud dengan memeriksa kelemahan pengendalian internal dan menggunakan teknologi seperti Whistleblowing System. Efektivitas meningkat dengan kepemimpinan kuat dan kesadaran risiko.
12	I Putu Budi Anggiriawan, A.A.K. Jayawarsa, I Gede Surya Pratama (2024)	Auditor Independence and Experience in Fraud Detection: The Crucial Role of Professional Skepticism	Kuantitatif – Structural Equation Modeling (Smart PLS)	Independensi dan pengalaman auditor berpengaruh positif terhadap deteksi fraud. Skeptisisme profesional memperkuat hubungan tersebut.
13	Niyawati Muniroh, Kartika Pradana Suryatimur (2021)	Peran Auditor Internal dan Auditor Eksternal dalam Mendeteksi Fraud Asset Misappropriation	Kualitatif – Studi literatur dan analisis deskriptif	Auditor internal melakukan pemeriksaan transaksi dan dokumen fisik, sedangkan auditor eksternal mengawasi dan memberi opini kewajaran laporan keuangan untuk mendeteksi penyalahgunaan aset.
14	Rissa Anandita, Fakhmi Zakaria, Rifki Adhi Prasetyo (2024)	Differences Between Internal and External Audits in Detecting Fraud: The Moderating Role of Professional Skepticism	Kuantitatif – SEM dengan SmartPLS4 (155 internal & 177 eksternal auditor)	Independensi dan pengalaman auditor berdampak positif pada deteksi fraud. Skeptisisme profesional hanya memoderasi hubungan antara pengalaman dan deteksi fraud untuk auditor internal.

15	Monica Mokoagouw, Lintje Kalangi, Natalia Gerungai (2018)	Pengaruh Skeptisisme Profesional dan Pengalaman Auditor terhadap Kemampuan Auditor Eksternal dalam Mendeteksi Kecurangan	Kuantitatif – Regresi linear (SPSS 23)	Skeptisisme profesional dan pengalaman auditor secara positif berpengaruh terhadap kemampuan auditor eksternal mendeteksi fraud (studi pada auditor BPK RI Sulut).
16	Hendro Lukman, Viviani Harun (2018)	Faktor yang Mempengaruhi Deteksi Kecurangan dalam Persepsi Auditor Eksternal dan Auditor Internal	Kuantitatif – Survei kuesioner, analisis SPSS	Tekanan, peluang, dan rasionalisasi (fraud triangle) berpengaruh positif terhadap deteksi kecurangan pada auditor eksternal dan internal. Disarankan peningkatan good governance.
17	Muhamad Yamin Noch, Muhdi B. Hi. Ibrahim, M.A. Akbar, Kartim, Entar Sutisman (2022)	Independence and Competence on Audit Fraud Detection: Role of Professional Skepticism as Moderating	Kuantitatif – SmartPLS, sampel auditor Inspektorat Sulawesi Selatan	Kompetensi dan independensi auditor berpengaruh positif signifikan terhadap deteksi fraud. Skeptisisme profesional memperkuat pengaruh tersebut.
18	Julianti Naya, Harti Budi Yanti (2020)	Mendeteksi Kecurangan melalui Teori GONE menurut Persepsi Auditor Eksternal dengan Pengalaman Kerja sebagai Variabel Moderasi	Kuantitatif – Kuesioner, analisis SPSS	Faktor Greedy, Opportunity, Need, Exposure berpengaruh signifikan terhadap kemampuan deteksi fraud; pengalaman kerja memperkuat pengaruh tersebut.
19	Valencia Angelique, Jesica H. Silalahi, Rio L. Saragih, Martdian R. Sari, Noveri Maulana (2024)	The Influence of Auditor Individual Factors to the Time it Takes in Detecting Fraud	Kuantitatif – Survei pada auditor internal dan eksternal	Pengalaman, independensi, dan kompetensi auditor berpengaruh signifikan terhadap kemampuan deteksi fraud; kepribadian tidak berpengaruh.

20	Aolin Leng & Yue Zhang (2024)	The Effect of Enterprise Digital Transformation on Audit Efficiency—Evidence from China	Kuantitatif, data perusahaan A-share 2011–2021, regresi empiris	Digital transformation meningkatkan audit delay dan menurunkan efisiensi audit, terutama di perusahaan non-high-tech dan non-Big 4.
21	Chao Lu, Yiwen Zhao, Kai Xing & Jinxin Liu (2025)	Digital Transformation and Corporate Fraud: Evidence from China	Kuantitatif, analisis empiris data 2007–2022	Digital transformation meningkatkan kecenderungan dan frekuensi fraud perusahaan; dipengaruhi oleh kinerja, pengawasan eksternal, dan usia eksekutif.
22	Qiaoling Fang, Zichen Wang & Li Dang (2025)	Audit Effort in the Digital Era: Uncovering the Dynamic Interplay of Business Strategy and Digital Transformation	Kuantitatif, data perusahaan Tiongkok, analisis kontinjens	Perusahaan dengan digitalisasi tinggi butuh usaha audit lebih besar; strategi prospektor mengurangi risiko dan kebutuhan audit berlebih.
23	Anu Sayal, Amar Johri, N. Chaithra, Hamad Alhumoudi & Zuhur Alatawi (2025)	Optimizing Audit Processes through Open Innovation: Leveraging Emerging Technologies for Enhanced Accuracy and Efficiency	Kuantitatif–eksperimen dengan data SEC (14 juta data), model AI/ML (Random Forest & K-Means)	AI dan ML mampu mendeteksi anomali audit dengan akurasi 95,7%; integrasi blockchain dan IoT meningkatkan transparansi audit.
24	Daniela Petrașcu & Alexandra Tieanu (2014)	The Role of Internal Audit in Fraud Prevention and Detection	Kualitatif, studi literatur dan analisis perbandingan	Audit internal berperan penting dalam pencegahan dan deteksi fraud serta menciptakan nilai tambah bagi manajemen dan masyarakat.

25	Rohana Othman, Nooraslinda Abdul Aris, Ainun Mardziah, Norhasliza Zain, Noralina Md Amin (2015)	Fraud Detection and Prevention Methods in the Malaysian Public Sector	Survei kuantitatif menggunakan kuesioner	Audit operasional, komite audit, kontrol internal, kebijakan pelaporan fraud, rotasi staf, dan hotline efektif mencegah fraud sektor publik.
26	Lili Sugeng Wiyantoro, Chen Yan & Yuanyuan Liu (2025)	How Does Sustainable Audit Digital Explain the Relationship Between Auditor Empowerment and E-Audit Quality?	Kuantitatif (SEM-PLS), 490 auditor eksternal di Indonesia	Empowerment dan sustainable digital innovation meningkatkan e-audit quality; kompleksitas tugas berpengaruh negatif.
27	Joelle Matta & Elie Chamoun (2025)	Exploring Auditor Adaptability in the Digital Era Through Levels of Expertise: The Role of IT Literacy	Kuantitatif (Two-way ANOVA)	Auditor dengan keahlian dan literasi IT tinggi lebih adaptif terhadap transformasi digital; pelatihan IT penting untuk masa depan audit.
28	Narinthon Imjai, Watcharawat Promma, Nimmual Visedsun, Berto Usman, Somnuk Aujirapongpan (2025)	Fraud Detection Skills of Thai Gen Z Accountants: The Roles of Digital Competency, Data Science Literacy, and Diagnostic Skills	Kuantitatif; survei terhadap 150 akuntan muda di Thailand; analisis menggunakan Partial Least Squares Structural Equation Modeling (PLS-SEM).	Kompetensi digital dan literasi data sains berpengaruh signifikan terhadap kemampuan deteksi kecurangan. Keterampilan diagnostik berperan sebagai mediator penting yang memperkuat hubungan keduanya. Pelatihan digital dan analitis meningkatkan kemampuan akuntan dalam mendeteksi fraud.

29	Sourour Hazami-Ammar (2019)	Internal Auditors' Perceptions of the Function's Ability to Investigate Fraud	Kuantitatif; survei terhadap 96 Chief Audit Executives (CAE) di Perancis; analisis regresi logistik berdasarkan data IARF 2010.	Kemampuan fungsi audit internal untuk menyelidiki kecurangan (SIFI) meningkat dengan adanya independensi, objektivitas, banyaknya aktivitas audit, dan penerapan pendekatan sistematis terhadap manajemen risiko. Ukuran perusahaan berpengaruh negatif terhadap intensitas penyelidikan.
30	Petros Lois, George Drogalas,	Internal Audits in the Digital Era:	Kuantitatif; survei	Penerapan audit berkelanjutan (continuous
31	Mélanie Roussy (2013)	Internal Auditors' Roles: From Watchdogs to Helpers and Protectors of the Top Manager	Kualitatif; 42 wawancara mendalam semi-terstruktur dengan auditor internal di sektor publik Quebec, Kanada.	Auditor internal memainkan dua peran utama: protector (melindungi manajemen puncak dan organisasi) dan helper (membantu peningkatan kinerja organisasi). Mereka mengembangkan konsep "grey independence" yang menunjukkan ketergantungan pada manajer puncak, sehingga peran pengawasan terhadap tata kelola tidak sepenuhnya independen.
32	Bregitta R. M. Handoyo & Bunga I. Bayunitri (2021)	The Influence of Internal Audit and Internal Control Toward Fraud Prevention	Metode verifikasi dengan SPSS (PT Pos Indonesia)	Audit internal dan pengendalian internal berpengaruh sebesar 68,8% terhadap pencegahan fraud.

33	Miryam Pingkan Lonto et al. (2023)	The Effectiveness of Internal Audit for Fraud Prevention	Mixed-method (PLS-SEM) pada auditor pemerintah (BPKP dan Inspektorat Sulawesi Utara)	Kualitas audit dan independensi auditor meningkatkan efektivitas audit internal dalam mencegah fraud.
34	Farah Liyana Abdul Aziz & Intan Waheedah Othman (2021)	Internal Auditors' Perception on the Efficacy of Fraud Prevention and Detection in the Public Sector	Kuesioner pada 133 auditor sektor publik Malaysia	Kesadaran fraud, strategi pencegahan dan teknologi anti-fraud berhubungan positif dengan efektivitas pencegahan fraud di sektor publik.
35	Sudirman et al. (2020)	Effectiveness of Internal Audit in Supporting Internal Control and Prevention of Fraud	Kualitatif (wawancara & dokumentasi pada PT Bank Sulselbar)	Audit internal berperan besar dalam memperkuat pengendalian internal dan menekan risiko fraud melalui budaya kejujuran dan pengawasan audit komite.
36	Ony Widilestariningtya s & Rio Sempana Karo Karo (2016)	<i>The Influence of Internal Audit and Internal Control on Fraud Prevention in Bandung Regency Government</i> jabs-2.3.5	Deskriptif-verifikatif (SmartPLS)	Audit internal berpengaruh 8,56% dan pengendalian internal 27,87% terhadap pencegahan fraud di pemerintahan daerah Bandung.
37	K. N. Motubatse (2014)	Perceived Role of Internal Auditing in Fraud Prevention and Detection in South African Public Sector	Survei pada kepala departemen, komite audit, dan CAE sektor publik Afrika Selatan	Auditor internal dianggap berperan penting dalam mendeteksi pengeluaran tidak sah dan fraud di sektor publik, meski tanggung jawab pencegahan utama tetap di manajemen.

## **The Role of Internal Auditors in Detecting and Preventing Fraud in Public and Private Sector Organizations**

Based on an analysis of 38 articles, the role of internal auditors in detecting and preventing fraud appears to be crucial in both the public and private sectors. Internal auditors act not only as supervisors but also as active risk mitigators. These findings indicate that their role goes beyond routine audits, involving integration with the organization's internal control system and governance.

The following is a summary of the main articles: Prevention through a strong internal control system: Several articles emphasize the role of internal auditors in strengthening internal controls to prevent fraud.

For example, articles by Suci Indah Permata & Monika Handayani (2024) and Syifa Aulia Ramadhanti & Ghina Fitri Ariesta Susilo (2022) explain that effective internal auditing ensures company operations run according to objectives, improving efficiency, accountability, and preventing fraud in the public sector, such as universities. In the private sector, Bregitta R. M. Handoyo & Bunga I. Bayunitri's (2021) article on PT Pos Indonesia shows that internal audit contributes up to 68.8% to fraud prevention through strengthening internal controls.

Fraud detection through transaction and document examination: Internal auditors are often directly involved in detecting fraud, such as misappropriation of assets. Niyawati Muniroh & Kartika Pradana Suryatimur's (2021) article differentiates the roles of internal auditors (physical examination of transactions) and external auditors (fairness opinion on financial statements), demonstrating effective collaboration in both sectors. In the public sector, Winda Aprilia et al.'s (2024) article on Pekanbaru universities highlights the systematic audit stages to detect potential fraud before it occurs, preventing the risk of loss.

Roles in the public vs. private sectors: Findings indicate similar roles, but more prominent in the public sector due to the focus on public accountability. Annika Bonrath & Marc Eulerich's (2024) article on Chief Audit Executives in Europe emphasizes that a strong governance environment increases the involvement of internal auditors in fraud prevention and detection. Meanwhile, in the private sector, an article by Daniela Petrașcu & Alexandra Tieanu (2014) adds value to management through proactive fraud prevention.

Collaboration with Others: Articles such as Rohana Othman et al. (2015) in the Malaysian public sector show that internal auditors collaborate with audit committees, internal controls, and hotlines to prevent fraud. Overall, this role has proven effective, with an article by Miryam Pingkan Lonto et al. (2023) in the Indonesian government confirming that audit quality and auditor independence enhance the effectiveness of fraud prevention.

From these findings, it is clear that internal auditors are at the forefront of fraud prevention, particularly through integration with internal controls. However, the challenge is ensuring their independence so that this role is not compromised by management pressure.

### **Factors Influencing Internal Auditor Effectiveness in Fraud Prevention**

The effectiveness of internal auditors in fraud prevention is influenced by various internal and external factors, such as personal competence, organizational support, and technology. Across 38 articles, these factors were frequently tested through surveys, experiments, and quantitative analysis, indicating that a combination of independence, experience, and digital innovation is crucial. The following are the main factors identified:

Independence and professional skepticism: This factor emerged as a key pillar. Article I by Putu Budi Anggiriawan et al. (2024) used Structural Equation Modeling (SEM)

to show that auditor independence and experience have a positive effect on fraud detection, reinforced by professional skepticism. Similarly, an article by Muhamad Yamin Noch et al. (2022) on the South Sulawesi Inspectorate found that professional skepticism moderates the relationship between competence and independence and fraud detection.

**Auditor experience and competence:** Work experience has been shown to strengthen detection capabilities. Article I by Valencia Angelique et al. (2024) on internal and external auditors showed that experience, independence, and competence significantly influenced fraud detection time, while personality had no effect. Monica Mokoagouw et al.'s (2018) article on the Indonesian Audit Board (BPK RI) in North Sulawesi confirmed that external auditor experience improves detection ability, which is also relevant for internal auditors.

**Organizational and governance factors:** A strong governance environment supports effectiveness. Zuraidah Mohd-Sanusi et al.'s (2015) article, conducted with 129 auditors, found that pressure, rationalization, and internal controls influenced fraud risk assessment. In the public sector, Farah Liyana Abdul Aziz & Intan Waheedah Othman's (2021) article in Malaysia showed that fraud awareness and prevention strategies are positively related to effectiveness.

**Technology and digital competence:** In the modern era, this factor is increasingly important. Hamza Alqudah et al.'s (2024) article in Jordan showed that the use of cloud-based accounting improves the effectiveness of internal auditors, especially if they have high digital proficiency. Lili Sugeng Wiyantoro et al.'s article (2025) in Indonesia found that auditor empowerment and continuous digital innovation improve e-audit quality, although task complexity can be a hindrance.

**Other factors include organizational size and training:** An article by Sourour Hazami-Ammar (2019) in France showed that company size negatively impacts the intensity of fraud investigations, while independence and a risk-taking approach increase it. An article by Joelle Matta & Elie Chamoun (2025) emphasized the importance of IT literacy and training for adapting to the digital age.

Overall, these factors are interrelated; for example, independence without experience or technology is insufficient. These findings suggest that organizations should invest in training and technology to make internal auditors more effective.

### **The Evolving Role of Internal Auditors in Fraud Prevention in the Digital Era and Modern Governance**

The evolving role of internal auditors in the digital era demonstrates a shift from traditional auditing to a technology-based approach, enabling more proactive and efficient fraud prevention. Recent articles (particularly those from the 2020s) demonstrate that digitalization brings both opportunities and challenges, with a focus on the integration of AI, cloud computing, and modern governance. The following evolutions have been identified:

**Adoption of digital technology for fraud prevention:** Internal auditors are now leveraging IT to detect anomalies. An article by Aidi Ahmi et al. (2014) introduced the adoption of Computer-Assisted Audit Tools and Techniques (CAATTs) in the public sector to strengthen fraud prevention. An article by Cecilia A. F. Anthony et al. (2023) emphasized the role of whistleblowing, audit software, and EDI in the digital era, while Yanie Sugianto et al. (2024) recommended technologies such as Whistleblowing Systems for risk mitigation in the Indonesian government.

**Digital transformation and its impact:** An article by Chao Lu et al. (2025) in China found that digital transformation increases the frequency of fraud, necessitating increased

vigilance on the part of internal auditors. Conversely, Aolin Leng & Yue Zhang's (2024) article suggests that digital transformation can improve audit efficiency, although it increases delays in non-high-tech companies. Qiaoling Fang et al.'s (2025) article adds that companies with high digitalization require greater audit effort, especially if their business strategy is prospective.

**Innovations such as AI and blockchain:** Advanced technologies are expanding the role of auditors. Anu Sayal et al.'s (2025) article used AI/ML to detect audit anomalies with 95.7% accuracy, integrated with blockchain and IoT for transparency. Narinthon Imjai et al.'s (2025) article in Thailand showed that digital competence and data science literacy in young accountants improve fraud detection capabilities through diagnostic skills.

**Modern governance and challenges:** In modern governance, internal auditors play both a "protector" and a "helper." Mélanie Roussy's (2013) article in Canada illustrates this dual role, with "grey independence" indicating dependence on top management. Petros Lois et al.'s (2020) article in Greece highlights continuous auditing's reliance on cybersecurity and training, with virtual teams as a solution.

**Sector comparison:** These developments are similar in both the public and private sectors, but the public sector places a greater focus on accountability. Hamza Alqudah et al.'s (2024) article in Jordan shows that cloud-based accounting improves effectiveness, while Lili Sugeng Wiyantoro et al.'s (2025) article in Indonesia emphasizes sustainable digital innovation for e-audit quality.

Overall, these developments demonstrate that internal auditors must adapt to technology to remain relevant. The challenges are cyber risks and complexity, but the opportunities are significant for more accurate fraud prevention. These findings encourage organizations to integrate digital literacy into auditor training.

## CONCLUSION

Internal auditors play a crucial role in fraud prevention and detection through strengthening internal controls, reviewing transactions, and collaborating with external auditors, both in the public and private sectors. The effectiveness of this role is influenced by individual factors such as independence, experience, and professional skepticism, as well as organizational factors such as strong governance and the adoption of digital technologies. In the digital era, the evolving role of internal auditors involves the integration of advanced tools such as AI and cloud-based accounting, which improve audit efficiency but require adaptation to address new risks such as fraud associated with digital transformation. Overall, this study confirms that internal auditors are not simply watchdogs, but strategic risk mitigators that contribute to organizational integrity, with practical implications for enhancing accountability and transparency.

## REFERENCES

- Abdul Aziz, F. L., & Othman, I. W. (2021). Internal Auditors' Perception on the Efficacy of Fraud Prevention and Detection in the Public Sector.
- Ahmi, A., Saidin, S. Z., & Abdullah, A. (2014). IT Adoption by Internal Auditors in Public Sector: A Conceptual Study.
- Albrecht, W. S., Romney, M. B., & Albrecht, C. O. (2023). *Fraud examination* (6th ed.). Cengage Learning

- Alqudah, H., et al. (2024). Enhancing Internal Auditors' Effectiveness in Jordanian Companies: The Impact of Cloud-Based Accounting Usage and the Moderating Role of Digital Proficiency.
- Angelique, V., Silalahi, J. H., Saragih, R. L., Sari, M. R., & Maulana, N. (2024). The Influence of Auditor Individual Factors to the Time it Takes in Detecting Fraud.
- Anggiriawan, I. P. B., Jayawarsa, A. A. K., & Pratama, I. G. S. (2024). Auditor Independence and Experience in Fraud Detection: The Crucial Role of Professional Skepticism.
- Anthony, C. A. F., et al. (2023). Peranan Audit Internal dalam Pengendalian Fraud di Era Digital.
- Aprilia, W., Marlina, E., & Agustiawan. (2024). Peran Auditor Internal dalam Pencegahan Kecurangan (Fraud) pada Perguruan Tinggi di Pekanbaru.
- Association of Certified Fraud Examiners. (2022). *Report to the nations: 2022 global study on occupational fraud and abuse*. ACFE.
- Bonrath, A., & Eulerich, M. (2024). Internal Auditing's Role in Preventing and Detecting Fraud: An Empirical Analysis.
- Chamoun, E., & Matta, J. (2025). Exploring Auditor Adaptability in the Digital Era Through Levels of Expertise: The Role of IT Literacy.
- Committee of Sponsoring Organizations of the Treadway Commission. (2013). *Internal control—Integrated framework*. COSO. <https://www.coso.org/guidance-on-ic>
- Cressey, D. R. (1953). *Other people's money: A study in the social psychology of embezzlement*. Free Press
- Dorminey, J., Fleming, A. S., Kranacher, M. J., & Riley, R. A., Jr. (2012). The evolution of fraud theory. *Issues in Accounting Education*, 27(2), 555–579.
- Fang, Q., Wang, Z., & Dang, L. (2025). Audit Effort in the Digital Era: Uncovering the Dynamic Interplay of Business Strategy and Digital Transformation.
- Handoyo, B. R. M., & Bayunitri, B. I. (2021). The Influence of Internal Audit and Internal Control Toward Fraud Prevention.
- Hazami-Ammar, S. (2019). Internal Auditors' Perceptions of the Function's Ability to Investigate Fraud.
- Imjai, N., Promma, W., Visedsun, N., Usman, B., & Aujirapongpan, S. (2025). Fraud Detection Skills of Thai Gen Z Accountants: The Roles of Digital Competency, Data Science Literacy, and Diagnostic Skills.
- Institute of Internal Auditors. (2020). *International standards for the professional practice of internal auditing (IPPF)*. The Institute of Internal Auditors
- Isbahi, M. B., Zuana, M. M. M., & Mariana, E. R. . (2022). The Technology Strategy in Website Communication Media in Improving Business Activities. *Majapahit Journal of Islamic Finance and Management*, 1(2), 126–138. <https://doi.org/10.31538/mjifm.v1i2.17>
- Isbahi, M. B., Zuana, M. M. M., & Toha, M. (2024). The Multi-Social Relation of the Cattle Industry in the Plaosan Subdistrict Animal Market of Magetan Regency. *Malacca: Journal of Management and Business Development*, 1(1), 31–46. <https://doi.org/10.69965/malacca.v1i1.51>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Leng, A., & Zhang, Y. (2024). The Effect of Enterprise Digital Transformation on Audit Efficiency — Evidence from China.

- Lois, P., Drogalas, G., Karagiorgos, A., & Tsikalakis, K. (2020). Internal Audits in the Digital Era: Opportunities, Risks and Challenges.
- Lonto, M. P., et al. (2023). The Effectiveness of Internal Audit for Fraud Prevention.
- Lu, C., Zhao, Y., Xing, K., & Liu, J. (2025). Digital Transformation and Corporate Fraud: Evidence from China.
- Lubis, H. Z., Sari, M., Ramadhany, A. A., Ovami, D. C., & Brutu, I. R. (2024). Effect of internal audit, internal control, and audit quality on fraud prevention: Evidence from the public sector in Indonesia. *Problems and Perspectives in Management*, 22(2), 40–50. [https://doi.org/10.21511/ppm.22\(2\).2024.04](https://doi.org/10.21511/ppm.22(2).2024.04)
- Lukman, H., & Harun, V. (2018). Faktor yang Mempengaruhi Deteksi Kecurangan dalam Persepsi Auditor Eksternal dan Auditor Internal.
- Matta, J., & Chamoun, E. (2025). Exploring Auditor Adaptability in the Digital Era Through Levels of Expertise: The Role of IT Literacy.
- Mohd-Sanusi, Z., et al. (2015). An Evaluation of Clients' Fraud Reasoning Motives in Assessing Fraud Risks.
- Mokoagouw, M., Kalangi, L., & Gerungai, N. (2018). Pengaruh Skeptisisme Profesional dan Pengalaman Auditor terhadap Kemampuan Auditor Eksternal dalam Mendeteksi Kecurangan.
- Motubatse, K. N. (2014). Perceived Role of Internal Auditing in Fraud Prevention and Detection in South African Public Sector.
- Muniroh, N., & Suryatimur, K. P. (2021). Peran Auditor Internal dan Auditor Eksternal dalam Mendeteksi Fraud Asset Misappropriation.
- Naya, J., & Yanti, H. B. (2020). Mendeteksi Kecurangan melalui Teori GONE menurut Persepsi Auditor Eksternal dengan Pengalaman Kerja.
- Nkansa, P. (2024). Does External Auditor Coordination Influence Internal Auditor Effort?
- Noch, M. Y., Ibrahim, M. B. H., Akbar, M. A., Kartim, & Sutisman, E. (2022). Independence and Competence on Audit Fraud Detection: Role of Professional Skepticism as Moderating.
- Othman, R., Abdul Aris, N., Mardiyah, A., Zain, N., & Md Amin, N. (2015). Fraud Detection and Prevention Methods in the Malaysian Public Sector.
- Permata, S. I., & Handayani, M. (2024). Peran Audit Internal dalam Upaya Mencegah dan Mendeteksi Kecurangan (Fraud).
- Petraşcu, D., & Tleanu, A. (2014). The Role of Internal Audit in Fraud Prevention and Detection.
- Prasetyo, R. A., Zakaria, F., & Adhi Prasetyo, R. (2024). Differences Between Internal and External Audits in Detecting Fraud: The Moderating Role of Professional Skepticism.
- Putri, N. (2022). Peran Audit Internal dalam Pencegahan dan Deteksi Fraud di Perguruan Tinggi.
- Ramadhanti, S. A., & Susilo, G. F. A. (2022). Studi Literatur: Peran Audit Internal dalam Upaya Mencegah dan Mendeteksi Kecurangan (Fraud).
- Roussy, M. (2013). Internal Auditors' Roles: From Watchdogs to Helpers and Protectors of the Top Manager.
- Sayal, A., Johri, A., Chaithra, N., Alhumoudi, H., & Alatawi, Z. (2025). Optimizing Audit Processes through Open Innovation: Leveraging Emerging Technologies for Enhanced Accuracy and Efficiency.

- Sugianto, Y., Permana, A. S., & Suropto. (2024). Analisis Peran Auditor Internal Pemerintah dalam Mitigasi Risiko Fraud pada Sektor Pemerintahan.
- Toha, M., Zuana, M. M. M., & Isbahi, M. B. (2024). Acculturation of Mataraman Local Wisdom with Islamic Values: Implications for Social and Economic Development. *Danadyaksa: Post Modern Economy Journal*, 2(1), 33–47. <https://doi.org/10.69965/danadyaksa.v2i1.143>
- Widilestariningtyas, O., & Karo Karo, R. S. (2016). The Influence of Internal Audit and Internal Control on Fraud Prevention in Bandung Regency Government.
- Wiyantoro, L. S., Yan, C., & Liu, Y. (2025). How Does Sustainable Audit Digital Explain the Relationship Between Auditor Empowerment and E-Audit Quality?
- Abdul Aziz, F. L., & Othman, I. W. (2021). *Internal auditors' perception on the efficacy of fraud prevention and detection in the public sector*.
- Anggriawan, I. P. B., Jayawarsa, A. A. K., & Pratama, I. G. S. (2024). *Auditor independence and experience in fraud detection: The crucial role of professional skepticism*.
- Association of Certified Fraud Examiners. (2022). *Report to the nations: 2022 global study on occupational fraud and abuse*. ACFE.
- Bonrath, A., & Eulerich, M. (2024). *Internal auditing's role in preventing and detecting fraud: An empirical analysis*.
- Handayani, M., & Permata, S. I. (2024). *Peran audit internal dalam upaya mencegah dan mendeteksi kecurangan (fraud)*.
- Institute of Internal Auditors. (2020). *International standards for the professional practice of internal auditing (IPPF)*.
- Lonto, M. P., Marlina, E., & Agustawan. (2023). *The effectiveness of internal audit for fraud prevention*.
- Nkansa, P. (2024). *Does external auditor coordination influence internal auditor effort?*
- Roussy, M. (2013). *Internal auditors' roles: From watchdogs to helpers and protectors of the top manager*.
- Sudirman, S., et al. (2020). *Effectiveness of internal audit in supporting internal control and prevention of fraud*.
- Widilestariningtyas, O., & Karo Karo, R. S. (2016). *The influence of internal audit and internal control on fraud prevention in Bandung Regency Government*.
- Valencia, A., Silalahi, J. H., Saragih, R. L., Sari, M. R., & Maulana, N. (2024). *The influence of auditor individual factors to the time it takes in detecting fraud*.
- Zamroni, M. A., Toha, M., Zuana, M. M. M., & Baiqun Isbahi, M. (2023). Exploring Zakat Distribution Via Blockchain in Indonesia Perspective of Maslahah Mursalah Wahbah Zuhaili. *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)*, 6(3), 3544-3555. <https://doi.org/10.31538/ijse.v7i3.5821>