

INTERNAL AUDITING: CAN IT PREVENT THE HAPPENING OF FRAUD TO A BETTER CONTROL ARRANGE ORGANISATION

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Abstract

This research has a purpose to understand the role of internal audit which is done by internal auditor in a try to prevent fraud in control-arrangement organisation of governmental region. This research method that is used is heuristic case study on 5 region government in the whole Lombok Island which is used an object in this research. By using the key informant of 20 auditor that is working on inspektorat office in each region (4 auditors in each 1 environment of region government), found that the internal auditing activity is still pragmatic, the running of internal audit capability model (IA-CM) that support internal auditing activity is still not yet run optimally. This thing is caused by the competency of internal auditor that is lacking, commitment and independency in internal auditing activity is low, and also the supporting facilities is lacking, include the limited budget and time in the running of internal auditing activity. All of the cause make the internal auditing activity is still not yet giving a plus point for the organization.

Keywords: fraud, heuristic case study, internal audit, internal audit capability model (IA-CM), pragmatic, value add

Introduction

Supervision is an integral function of organizational management. The oversight function is required to help responsible management of an activity or activity to do organizational goals. The role of oversight ensures that all goes with established commitments. Supervision also provides feed back on whether planning for future periods can done based on the results of supervision over the implementation earlier period activities. Internal audit is one form of supervision conducted by the Regional Inspectorate expected give added value for organizations within the local government. The added value in this case is to make things better (Kurniawan, 2012). The internal audit function will be able to give added value to the organization when the services it provides, both the guarantee services and the consulting services, especially on the implementation the organizational governance process run by auditee as recommended.

The IIA (2011) Survey in Kurniawan (2014) argued that now in various regions of the world shows that internal audit activities have not been able to give added value to the organization. This is due to the possibility that the internal audit is unable to give a real solution to the agency to stop or at least prevent the occurrence irregularities despite being able to know the symptoms (symptoms) in a variety of fraud. The prevention and detection of fraud in the internal audit activities is in line with Amrizal (2004) statement which poses the role of internal audit, among others: (a) fraud prevention; (B) detection of fraud (fraud detection); And (c) fraud investigation.

Fraud can have a negative impact on the organization. The negative impacts of fraud for the organization include the lack of organizational goals, loss of organizational assets, financial losses of the state or region and loss of public confidence (Kurniawan, 2014: 11). Fraud is more prevalent in the public sector because organizations in the public sector have more complex structures, tortuous bureaucratic, low environmental integrity, ineffective controls and high pressure (Sulastri, 2014). The same statement is also expressed by Albergh (2010) in Widilestariningtyas and Akbar (2014), if everyone is honest then the company / organization need not be wary of fraud. However, many people claim to have committed fraud when the environment where they work has low integrity, low control and high pressure. These three things will trigger people to behave dishonestly.

Nowadays the fraud form that occurs in the public sector can various schemes or ways (Kurniawan, 2014: 87), Purba (2015) states that fraud can in the form of financial reporting (fraudulent statement), asset misappropriation, and corruption (Corruption). Fraud can done by both top management and other employees to gain unethical profits (Santoso and Pambelum, 2008). The practice of corruption occurring in the public sector can categorized as part of fraud (Purba, 2015: 1) has long been happening in Indonesia and is the most striking form of fraud. In the act of corruption, the common practice is to manipulate the recording, deletion of documents, and mark-ups in expenditures that harm the state or local finances. Although the government has tried to eradicate it, corruption practices continue without any decline and even increase from year to year (BPKP, 2008). This is because in conducting the wheels of his administration, the regions are not yet ready with the new government system to organize local government right with good governance (Soepardi, 2010). Much of this happens in some areas related to corruption, irregularities, abuse of authority and place, and offenses. The Center for Financial Transaction Reporting and Analysis (PPATK) launches cases of alleged corruption occurring in some regions in Indonesia generally using the mode of transferring APBD budget funds to the accounts of the Local Government Treasurer, it is clear that such behavior is one of the most obvious forms of fraud.

The Regional Inspectorate as a government internal oversight body through its internal auditor it should be able to detect and prevent fraud. Fraud detection is done by identifying the signs or symptoms of a fraud to analyzed whether the signs show the first identification of the occurrence of fraud. With fraud detection it is expected that management can immediately follow up for improvement in accordance with recommendations or directives submitted by the auditor. Supervision conducted by the auditor on the activities of the organization explained forward by Mafunisa (2007); Asare (2009); Burnaby *et al.* (2011) that public sector employees will be cautious with resources and more reluctant to commit fraud when internal audit activities implemented with out effectively and are able to check their actions an on going basis. Therefore, as an institution that has internal auditor resources, the Regional Inspectorate in conducting internal audit activities has a very important role in the prevention and detection of fraud.

The description of the importance the role of internal audit in fraud prevention it explained by Hermanson *et al.* (2008) stating that internal auditors are experts in governance, risk management and internal control. Internal audits seek to improve organizational operations and to cut the likelihood of negative events including unreliable financial reporting. This is in line with Lisa *et al.* (1997) stating that internal audit serves to aid management in preventing, detect and investigation fraud that occurred in an organization. Coram *et al.* (2008) also explains that organizations that have an internal audit function will be better able to detect accounting fraud. The view of internal audit as an important part in fraud prevention to do better organizational governance is also put forward by Rittenberg *et al.* (1999); Rittenberg and Anderson, (2002) who stated that effective internal auditing is a part of organizational governance.

The first research question posed as a research problem in general is how internal auditors interpret the various fraud practices that occur in the management of local finance. This question is important to ask to understand the motivational aspect that accompanies all the actions of the fraud so that it can become a generally acceptable habit (in that place). The next question is how (understand) the phenomenon of internal audit activity process that actually happened in local government. The "how" question it is put forward as a form of in-depth understanding of how internal auditing processes take place in local governments.

This research is do it with the hope and aim to understand how the internal auditor process in carrying out internal audit activities in the Regional Government of Lombok island, so it will be known whether the internal audit activities conducted by the Regional Inspectorate have performed its role and function provide adequate confidence On the obedience, efficiency, efficiency and effectiveness of the achievement the purpose of organizing the duties and functions of government agencies and providing early warning and improving the effectiveness of risk management to the institutions / SKPD in their working area.

Metode

This study uses a case study approach. Arikunto (2005: 41) mentions case study research as an intensive, detailed and in-depth study of a particular organization, institution or symptom. The broader meaning of the case study is given by Husnan (2006), that the case study approach focuses on phenomena

in a real-life context by getting data from multiple sources to comprehensively investigate and analyze in-depth phenomena to generate and build theory. In terms of the breadth of the research area, case studies were conducted only on a narrow area of a phenomenon, and analyzed the case in more depth. Based on the definitions of the existing case study and phenomenon / reality approaches, this study is proper to use case study approaches because the research focus has been clearly identified from the beginning (the area to be narrowly studied) and analyzed the depth phenomenon.

Yin (1994) introduces four are typologi of case study design types: single-case (holistic), single-case (embedded), multiple cases (holistic), and some cases (embedded). The choice between the four types of design is dependent on the aspect studied. This described in table 1.

Table 1. Four Type of Research Design Case Study

	Single-case designs	Multiple-case designs
Holistic (single unit of analysis)	Type 1	Type 3
Embedded (multiple unit of analysis)	Type 2	Type 4

Source: Quoted from Husnan (2006)

The design of this case study research using type 3: holistic mutiple-case The case study approach with multi case design is the right choice in this research because it meets several criteria, among others: First, this research is conducted in five District / City Government, respectively - the area has its own proof so that in the process of research produced more evidence; Secondly, in this study allows researchers to conduct cross-case analysis, triangulation of evidence from several existing cases helps researchers to get more accurate data. Comparing the results of research will enrich the building theory. parallel with the above case study design research, the researcher used a heuristic case study approach, where the researcher

will take a case and draw a conclusion from the case, then add a study with another case to appeal the generalization of the phenomenon (Blaikie, 2000)

Informants and the presence of researchers are very important in qualitative research. Informants are those who are deemed to be able to give relevant information to uncover the phenomena being investigated (Maykut and Morehouse, 1994 in Asmony, 2015). The position of researchers in qualitative research is quite complicated. The researcher as well as the planner, the data collector, the analyst, the data interpreter and ultimately the reporter of the research result, the researcher as an instrument because the researcher becomes everything in the process of research (Maleong, 2014). Informants are selected by criterion-based selection method, where informants are carefully selected based on certain criteria and considerations (usually based on competence and capacity) to give enough and detailed information (Patilima, 2010). Informants in this study are the internal auditors that exist in the Inspectorate District / City on the island of Lombok. So informants were selected to get specific information according to the research aims (Asmony, 2015).

The data collected in this study uses some of the ways stated by Yin (1994): (a) Interviews, with interviews researchers can explore not only what is known and experienced subjects studied, but what is hidden deep within the subject of research . In this research used semi structured interview assisted by using recorder; (B) Observation, is the focusing of attention on an object by means of all sense devices (Arikunto, 2005). Researchers make observations means that researchers directly conduct observations on all activities related to the implementation of internal audit in the District Government / City of Lombok island. In this research, observation technique used is NonParticipant technique; (C) Documentation, is a record of past events. As for some of the documents in question are: Document inspection plan, audit result document that has been done by auditor, document of result of follow up, Local Regulation on Internal Control System at District / City as Lombok Island and other relevant documents.

The validity of data is one of the most important elements in qualitative research. The findings of the data should be right from the point of view of the researcher, the informant, or the reader (Creswell, 2016). To test the validity of the data, this study used the credibility test. The type of testing performed with

: (a) extension of observation; (B) to increase persistence, ie to make observations more precise and sustainable; (C) triangulation, ie checking data from various sources, different ways, and at various times; (D) a negative case analysis, a negative case is a case that is inconsistent with or different from the results of the study to a certain time; (E) using reference materials such as interview recordings, or photographs to support the credibility of data obtained by researchers; (F) holding member check, that is process of checking data obtained by researcher to data giver.

The data analysis procedure in this research uses interactive qualitative data analysis model from Miles and Huberman (1994) consisting of data reduction, data presentation and conclusion drawing simultaneously, while the data analysis steps in this research adopt approach used by Asmony (2015). The steps are: (a) checking the data; (B) categorize data; (C) find elements of each group; (D) checking documents, examination of documents for strengthening research findings; (E) tabulating data and plucking key words / phrases / phrases; (F) the data grouping of each case. The data groupings of each case done for to see the similarities and differences between cases.

Results and Discussion

After the data analysis found four themes that are which became the focus of the discussion in the findings of this study. The first theme that which can analyzed is the cause of fraud in Local Government. The second theme is the internal audit process that is still pragmatic. The third theme is the use of Internal Audit Capability Model (IA-CM) to improve the quality of internal audit has not been done. The fourth theme is how internal audits add value to the organization for better governance. the discussion of the above four phenomena is as follows:

The phenomenon of fraud in local government

Some axioms or postulates can illustrate the meaning of the word fraud so that the truth is no doubt. Fraud can be on interpreted as a hidden activity, deception (illegality, deceit, deception) illegal management of organizational resources committed by intentional people, actions taken with unfair ways and tricky (Setiawan *et al*, 2013). More simply fraud is interpreted as dishonest behavior of a person. In lay terminology, fraud is more emphasized on behavioral deviation activities related to legal consequences,

such as embezzlement, theft with ruse, corruption, collusion, nepotism, bribery, and misuse of authority (BPKP, 2008). For public sector organizations (Local Government) the actions of fraud are done so complexly that people do not know that fraud has taken place. Based on several axioms and definitions of fraud above, during the observation and interviews with internal auditors, from their perspective (read: internal auditors) researchers found some ways sometimes done by someone in doing actions that lead to fraud. The first thing that caught statement the researcher was the statement delivered by Mrs. NL:

"eee...Associated with a lack of budget as well, finally what, in the change, well this is the point of practice this be modified that often happens. That's the first. For example, when we check in one agency, especially they play in ATK right. Cook every activity that has ATK, whereas secretariat already have ATK. They play there. After we dig we dig it turns it, modified incidental activities. Well they take it from there ... "

Signs of budget usage have actually been established in the Budget Implementation Document (DPA). This means that all kinds of activities to be implemented by budget user entities (read: SKPD) using public funds should not be out of what has been established in the DPA. However, the facts in the field are not all activities can be included in DPA, this is due to a lack of budget or existing rules do not allow the activity is done. Charging an extra budget (should not be) to another activity will potentially show fraud. Insidental activities suddenly have to be the reason for them to "modified" the budget, and the word "modified" is associated to one of the vocabulary attached to the definition of fraud (Setiawan *et al*, 2013). Interesting for researchers to ask questions related to the meaning of activities that are incidental. From the answers submitted by informants, there is no clear translation of what is meant by the incidental activities, but with straightforward informants mentioned examples of incidental activities one of the causes of fraud acts, among others: funds for the activities of the celebration of the big days Regional and national levels, extra official travel expenses for leaders or officials and more extreme demand for money from public officials in the region. All such incidental activities require funds but can not formally budgeted. Similar statements about anticipating the budget modified also submitted by Mr. BY as follows::

"... well if that often I meet it eee ... fraud it yes, because there is pressure from superiors as well, so there are things like treasurer yes, this treasurer he wants to carry out straight but eee ... there is pressure from superiors who have policies (While raising both his forefinger and saying "quotation

marks yes"), certain policies that cause him (read: treasurer) want not to have to expect the budget to meet those policies ... "

On another occasion Mr. BY also stated:

"... yes pressure from superiors, reserve such as small example yes, in sub district such as there is policy boss to use money for eee ... what is the name? Yes eee ... activities are of course entrusted, such as 17 August, aaa ... that's the rule should not used for it ...

Mr. Bayu's statement above justified by Mr. TF who concluded that the occurrence of fraud is generally caused by the interests of fraud actors and the pressure of their own leaders. There is a clear correlation between the pressure and the action on budgeting done by unscrupulous employees in government. Wolf and Hermanson (2004) explain how the pressures an employee can influence their behavior to act fraud. In the context of this research, the pressure on employees to act fraud comes from the internal (personal perpetrators fraud) and from the employee's own superiors. The ability possessed by a boss makes it possible to force his subordinates to act fraud. By reason of fear to be in a mutation or considered disloyal to the leadership, they reluctantly follow the boss's wishes even though the order leads to fraud. Coercion is one of the elements of ability in the person of the fraudster who can force others to commit or hide the deceit (Wolf and Hermanson, 2004).

In addition to the above factors, the cause of fraud is caused by the lack of human resources (HR). Placement of employees who are not accordance with their areas of ability be the cause of the action fraud. Placement of employees with consideration like or dislike and consideration of proximity relationship is still coloring rotation of employee placement. It even though that employees who have a better emotional closeness relationship or preferably on place in a "wet" place, because the employee concerned has no competence in their field. The word "wet" defined by some people is a place where the workplace has more activities and budget than others. This fact explained by Mrs. NL during an interview with the researcher.

"... Actually there are human resources that exist from outside that have competence, but not empowered, it's so that it looks now yes. So what happens, people (cough) work for superior happiness and do not have the ability. Unfortunately, many people out there have more capability and competency ... "

During his duties as an auditor, Mrs. NL often finds that competency considerations are no longer a major study in putting someone in a job. Can apply loyal to superiors by following orders and the wishes

of superiors become a separate point for employees to take place in certain positions, of course, a position that gives advantages to superiors and employees themselves. That is the meaning of "happy superior" contained in the statement of Mrs.NL above. Furthermore placement of employees who are not appropriate with the competence they have caused the employee does not understand the duties and functions. More sad if the employees do not want to learn or improve their knowledge, as Mr. BY said that during the down check and provide assistance to auditee often meet employees who work in financial management do not want to enrich their knowledge.

The causes of fraud acts as mentioned above legitimize the concept of fraud described by Wolf and Hermanson (2004). According to him, fraud is caused by the pressure, opportunity, rationalization and capability, and the fact of the field explains that the element of "pressure" becomes the dominant factor of fraud. With the pressure, especially from the superior, people will dare to anticipate the budget to make his superior happy. The phenomenon of the cause of fraud has been understood by all levels of financial management, but there is no attempt to reduce these fraud measures. Their assumption, it is common to accommodate these incidental activities and most importantly do not change the budget.

Internal Audit: Activity Still Pragmatic

Process can be interpreted as activity processing input (input) into output (output) which useful / have value added (outcome). Likewise, the audit process can be viewed as a collection and evaluation activity of evidence supporting the information / report presented by the auditee, to increase assurance for the wearer, that the report can be used as a basis for decision making. The above audit process tends to refer to the notion of a financial audit, which aims to assess the worth of whether or not the financial statements presented by the auditee. But conceptually, the definition of audit process applies also to compliance audits and operational audits. In addition, as activities to process inputs into outputs, the audit process can also be interpreted as a sequence of activities from start to finish. In general, the internal audit process can be grouped into: (a) Audit Planning Process; (B) Audit Implementation Process; (C) Audit Result Report.

Audit Planning

The issue of audit procedures is often perceived as a personal and multidimensional problem (Rustam, 2010). The auditor is the main actor in the process of internal audit activities. Success in conducting internal audit activities is determined by how proficiently and professionally the internal auditor performs the established standards and audit procedures. As is known, the standards and audit procedures are the preliminary agreements that have been made by the competent authority to regulate the conduct of auditors in conducting the audit. Standards will be the guidance and handle of the auditor, so the obligations and restrictions that the auditor must comply with can be met well. Audit standards and procedures serve as preventive controls against fraud, dishonesty and negligence. Audit standards also encourage auditors to use their professional skills (Bastian, 2013). However, the facts show that audit standards and procedures are still often ignored by auditors and audit agencies. In the context of this research, the researcher finds some indication that the process of internal audit activity run by internal auditor only runs daily ruttery only. Auditors are no longer constructive to dig deeper into potential and existing problems at both top level and down level levels. Based on the results of interviews with several internal auditors, found conditions that reinforce the above statement. As stated by Mr. SL related to the planning process in starting the internal audit activities as follows:

"... Related to PKPT, there are arranged that PKPT, but yesterday, our coach told us that the PKPT based on risk-based, that base will be evaluated. Well we try to apply it. This is just a walk, willing to move towards risk-based ... "

From the Mr. SL description above, it can be seen that the preparation of PKPT has not been risk-based. The preparation of PKPT still uses the assumptions of the previous year. Determination of SKPD which will be the object of examination based on past PKPT. The determination of the examination schedule is the same for all objects, ie, fifteen to twenty days, regardless of the magnitude of the complexity of the object being examined. Syamsudin (2007) states that the preparation of the annual supervisory work plan is influenced by various factors such as: priority of monitoring objectives, available resources, time schedules. The achievement of prescribed monitoring objectives has unattainable potential, caused by a variety of obstacles known as risk, so that current oversight planning uses a risk approach called risk-based audit planning. Risk-based supervision planning is implemented with the following systematic steps: (a)

identification of audit universe; (B) auditable unit selection; (C) Preparation of the Annual Oversight Work Program (PKPT).

The preparing process of PKPT (Annual Work Program of Supervision) is guided by Permendagri No. 23/ 2007 covering: (a) scope; (B) implementation objectives; (C) SKPD examined; (D) the time table of inspection; (E) number of personnel; (F) inspection budget; And (g) the published report of examination results. Based on the risk assessment in the process of PKPT preparation, it will be easy to determine the monitoring plan and schedule of annual audit implementation, including determining the available resources, especially the auditor's resources. The concept of risk in auditing planning suggests that the auditor is not likely to examine everything to ensure that everything has been properly treated in a system or has been properly reported. The auditor must decide to what extent check those matters that are appropriate to the audit objectives (Murwanto *et al*, 2009). The same statement related to the absence of risk-based planning is presented by Mr. HK as follows:

"Now we start with risk-based PKPT, it's just that risk-based PKPT that we will run it has not run because it is still constrained by SKPD that has not run risk management. This is a problem because of Government Regulation no. 60 Year 2008 is not yet the way ".

Factors that have not yet run the risk-based audit because auditee (read: SKPD) have not run risk-based management. However, this condition should not be an excuse. With the auditor's own competency, it is not an issue in the preparation of risk-based audit if the auditee has not run risk-based management. Auditee who has run risk-based management will make it easier for internal auditors to prepare audit planning, because risk symptoms have been mapped by auditee. Planning is an important step in the audit process. The first fieldwork standard requires that "work should be planned as well as possible". Planning factors in the implementation of the audit is an important step and very influential on the quality of examination results. With good audit planning, audit implementation can be run effectively and efficiently (Dittenhofer, 1994; Kurniawan, 2010; and Djamil, 2011).

Implementation of Audit

The complex activities of public sector organizations today are due to the government's desire to provide better services to the community by using the budget economically, efficiently and effectively. The use of public funds should be monitored from the planning of the budget itself is set up to be accountable back to the community. But supervision by internal auditors often does not add value when supervision is translated to the extent to which the budget is not being corrupted or not corrupted. Supervision only checks for evidence of budgetary usage such as "letters of accountability" (SPJ) or cash disbursement receipts. The new internal audit paradigm expects internal auditors to take preventive action against possible irregularities in budget or public management. Internal auditors can broaden their activities by proactively offering advice and advice, helping to solve problems and participate in systems development processes and the creation of new organizations (Anderson, 2003). Implementation of the above supervision is translated in the form of audit implementation. The audit is one of the stages in the audit process whereby the auditor will develop an audit program, assess the internal control system of the organization, and perform the tests necessary to obtain sufficient audit evidence (Bastian, 2014). Implementation of the audit is the operationalization of audit work steps referring to the design or audit design that has been prepared previously. To achieve a good audit quality, the auditor must follow the established audit standards and procedures and of course the new paradigm of internal audit should not be forgotten. What Mr. SL says is that the demand for the implementation of the audit to follow the standards and procedures is absolutely necessary.

"... That's why we expect from what we discussed, how we try to apply audit procedures directed by BPKP which in theory ..."

Mr. S's statement above suggests that the internal audit does not fully follow the audit procedures. Indicators of good internal audit of the public sector are carried out in accordance with the standards as stipulated, in this case in accordance with State Auditing Standards (SPKN). But the ideal expectation of an internal audit that is in accordance with the audit procedures we sometimes do not get in reality. This condition was also conveyed by Mr. SL on another occasion:

"... When we go down, we write only that we know that happen, so we just collect that transaction is not appropriate, that's the analysis, and more to stop and solve the problem. Not to improve its management and how to save the existing resources especially the assets ... "

Similar statements are also conveyed by Mr. GT related to the implementation of audits that lack attention to standards and audit procedures.

"... we comprehensively wrote, yes all the work we do. Kan poured there are five items if guns wrong there. There are five aspects, namely asset, human resources, finance, function task. Because comprehensively it is in my opinion not maximal, not focus on that audit. Because risk mapping has not been done... "

Stacking jobs are generally an obstacle to getting quality work. People who have literally piled up work will run out of their aspirations and motivations, lose confidence and psychological withdrawal will follow. Eventually exhaustion will seem to him. At this point, the person will be afraid to work and not focus on becoming his estuary.

Audit Result Report

To produce a quality audit, then in preparing the audit report must refer to the reporting standards. The audit report should communicated to all levels of the auditee organization to avoid misinterpretation or misunderstanding between auditee and auditor, facilitate follow-up implementation, and enable audit results to used to social control. Researchers viewed the audit report made well enough done by the APIP Region on the island of Lombok. Some of the findings in the field, especially those related to regional finance, by now detailed in the respective LHP. Characteristics of a good and reliable audit report such as audit goals and scope, method, audit findings, conclusions and recommendations are met, although there are some items that have not yet been executed.

Table 2. Rules / Standards / Reporting Guidelines

No.	Report	Rules / Standards / Guidelines
1	Performance Audits, Investigative Audits and Comprehensive Audit	APIP Audit Standards (Permenpan No. PER / 05 / M.PAN / 03/2008)

2	Audit of Regional Financial Statements	State Audit Standards (SPKN) BPK, referring to the IAI Professional Accounting Standards (SPAP).
3	Review of Local Government Financial Statements	Guidelines for Implementation of Review on Local Government Financial Statements (Regulation of the Minister of Home Affairs No. 4 / 2008)
4	Evaluation of LAKIP	Kepmenpan No. KEP / 135 / M.PAN / 9/2004 on General Guidelines for Evaluation of Performance Accountability Report of Government Institutions
5	Monitoring and Evaluation, Follow-Up Monitoring	Permendagri No. 23/2007 on Guidelines for Procedures for Supervision over Regional Government Implementation.
6	Other Supervision (assistance, socialization, and consultation)	SPAP

Source: BPKP, 2010

Audit reporting is an ongoing process. Before producing a final audit report, during the audit activities, the audit team will produce various forms of reports. All report forms (such as paperwork, audit observations, and draft audit reports that which has implemented) should lead to a final audit report. The structure and way of presenting the final audit report may differ depending on the type of audit performed and the conditions of the audited entity. The writing style of this report has not received much attention from the auditors, mostly in reporting the results of the auditor's examination after the writing of the earlier report. This is the concern of one of the informants in this study, Mr. PM, during the PM's discussion stated that the auditor's colleagues often copied paste reports last year.

From some of the above explanation, the process of internal audit activities that begins with audit planning, audit implementation / testing phase up to the reporting is still running pragmatically, both from the auditor side and audit institution. The auditor's pragmatism attitude is attitude by a lack of motivated auditors to proactive in the preparation the audit plan. Waiting for the completed audit planning is a custom and comfortable for auditors. Accordingly, with the competencies held, the auditor may play a role by providing comments and information as a reference the audit plan. They (read: auditors) feel comfortable with the current job conditions, so that the addition workload as much as they can avoid. In addition, assigning a job to one auditor is a habit as well. Because it is considered more capable and has a level of knowledge more than others, then often an auditor gets more jobs than others. As told by auditors named Mr.AH:

"... we are still relax, there is already Mrs. DWT, she is more understanding about this task (read: the implementation the audit), he was dictionary Mr. Kaban (read: Head of Agency Inspectorate). So we are waiting for a referrals from him later ... "

The existence of people who have more ability does not become a motivation for them to improve the ability in their field. Waiting to included in the training or technical guidance they expect more. It's supposed to read a lot of literature on audit to enrich their scholarship.

IA-CM: Standards Not Applied

The IA-CM (internal audit capability model) is a framework that identifies the fundamental aspects needed for the realization an effective internal audit unit in the public sector. IA-CM describes the evolutionary path that public sector organizations need to follow in developing an effective internal audit unit to meet professional expectations and organizational governance needs. IA-CM is also intended as a universal model with comparisons of principles, practices, and processes that for applied globally to improve the effectiveness of internal audits. The IACM demonstrates the steps to move forward from a less than strong internal control level to the strong, effective, and general internal control capabilities associated with a more mature and complex organization. These steps are organized into five levels of internal audit unit capability with the following structure: (1) initial; (2) infrastructure; (3) integrated; (4) managed; And (5) optimizing. Each level of capability describes the characteristics and capabilities of the internal audit unit at that level. With increased size or organizational complexity or risk associated with the activity, it requires better internal audit capability. This model tries to match the nature and complexity of organization with the internal audit capabilities needed to support it. At each level of capability there are six elements of internal audit, namely: (1) the role and service of internal audit; (2) human resources management; (3) professional practice; (4) performance management and accountability; (5) organizational relations and culture; And (6) governance structures. Elements (1) through (4) are areas of improvement that are entirely dependent on the efforts of the internal audit activities themselves to make them possible. While elements (5) and (6) also include the relationship of internal audit activities with the organizations it supports as well as with the internal and external environment. Evaluation conducted by BPKP as an APIP supervisory board shows that most of APIP regional level capability in Lombok Island is at level 2 (two). This is because

APIP has not aligned the internal audit with the governance and risks faced by the organization, meaning that risk-based audit has not been implemented. Furthermore, the place APIP still at level 2 (two) is also caused by audit planning still determined by priority of management, besides also skill and high competence still dominated by certain people. APIP capability level can interpreted as a tribute to motivate APIP to do its duties and functions better. The higher the level of APIP capability that they clothe the higher the recognition of the success of their work (read: auditors).

Being an irony when the level of APIP capability level has been categorized higher, but the process of internal audit implementation in reality does not show the level achieved. This is revealed from the information of one informant named Mr. GT who stated as follows:

"... actually we are already what level two he said, but still like a stub inspectorate. Because what it was (laughs) we are not through risk mapping in the audit process ... "

Indeed, every element or element that becomes an indicator in every level of APIP capability can fulfilled in audit activities, so that the award is proportional to the expectation level APIP capability itself. The lack of standard level of APIP capability is expected with the existing practice in the field, one of which is also caused by the delay of guidance conducted by APIP Trustees (read: BPKP) about the implementation of the IA-CM. This is was explained by Mr. HK in a discussion conducted with researchers:

"... so actually this is the father, because our builders BPKP, they just often it now, starting in 2016 yesterday means that we are still stupid, because guns' too guided and directed. Communication with BPKP is less so ... "

BPKP as a coaching entity APIP throughout Indonesia gradually began to try to apply IA-CM as a concept the implementation of internal audit since 2006, BPKP has been long enough to socialize this concept. However, constrained lack of communication between BPKP with APIP which became the target resulting in the implementation of the concept seem slow and less attention.

Internal audit: Add Value for the Organization

The challenge faced by the internal audit function today is mainly from the internal organization is the attitude of auditee that is less attention to recommendations and findings from internal auditors to taken

into consideration in making decisions organization. On the other hand, as still a lot of corruption and the inappropriate use of public funds, the target is still questioning the extent to which the internal audit function has been carried out by the audit institution (read: Inspectorate). This fact makes the auditor in a dilemmatic place in carrying out its role. Therefore, it is the responsibility the auditor to improve the quality the audit result and give assurance to all stakeholders that the audit services generated can give added value for its users. The auditor's responsibilities become more widespread when the user of financial information assumes that the auditor's responsibility does not merely check and prove the fairness of the financial statements, but also to protect the users' interests of financial information through the detection and reporting of fraud and irregularities occurring in an organization (Dean *et al.* 2002).

A quality audit report becomes a top priority in conducting audit activities, so that it can give added value to the organization. The added value referred to in the context of this research is that organizational activities, especially in the management regional finances, can better than before. At the time of added value can obtained by the organization then the organizational goals can achieved optimally, this is in line with the opinion Mr. TF in the explained as follows:

"... it's an audit expectation that's the way it is. From the beginning at least SKPD that has been in the audit that the future seems better yes. Yes indeed when viewed maybe not one hundred percent like that results, but later after the audit can good but at least according to my assessment after the audit of so many SKPD, at least 95% Insha Allah in the future changes like that. If we see there are changes, although of course his name is also possible eeee ... HR handling it is still less ... "

A similar opinion was explained by Mr. BY with a change in organizational activity towards a better one after the internal audit, although overall it has not achieved greatest results. What he says is as follows:

"So if we make the target, of course we target eee ... unqualified (WTP) right (read: Financial Report), so target yes all districts and cities will be like that until now it is LTT district not yet. Aaa that means so I can say that eee ... our target to fix tu still not maximal. Progress in that direction is there but not yet maximum ... "

Making better organizational governance a "homework" that has not been resolved by the audit institutions (read: Inspectorate) local government on the island of Lombok. That the organization is urgently needed to make better organizational governance is intended to make sure that the policies made by the organization's management (read: policymakers) stay within the established corridor so that the goals of the organization

can be realized. This is where the role of internal auditors in conducting internal audit activities must high intensitas to get optimal results. Public expectations of the role that auditors play in the process of internal audit activities to create good governance are very high. Because it is a necessity that accompanies the role and is manifested in real behavior. When the person plays his role correctly, there will be conformity in his social system (Sarwono, 2013).

Running the role correctly in a job should supported by the personal competence that runs the role. Competence can summed up as a characteristic of a person possessing knowledge, understanding, skill, value, attitude, and interest enabling him to deliver superior performance in work, role or situation certain. Based on the facts in the field, this competency problem is often an obstacle to the achievement organizational goals. In the context of this study, internal auditors who have high competence are still a rare commodity. This is in line with what was presented by Mr. HK in his interview with researchers as follows:

"... so the competence is almost non-existent, few have the competence, such as about special examination, who have the competence there are only two people guns wrong. For the procurement many services, but those who understand about the assets or procurement less. Though ideally we expect one in one Irban (read: Superintendent Assistant). There are only one or two who have a certain competence of procurement of goods ... "

Internal audits should be conducted in an expert and professional thoroughness. In every audit activity, assigned persons should have the knowledge and skills of various disciplines to conduct and proper audits. The educational background of the internal auditor should by the type of audit to performed. From the results of interviews conducted by researchers, the lack of training provided by audit institutions (read: Inspectorate) to improve the skills and knowledge of auditors is the cause that a contribution related to the lack of competence of internal auditors. Lack of training to improve the competence auditors is one form of attitude from local governments that have not made APIP as a professional institution to support good governance.

Another obstacle faced by the internal audit function in local government is the lack of support provided by local stakeholders. To be able to give added value to the organization, internal audit activities must get full moral support from all levels of management existing in the scope of local government. The

problem of budget availability that is still lacking always appears in every internal audit activity. This has an impact on the non-fulfillment of facilities and infrastructure that support the internal audit operations. As stated by Mrs. DWT, the lack of supporting facilities for internal audit activities is still a problem that is trying to addressed slowly.

"... then the means, if seen from our examination aides are still lacking, we do not have the digital tools that we really need it. Especially if you want to check the physical field of course we are also still less, then when viewed from the needs of computers is also less, but gradually it would be improved ... "

Management support in this case local leaders is one determinant of the effectiveness of internal audit towards good governance. Management commitment is required to give assurance that the internal audit function is fully supported in the provision of facilities and infrastructure of audit activities.

Conclusions and recommendations

Conclusion

Good governance will only be a hope that will never happen if fraud is still part of the governance itself. Various factors could be the cause of fraud. The phenomena described in this study show that the fraud occurring in the local government (read: district / cities in Lombok island) is more dominant do to the "pressure" received by personal financial managers. Based on the meaning of the internal auditor, the meaning of "Loyalty" and "the origin of the happy boss" in the context of managing local finances there is an element dishonesty, and the meaning of the word "pressure" into justification for acting fraud. Human resources are still lacking, also contributed to the occurrence fraud. This human resource can understood as auditor expertise in the field of auditee. The other side that follows the fraud is still pragmatic the implementation internal audits, both emerging from the internal auditor itself as well as from the audit institution. Internal auditors already feel quite with what they understand about internal audit without wanting to improve self-competence. Internal auditors also feel comfortable with the audit work system they run so far. Their presumption, with the rules they use as long as it does not cut the quality audit results generated. The management the audit institution also does not involve the auditor in preparing the audit plan.

Furthermore, in the step of structuring and improving quality of audit results in Local Government, BPKP runs the policy of using IA-CM concept to see the level of APIP capability. In line with the increasing level of APIP capability indicates that the implementation internal audit in the context of monitoring the performance of local governments, especially the management local finance can categorized as the better. But the facts found in this study, the concept of IA-CM has not been implemented optimally. The unfinished concept of IA-CM should a major concern of local government management. Classical problems such as lack of budgets for the fulfillment facilities and infrastructure supporting the audit activities should immediately solved.

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