THE IMPORTANCE OF INTERNAL AUDIT IN FRAUD DETECTION AT FIRMS IN SEMARANG BETWEEN 2007 AND 2009

Abstract

In recent years the importance of good corporate governance has received significant public and regulatory attention. A crucial part of an entity's corporate governance is its internal audit function. They start to issue internal audit function to detect fraud. At the same time, there has been significant public concern about the level of fraud within organizations. Generally, few Firms in Semarang have internal audit function. The purpose of this study is to assess whether organizations with an internal audit function are more likely to detect fraud than those without. In this observational study, we use a unique self-reported measure of fraud, primarily relating to the misappropriation of assets and administration. The fraud data are from the 2007 until Internal Audit Firms Survey. The internal audit data are from a separate (firm internal and outsourcing audit department) mail survey sent to the respondents of the Internal Audit Firms Survey.

We found that organizations with an internal audit function are more likely to detect fraud than those without. It's supported by t-value is -3,950 with level of significance 0.020. It's support previous research conducted by Paul, Colin, & Robyn (2008) suggest that internal audit adds value through improving the control and monitoring environment within organizations to detect fraud. The Firms with internal audit could save their assets from fraud action that often conducted by their employee. Further, organizations with an internal audit function had better governance than those without. These findings suggest that internal audit adds value through improving the control and monitoring environment within organizations to detect fraud. These results also suggest that keeping the internal audit function within the organization is more effective than completely outsourcing that function.

Key Words: Internal audit, Fraud, Misappropriation of assets

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INTRODUCTION

It is Important things for corporate to save their assets from negative action. Negative action refers to a fraud or criminal action by both internal and external personal. One of the ways to detect or save their asset is the implementation of internal audit. Based on BAPEPAM-LK No. KEP-496/BL/2008, every corporate listed on Indonesia Stock Exchange must have internal audit unit to improve the firm's effectiveness in both financial and non- financial risk control. High profile corporate failures in recent years have focused significant public and regulatory interest on corporate fraud.. In Tambunan`s case of money laundering and tax evasion worth Rp25 billion might be due to the lack of internal control. The same case happens with century gate.

In modern corporations characterized by the separation of ownership and control, auditors play an important monitoring role (Jensen and Meckling 1976; Watts and Zimmerman 1986). Actually, both internal and external auditors emphasize the importance of fraud assessment and detection partly in response to calls by professional bodies, regulatory agencies, and governments. Internal audit functions as part of an organization's corporate governance structure. It is responsible for reviewing and evaluating the performance of firm units than reporting to CEO and audit committee. The result will be a recommendation for the improvement of decision making for managers.

The concept about internal auditor is still a worldview. Up till now the corporate in semarang is not required to have an internal audit. They prefer to use the service from outsourcing firm. Edy (2008) said that Corporate function does not include internal audit. This might be caused by the fact that the corporate is considered to be small in scale or lack of understanding about important of internal auditor role. The notion is supported by research conducted by (Lowe et al. 1999; James, 2003). They suggest that particularly interesting because it puts outsourcing in a different perspective from prior studies, which found that financial statement users do not perceive a difference between internal audit insourcing and outsourcing and companies that outsource believe that an external provider is technically more competent (Carey et al. 2006)

Most of the prior research has focused on eliciting users and company officers' perceptions about the relative value of the two approaches and has generally found that outsourced internal audit is of higher quality (Lowe et al. 1999; James 2003; Carey et al. 2006). They suggest that despite the research findings showing that when the internal audit function is wholly outsourced it is *perceived* to be of higher quality this does not necessarily follow that it will be more effective for the following reasons. First, the finding of higher perceived quality could be partially due to reputation effects, although it should be acknowledged that one advantage of outsourcing is that there will be greater independence brought to the task. Second, to be effective time is important, and *ceteris paribus*, much more time is spent on internal auditing by insourced compared to outsourced internal auditors. Third, this greater time will bring a high level of entity specific knowledge to the internal audit function

This study assesses the importance of the internal audit function in detecting fraud within organizations. It also evaluates differences in the effectiveness of fraud detection between organizations that choose between different internal audit approaches such as: internal audit function within the organization (hereafter insourcing); outsourcing; and a combination of both. Paul, Colin, & Robyn (2008) suggest that organizations with an internal audit function are more likely than those without such a function to detect fraud within their organizations. Further, organizations that rely solely on outsourcing for their internal audit function are less likely to detect fraud than those that undertake at least part of their internal audit function themselves. These findings suggest that internal audit adds value through improving the control and monitoring environment within organizations to detect fraud.

THEORY, HYPOTHESIS AND RESEARCH QUESTION DEVELOPMENT

Good Corporate Governance

Currently the issue of good governance is widely regarded as one of the key ingredients for poverty reduction and sustainable development. It can be achieved in an enabling economic environment responsive to the basic needs of the people. It requires sound economic management and the sustainable use of resources as well as the promotion of economic and social rights (*Palamagamba, 2008)*.

In modern corporations characterized by the separation of ownership and control, auditors play an important monitoring role (Jensen and Meckling 1976; Watts and Zimmerman 1986). Stakeholders rely on financial information provided by management for investment, financing and other decisions. To assure users of the veracity of the financial statements, management hires independent auditors to attest to the reliability of the statements. However, management controls the process of hiring and firing independent auditors and there are quasi-rents associated with auditing contracts (DeAngelo 1981a, 1981b). Auditors therefore have incentives to yield to pressures from management. This implies that the reliability of the information contained in audited financial statements depends upon the level of independence of the auditor (Becker et al. 1998). Independence of auditor was hoped can help to improve good corporate governance.

One of all mechanism of good governance is internal audit. Internal audit will be solve the problem of fraud within organizations and will be give recommendation to director. It's hope can be "righthands" director to control or evaluate performance firm operational. Paul, Colin, & Robyn (2008) suggest that internal audit adds value through improving the control and monitoring environment within organizations to detect fraud.

Fraud

High profile corporate failures in recent years have focused significant public and regulatory interest on corporate fraud. The penalties for fraudulent financial reporting have significantly increased in response to society's view on this type of behavior. For example, Bernard Ebbers the former chairman of WorldCom was jailed for 25 years for orchestrating a $US11 billion financial statement fraud (Belson 2005). These recent wellpublicized frauds have affected the work of the external financial statement auditor. In Australia, the Auditing Standard ASA 240 "The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report" has increased the external auditor's responsibility in this area (Auditing and Assurance Standards Board [AUASB] 2006). It defines fraud as "…an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage." (ASA 240 continues by stating that there are two types of intentional misstatements relevant to the auditor. First, there are misstatements that result from fraudulent financial reporting and second, there are misstatements that result from misappropriation of assets (ASA 240, para. 10). Much of the research to date has examined associations between corporate governance structures and financial statement fraud, some of which is discussed below.

Inconsistent results have been found in relation to audit committee existence and the likelihood of financial statement fraud (Beasley 1996; McMullen 1996; Dechow et al. 1996). However, audit committee effectiveness has been found to reduce the likelihood that companies are sanctioned for fraudulent financial reporting (Abbott et al. 2000). A positive relation was found between concentration of power in the hands of insiders and the likelihood of issuing fraudulent financial statements (Dunn 2004). In Australia, a negative relation has been found between the proportion of independent directors and institutional investors and the likelihood of fraud, while a positive relation was found between duality (chair of board and also the chief executive officer) and the likelihood of fraud (Sharma 2004). One difference from this study to others was that in his measure of fraud Sharma (2004) used both financial statement fraud *and* misappropriation of assets.

One significant difficulty in performing research on fraud is that data availability is limited. The above studies obtained financial statement fraud data from a number of different sources, including the SEC's Accounting and Auditing Enforcement Releases (AAERs) (Beasley 1996; McMullen 1996; Dechow et al. 1996; Abbott et al. 2000; Dunn 2004), the press, including the Wall Street Journal (Beasley 1996; McMullen 1996; Dunn 2004)). In Australia Sharma (2004) obtained his financial statement and misappropriation of assets fraud sample from the Australian Securities and Investment Commission (ASIC) annual report publications and media releases, the press (the Australian Financial Review, Business Review Weekly) and databases containing company announcements and details of legal cases.

While financial statement fraud has been the main focus of public interest and research, the other type of fraud that has received less research attention (except for Sharma (2004)) is misappropriation of assets, which is typically perpetrated by employees. This is probably due to the fact that even less data is available on this type of fraud than financial statement fraud. Despite the fact that ASA 240 describes this type of fraud as "...often perpetrated by employees in relatively small and immaterial amounts" (para. 14), the evidence suggests it is economically significant. It has been estimated that six percent of US company revenues in 2002 were lost through fraud committed by employees (Holtfreter 2004) and of the 491 Australian and New Zealand companies who responded to the KPMG survey in 2004, close to half had experienced a fraud costing them a total of $457 million (KPMG 2004). The vast majority of the fraud reported in the KPMG survey related to misappropriation of assets. Clearly this is a significant problem for many organizations and is the focus of this present study.

In summary, previous research studies have identified reported fraud. However, to be externally reported it is most likely related to a serious breakdown in controls and/or governance structures. The majority of fraud reported related to financial statement fraud where there was the likelihood that senior management have been complicit in the activity. Therefore, it is not surprising that much of this research has found linkages between poor corporate governance practices and this type of fraud. In the current study we look at instances where the fraud of misappropriation of assets is discovered by the organization and examine whether this likelihood varies dependent on one attribute of good corporate governance – internal audit.

Internal Audit

Internal audit is an important part of the corporate governance structure within an organization. Corporate governance includes those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of the financial reporting process (Public Oversight Board 1993). Three monitoring mechanisms have been identified in the corporate governance literature. They are external auditing, internal auditing, and directorships (Anderson et al. 1993, Blue Ribbon Committee 1999) as well as the audit committee (Institute of Internal Auditors [IIA] 2003).

In recent years, high profile corporate collapses have focused attention on corporate governance and also emphasized internal auditing as part of the governance process. The IIA sees the objective of internal auditing as both supporting and strengthening an organization's governance mechanisms and evaluating and improving the effectiveness of risk management and control (IIA 1999). The importance of internal auditing has also been underpinned by the decision of the New York Stock Exchange (NYSE) to amend its listing requirements to mandate that all listed companies in the United States (US) have an audit committee (NYSE 2003) to liaise between internal auditors, external auditors and management, ensuring the independence of the audit function. There is evidence in the US that the Securities and Exchange Commission (SEC) also attaches importance to internal auditing as there have been recent cases where enforcement actions by the SEC and subsequent settlements have required the registrant to engage internal auditors (Carcello et al. 2005). In Australia recent changes to the Corporations Act and the Australian Stock Exchange (ASX) Listing Rules have strongly emphasized the importance of good corporate governance. Given the perceived importance of internal audit as part of good corporate governance, these changes are likely to enhance the role and importance of internal audit in the Australian environment.

Despite the increasing focus on internal audit, there has been little research on the benefits and importance of this function. Studies have used an agency cost framework to illustrate the value relevance of the internal audit function (e.g., Carey et al. 2000; Carcello et al. 2005). While the variables of size, debt or agency are not associated with the presence of an internal audit function in Australian family owned companies, internal and external audit are used as monitoring substitutes by these companies (Carey et al. 2000). A more recent US study examined the size of internal audit budgets and found that they were positively related to company size; leverage; financial, service, or utility industries; inventory; operating flows; and audit committee review of the internal audit budget (Carcello et al. 2005). Results showed that internal audit budgets were negatively related to the percentage of internal auditing that was outsourced. The overall conclusion was that companies facing higher risk will increase their organizational monitoring through internal audit, providing evidence of the importance of the internal audit function.

Gramling et al. (2004) performed a literature review on the role of internal auditing in corporate governance. This review found that the role of an internal audit function in corporate governance has been analyzed using the external auditors' evaluation of its quality, determinants of its reliance decision, the extent and nature of its work relied on by the external auditor and other aspects of the external audit (Gramling et al. 2004). Examination of this literature review shows that the majority of the research on internal audit has been related to the perceptions of the external auditor and whether the external auditor utilizes the internal auditor's work. Another way of evaluating the work of internal auditors is to examine how well they detect errors within an organization and there has been limited research on this topic. One study on this topic found the number and magnitude of errors requiring adjustment by the external auditor have been found to be substantially lower for entities that had an internal audit department compared to those that did not have an internal audit department (Wallace and Kreutzfeldt 1991).

More recently, the role of auditors in detecting fraud as well as errors has received greater emphasis. In Australia additional requirements were imposed on external auditors to consider the possibility of fraud when conducting an audit under AUS 210 (Australian Accounting Research Foundation [AARF] 2004) and more recently ASA 240 (AUASB 2006). It is reasonable to expect that this increased emphasis on fraud awareness and detection affected the internal auditors' duties as well. Even back in the late 1990s, there is evidence that this was occurring in Australia as a survey found that fraud detection was being included in internal audit work (Birkett et al. 1999). Some studies have evaluated the ability of internal auditors to perform fraud-related work. External and internal auditors achieved a high level of consensus in their financial statement fraud risk ratings suggesting that internal auditors are as aware as external auditors of where fraud is likely to be detected (Apostolou et al. 2001). When considering fraudulent financial reporting, internal auditors think that fraud is the reason for an unexpected difference in income when (1) income is greater than expected and (2) when debt covenants are restrictive, conditioned on income being greater than expected (Church et al. 2001). The focus of these studies has been financial statement fraud.

The nature of the internal audit function is also an important consideration that may potentially affect its value to an organization. Companies may use their own staff (in source), use an external firm (outsource) or a combination of the two. While outsourcing the internal audit function does not significantly affect users' perceptions of auditor independence or financial statement reliability (Lowe et al. 1999) or their perception of protection from financial statement fraud (James 2003), companies that decide to outsource perceive that external providers are technically more competent (Carey et al. 2006). However, a limitation with these prior studies is that they were performed by measuring perceptions not actual performance. Given that many organizations make decisions about whether to in source or outsource their internal audit function, the quality of performance of these respective functions is an issue that warrants more examination than just “perceptions”. Reviewing the internal audit literature shows limited research on the importance and benefits of internal audit *per se* or the relative importance of in sourcing compared to outsourcing the internal audit function. The present study addresses these questions by examining how effective the internal audit function is in detecting and reporting fraud.

Hypothesis and Research Question

One of the firm important function is internal audit. The internal audit function is an important function that has been shown to add value (Carey et al. 2000; Carcello et al. 2005) and reduce detected errors by external auditors (Wallace and Kreutzfeldt 1991). Its objectives are to improve the effectiveness of risk management, control, and governance (IIA 1999) and it is considered an important governance tool to protect corporations from internal criminal behavior (Nestor 2004). Further, the professional literature suggests that internal audit is a vital tool in fraud detection when assets are misappropriated by employees or outsiders (Luehlfing et al. 2003; Marden and Edwards 2005; Belloli 2006). Therefore we expect that the ability to detect fraud is enhanced for organizations that have an internal audit function compared to those that do not. Based on the literature, we will be concluded the first hypothesis :

Ha1: There are significantly different between Organizations that have an internal audit function and organizations that do not have an internal audit function.

One task of internal auditing is to ensure that controls are in place that will detect fraud and also to report fraud, which is supported by the professional literature that shows whistle blowing and investigations by the insourced internal auditor are an effective fraud detection device (Morgan 2005). Generally, There are two kinds of internal auditor in practice. They are Insourcing and Outsorcing internal audit. Our expectation is that due to the greater time available and knowledge of the entity, insourced and outsourcing internal auditors will be more likely to detect and report fraud. Based on the literature, we will be concluded the second and third hypothesis :

Ha2: Organizations that insource at least part of their internal audit function can effect reduce risk fraud.

Ha3: organizations that completely outsource their internal audit function effect on detect fraud.

RESEARCH METODOLOGY

Population is all of internal auditor that worked in Semarang. The samples were collected from survey to internal audit data through a questionnaire mailed to organizations who work on corporate and direct interview to internal auditor. Samples choosed used purposive sampling with criteria's : firm have internal audit since 2008 and active implied in firm. Internal audit measured by asked responding organizations whether they had an internal audit function and who performs that function, as well as other questions about the size of the internal audit function. To measured fraud we used instrument that government by Paul, Colin, & Robyn (2008) from the 2004 KPMG Fraud Survey. Fraud was defined in the KPMG Survey (KPMG 2004) as: Any dishonest activity involving the extraction of value from a business, directly or indirectly, regardless of whether the perpetrator benefits personally from his or her actions.

Respondent Data

There were 10 corporate receiving sufficient details of the internal audit survey. From the initial mail out and a follow up mail out to non-respondents, the total number of replies was 5 corporate, giving a response rate of 50 percent. Table 1 shows the range of industries and government sectors that participated. The organizations are also economically very significant with mean revenue of $180 and a mean number of employees of 500 persons.

Table 1 shows the numbers of organizations in each category that reported about fraud audit to researcher. To measure the internal audit function we asked responding organizations whether they had an internal audit function and who performs that function, as well as other questions about the size of the internal audit function. From the sample, 100 percent had an internal audit function. The performance of the internal audit was as follows: own staff 40 percent; and external firm 60 percent.

Table 1
Data of Responden

No	**Name of Corporate**	**Spacial Industries**
1	University of Islamic Sultan Agung	Education
2	High School	Education
3	PT. BAP	Business
4	Islamic Sultan Agung Hospital	Health
5	CV. Aneka Ilmu	Business

Fraud Survey Data

The Data were analyzed in term of its characteristic of internal audit and impact on corporate performance. The amount of fraud reported in the survey was for the two year period before the survey was administered. This is obviously a percentage of the total fraud that would have been perpetrated against these organizations during that period. The total fraud is an unknown quantity. In a search from 2007 to 2008, only 10 cases were found where there had been misappropriation of a company’s assets, only 7 related to falsification of financial information, and 10 cases were found to have an associated with the on unethical staff members, so giving a total of 27 fraud firms. The period shows that there is no internal audit that has to control and evaluated their performance.

In a period 2009, only 5 cases were found where there had been misappropriation of a company’s assets, only 3 related to falsifying financial statements and 2 cases were found there had been on undisciplined work, So giving a total of 10 fraud firms. This period show that effectively role of internal audit to control and evaluated their performance.

RESULTS

Descriptive Statistics

Table 2 shows descriptive statistics of survey result about Form of Internal audit (both Insourcing and Outsorcing), performance of internal audit, and findings of frauds by internal auditor both before and after implanted internal auditor. Averagely, Corporates which have Insourcing internal auditor about 46 % and Outsourcing Internal auditor about 54%. The mean of performance of internal audit is good because average of performance value is 4,8. The findings of fraud by internal auditor before implemented of internal audit is 4.6. It's bigger than findings of fraud audit after implemented internal audit about 1,6.

Table 2

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
IA_Insourcing	5	.00	1.00	2.30	.4600	.36469
IA_Outsourcing	5	.00	1.00	2.70	.5400	.36469
Performance	5	4.00	5.00	24.00	4.8000	.44721
Fraud_AuditBefore	5	4.00	5.00	23.00	4.6000	.54772
Fraud_AuditAfter	5	1.00	2.00	8.00	1.6000	.54772
Valid N (listwise)	5					

Based on table 2, we can see that Fraud is more occur on corporate that don't have internal auditor than corporate with internal auditor. So internal audit have important role for firm to control operational or performance management to be more effective. If we look on the number of findings before and after implemented of internal audit, there are significantly different. This result suitable with paired t-test result which further examined in table 3.

Table 3
Paired Sample T-Test

		t	df	Sig. (2-tailed)
Pair 1	Fraud_AuditBefore - Fraud_AuditAfter	9.487	4	.001

Table 3 compares result of fraud findings by internal audit before and after organizations with an internal audit function. The result of comparison mean is t-test : 9,487 and p = 0.001. It's can concluded that Ho1 is refused and Ha1 is accepted, so the first hypothesis was accepted. It suggest that frauds for organizations with internal audit compared to no internal audit shows that the number of reported frauds was significantly higher for organizations without internal audit. From the descriptive statistics in Tables 1, 2 and 3 it can be seen that the data were very skewed. Tests of normality were performed and the data were found to not be abnormal with outliers. This is why Mann Whitney tests were performed on the above comparison and rank order data was used in the primary tests. These tests on the data reported in Table 2 and 3 also show that the size of the organization is significantly and positively associated with the likelihood of reporting fraud and having an internal audit function. The primary tests were therefore performed whilst controlling for size.

Primary Tests

We performed primary tests using analysis of regression to assess whether there was a significant association between organizations with an internal audit function and the number and value of their self-reported level of fraud. We also included the number of employees as a control variable because an organization’s size is expected to be significantly related to the number and value of self-reported fraud. Due to the concerns about the normality of the data: the number of employees; number of frauds; and total value of frauds were converted into ranked data for the analysis. This is a method suggested by Kachelmeier and Messier (1990) when there are significant concerns with data normality. The results reliability and validity show that data is reliable and valid. So we can analyze this data using regression to analyze effect of internal audit version insourcing and outsourcing. Table 4 and table 5 respectively show regression result for internal audit version insourcing and outsourcing as dependent variable :

Table 4
Regression test
(Internal audit insourcing as Independent variable)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.227	.183		12.148	.000
	IA_Insourcing	-1.364	.345	-.739	-3.950	.002

a. Dependent Variable: Fraud_AuditAfter

Table 4 shows that beta or coefficient is -1.364, and t-value is -3,950 with level of significance 0.020 . in conclusion, Ho2 is refused and Ha2 is accepted, so the second hypothesis was accepted. So there is significantly negative association between frauds and insourcing internal audit approach. Relating these results to Hypothesis 2, they show that there is a negative relation between the existence of an internal audit function and the propensity to occur fraud action. So, internal audit can reduce both financial and reporting fraud. The assessment of the effect of outsourcing internal audit approach on fraud is shown on table 5.

Table 5
Regression test
(Internal audit outsourcing **as** Independent variable)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.864	.208		4.158	.001
	IA_Outsourcing	0.756	.345	.739	2.890	.012

a. Dependent Variable: Fraud_AuditAfter

Table 5 shows that beta or coefficient is 0.756, and t-value is 2.890 with level of significance 0.012.In conclusion, that Ho3 is refused and Ha3 is accepted, so the second hypothesis was accepted. Based on the result, there is interesting phenomena. There is significantly positive association between fraud and the organization having an internal audit outsourcing. It shows that organization having an internal audit outsourcing is more likely to have frauds. It indicated that the internal audit will help criminal to do fraud.

DISCUSSION

These results show that organizations with an internal audit function are more likely to detect and report fraud than those that do not. It is also shown that having internal audit insourcing is more effective in detecting and reporting fraud than completely outsourcing the internal audit function. It supports the previous research findings conducted by Paul, Colin, & Robyn (2008) suggesting that internal audit adds value through improving the control and monitoring environment within organizations to detect fraud. These results are important for many groups such as investors, regulators, and corporate managers and directors because it provides evidence on the benefits and value of the internal audit function, which illustrates its importance in the corporate governance framework of an entity. This evidence on the benefits and value of internal audit relate to the very topical area of fraud detection and reporting. The measure of fraud used in this study is unique. Most prior studies have operationalized fraud using externally reported financial statement fraud. This has not surprisingly been associated with poor corporate governance because the occurrence of a fraud within an entity reaching the public domain would suggest a breakdown of the governance and/or controls within an entity. This study indicated that a very rich data source and primarily relates to fraud associated with misappropriation of assets by employees or management. The fact that this data is self-reported is a key difference as organizations with poor controls will be unaware of fraud and organizations with good controls will be more aware of fraud because they are more likely to have detected it. However, the overriding benefit from using this data is that it is unique in that is provides some insights on factors associated with the ability to detect misappropriation of assets, which is economically significant for many organizations and the economy. It also encompasses a range of organizations in the economy, not just corporations.

CONCLUSION AND FUTURE DIRECTIONS

These results suggest that there is an interesting phenomenon. The system of Outsourcing internal audit is likely to cause more fraud. It is shown with the value of regression coefficient about 0.756. It can be concluded that there is significantly positive relationship between outsourcing internal audit and fraud. The more a corporate relies on the internal audit outsourcing, the more likely that the fraud the corporate will have. this is due to lack of communication and experience of outsourcing internal audit about client and outsourcing internal audit is more susceptible to bribery by the client to report good news than the bed one.

A limitation in this study is the fact that having internal audit may be associated with organizations with good governance and internal controls, i.e. it is therefore these other factors that increase the propensity to detect the fraud rather than internal audit. There are many other areas of future research from the issues explored in this study. First, the effectiveness and importance of internal audit within organizations should be examined further in different ways. Most of the prior research has merely focused on perceptions from external auditors in this area without trying to measure tangible benefits. Second, auditors' responsibilities for fraud detection have clearly increased in recent years. There should be more research on ways to improve auditors' abilities in this area.

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KARAKTERISTIK RESPONDEN

1. Umur
   ☐ < 20 ☐ 21-35 ☐ 36-50 ☐ > 50
2. Jenis Kelamin
   ☐ Laki-laki ☐ Perempuan
3. Status Internal Auditor Pekerjaan
   ☐ Insourcing ☐ Outsoucing ☐ Keduanya
4. Tahun Pembentukan Internal Audit
   ………………………………………………………………………………
5. Lama menjadiInternal Audit
   ☐ < 1 tahun ☐ 1 – 3 tahun ☐ 4 – 6 tahun
   ☐ > 6 tahun.

A. Kinerja (X_1)

No	Pernyataan	Penilaian ke-				
		I	II	III	IV	V
1.	Bagaimanakah tingkat pengendalian yang dilakukan oleh internal audit					
2.	Bagaimanakah tingkat kecurangan yang ditangani oleh internal audit					
3.	Bagaimanakah kinerja perusahaan setelah adanya internal audit					
4.	Bagaimanakah tingkat keamanan aset yang dimiliki perusahaan					

B. Froud/Kecurangan (X_2)

No	Pernyataan	Jumlah	
		Sebelum	Sesudah
1.	Tingkat Kecurangan Penggunaan Dana/Kas Perusahaan		
2.	Tingkat Kecurangan Penggunaan Persediaan Perusahaan		
3.	Kesalahan Pencatatan/Penjurnalan Transaksi		
4.	Kesalahan Pengakuan/penilaian Aset Perusahaan		

Ket : Sebelum artinya sebelum internal audit ada
Sesudah artinya setelah internal audit ada