The Influence of Independency, Professionalism, and Integrity on Fraud Prevention With Leadership Style As Moderating Variable

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Abstract:
This research aims to analyze the influence of independence, professionalism, and integrity against fraud prevention with leadership style as moderating variable. This research uses a survey method with a questionnaire instrument to collect data. Data collection in this research was carried out by distributing questionnaires to respondents directly. The results of this research indicate that First, independence has a significant positive effect on fraud prevention. Second, professionalism has a significant negative effect on fraud prevention. Third, integrity has a significant positive effect on fraud prevention. Forth, leadership style not moderate the influence of independence on fraud prevention. Fifth, leadership style can moderate the influence of professionalism on fraud prevention. Sixth, leadership style not moderate the influence of integrity on fraud prevention.
Introduction

Fraud prevention is a management activity in terms of setting policies, systems, and procedures, the aim of which is to ensure that every part of the organization including the board of commissioners, directors, and employees of the company has achieved reliability in financial reporting, effectiveness, and efficiency of company operations as well as compliance with applicable laws and regulations (COSO, 1992). Internal supervision carried out by the Inspectorate provides an alternative for increasing efficiency and effectiveness as well as preventing potential failures of the management system and government control system (Sholehah, 2018).

The government public sector is an institution that run the wheels of government whose source of legitimacy comes from the community. Therefore, the trust given by the community to government administrators must be balanced with a good government. Along with the emergence of demands from the public for public sector organizations to maintain quality, in carrying out their activities and to ensure public accountability by the public sector. Accountability for the use of funds for the administration of government should be supported by a sufficiently reliable supervision to ensure an equitable distribution of funds in all public sectors so that the effectiveness and efficiency of the use of funds can be accounted.

Inspectorate as the government’s internal auditor that was often called as the Government Internal Supervisory Apparatus (APIP,) has a function as a leading institution from the internal government to prevent fraud in the government, both central and regional. Internal auditors have the task of testing and evaluating systems and procedures that have been systematically designed and implemented properly and correctly through monitoring, supervision and inspection in each unit (Mulqiani, 2021).

Auditors need to identify and understand the modes that group of people may plan to commit irregularities to prevent and detect and investigate fraud,. Law of the Republic of Indonesia Number 19 of 2019 concerning the Second Amendment to Law Number 30 of 2002, concerning criminal acts of corruption in Indonesia. In various surveys conducted in Indonesia and abroad, it is stated that the fraud phenomenon has now reached its peak and this condition has often occurred and puts Indonesia in a fairly low position as a corrupt country. This is very concerning and needs full attention from the government and the parties involved. Therefore, it can be seen the importance of preventing fraud (Sulistiyanti, 2020).

The occurrence of fraud can also occur due to the lack of control or supervision which makes someone more free to make deliberate mistakes. In line with this, the government needs to carry out supervision that involves internal auditors who have the important role in correcting and finding fraud that occurs (Sulistiyanti, 2020).

Internal auditors have a function to assist in preventing and detecting fraud that could occur in organization. For this reason, an auditor’s ability to detect fraud, is needed such
as independence, having an attitude of professionalism and integrity (Sulistiyanti, 2020).

Internal audits must be carried out in an expert manner and with professional rigor. Professional skills are mandatory for every internal auditor. In each audit, the head of internal audit must assign people who collectively or wholly have knowledge and abilities from various disciplines, such as accounting, economics, finance, statistics, electronic data processing, taxation, and law, which are necessary to carry out the audit accurately and quickly. The leadership of the internal audit must be able to provide assurance or certainty that the technical education background of the internal examiners is in accordance with the type of examination to be carried out. However, each member in the internal audit department does not need to have qualifications in all of these disciplines (Fachruroji, 2020).

Independence reflects an attitude of impartiality and not being under influence or certain parties in taking action and decision (Tuanakotta, 2014). The auditor's inability to detect fraud is caused by factors originating from the auditor himself (internal factors) and factors originating from non-auditors (external factors). The internal factors in question are auditor independence and auditor skepticism, and external factors include auditor competence and audit training (Ferramosca and Allegrini, 2018). An auditor, in carrying out professional work, must have competence. (Liahmad et al., 2020), (Madawaki et al., 2021).

Leadership style is very important to be considered by a leader. A good leadership style is a leadership style that is able to motivate employees to work. The attitude of the leader is an example of the attitude of his subordinates (FL Wijayanto, 2020). Likewise, the leadership style can shape the ethical behavior of subordinates through the rules set in the organization so that ethical behavior can minimize the occurrence of fraudulent acts committed by subordinates, and the right leadership style and motivates subordinates can lead to fraud (Indrapraja et al., 2021).

Cases of fraud in Indonesia its always increase, the increasing number of corruption cases in Indonesia can be seen in the declining corruption perception index score, Transparency International Indonesia (TII) has released the Corruption Perception Index (IPK) or the Indonesian Corruption Perception Index (CPI) in 2020. Indonesia's current score is 37 on a scale 0-100. As for the score 0 is very corrupt points to rank 102 out of 180 countries assessed for its GPA. Previously in 2019 Indonesia was at a score of 40 and ranked 85. When compared to Southeast Asian countries, Indonesia's GPA is ranked fifth below Singapore (85), Brunei Darussalam (60), Malaysia (51), and Timor Leste (40) (detikfinance.com, 2021).

Fraud prevention is very important to do because it will have an impact on the community. The community in this case is the person who contributes in the form of taxes to the government, then it is misused by certain parties, as from the Indonesia Corruption
Watch report which said that there were 169 cases of irregularities in the form of corruption in 2020 that occurred, one of which was regarding the corruption of social assistance that occurred this year which was very detrimental to the state because the amount of aid that was misused reached billions and even trillions which was used by corruptors for their own interests (Sulistiyanti, 2020).

The phenomenon that the researchers encountered was the finding of the Regional Government Financial Statements (LKPD) of the Banten Provincial Government for the 2016 Fiscal Year showing an increase in opinion on the Regional Government Financial Statements (Banten Province LKPD for the 2015 Fiscal Year, BPK providing an Unqualified Opinion (WTP) for the Government Financial Statements. Regions (LKPD Fiscal Year 2016-2020. However, although Banten Province has received an Unqualified Opinion (WTP), but based on the results of the KPK in 2022, the province is in the Top 10 most corrupt provinces with 24 cases (detikfinance.com, 2021).

Another case finding regarding the procurement of masks was in the public spotlight in 2020 in Banten Province, a series of cases of alleged corruption that occurred when obtaining an Unqualified Opinion (WTP) from the RI BPK. It was said by Member VI of the RI BPK Harry Azhar Azis in the plenary meeting of the Banten Provincial DPRD with the agenda of submitting the Banten Provincial Government Financial Report (LKPD) for the 2020 fiscal year at the Banten DPRD Secretariat, KP3B, City of LHP BPK RI Serang, Monday 24 May 2021 (Kompas.Com, 2021).

Several researchers in Indonesia have researched on Independence and Professionalism. (Rohmanullah et al., 2020) proves that independence and professionalism have a positive effect on audit quality. This research is in line with (Sulistiyanti, 2020) that independence, professional skepticism have a significant effect on APiP's ability to detect fraud. Several other researchers, among others, (Da Veiga & Major, 2020) in the United States concluded that auditor independence had a positive effect on fraud prevention. Internal auditor competence, independence of internal auditors and professionalism of internal auditors have a positive effect on fraud (Windasari & Juliarsa, 2016). In addition, that the competence of internal auditors.

In the field of financial auditing, various studies have highlighted the gap between the formal discourse on auditor independence and auditor behavior in practice. In particular, various authors have pointed out that financial auditors are increasingly subject to the influence of commercialism, thereby threatening the principle of auditor independence. Concerns about independence have also been raised in the domain of government auditing (Wolfe & Hermanson, 2004). Meanwhile, Maria do Rosário Da Veiga (2019) in Portugal stated that Integrity has a positive effect on fraud prevention. High standards of integrity that include professional excellence to be carried out in the organizational unit where the task is assigned (Oliver, 1999).

Previous research conducted by (Indrapraja et al., 2021) concluded that leadership...
style can reduce the risk of fraud, and the right leadership style can motivate subordinates to minimize fraud. This research is in line with (FL Wijayanto, 2020), that leadership style can moderate fraud, because when employees have a good commitment to the organization, especially supported by the right leadership style, the tendency of employees to commit fraud is low.

The selection of the Inspectorate of Banten Province as the object of this research is that still include into limited research in the field of government, where when there is fraud in the government sector, it can be seen that the internal auditors in the government show that the inspectorate auditors are weak, not yet professional and do not have independence and their role as internal auditors have not been consistent. Therefore, the researcher conducted this research at the Regional Inspectorate of Banten Province. Fraud prevention must be accompanied by the role of internal auditors who act as supervisors and professionalism because, in supervising and evaluating internal auditors, they must be based on an honest and impartial attitude. Banten Province is also one of the provinces in Indonesia that is included in the top 10 corrupt provinces with 24 cases recorded by the KPK and there are still many corruption cases in Banten Province even though they have received WTP opinions. So the researchers conducted this study to find out how the auditor's actions to prevent fraud that often occur.

This research is a development of previous researchers conducted by (Karamoy, 2015). The difference between this study and previous research is that the addition of moderating variables, namely leadership style and integrity, was added to obtain more in-depth results from the relationship between variables. The leadership style used as a moderating variable with the aim of the right leadership style can reduce the occurrence of fraud prevention. The second difference is that in this study, the integrity variable is added as an independent variable. Where honesty in the world of work is fair, honest and actually is the quality that underlies the public. In accordance with the function of internal auditors, they must strive to eliminate or minimize the causes of incidents with professionalism, independence and integrity. Because prevention is easier than overcoming in the event of a disaster.

The main theory that use by this research is the theory of plan behavior. The theory of plan behavior is a theory that states that a person's behavior is influenced by their perception. A person's actions in performing a behavior are influenced by that person's interest in behaving. Interest is influenced by the person's attitude to behavior, behavior is influenced by subjective norms and perceived behavioral control (Ajzen, 1991).

Ajzen (1991), says that a person's intention is assumed to capture the motivational factors that influence a behavior, which is indicated by how hard an individual plans to try to perform the behavior. Furthermore, TPB postulates that conceptually the intention has three independent determinants, namely attitudes, subjective norms, and perceptions of behavioral control. The relative levels of these three determinants can vary in various behaviors and situations, so that in its application it may be found that only attitudes
affect a person's intention to take certain actions. Other conditions, attitudes and perceptions of behavioral control are sufficient to explain the intention, or even all three show the same effect.

The Theory of Planned Behavior (TPB) is relevant to explain behavior in preventing fraud. Motivation from within the auditors by increasing the attitude of independence, professionalism and integrity in the work area of the Banten Provincial Inspectorate is something that must be instilled in every auditor.

Research Method

This research is a quantitative research. The subject of this research is all Government Internal Supervisory Apparatus (APIP) at the Inspectorate of Banten Province, which consists of 84 employees. This research uses a survey method with a questionnaire instrument to collect data. Data collection in this research was carried out by distributing questionnaires to respondents directly. This research uses one endogenous variable, namely the prevention of fraud, one mediating variable, namely leadership style, and three exogenous variables, namely independence, professionalism, and integrity.

Based on grand theory, previous research, and research hypotheses, the theoretical framework of this research can be illustrated in Figure 1.

![Figure 1. Theoretical Framework](https://equatorscience.com/index.php/jabter)
Result and Discussion

Figure 2. The Algorithm Model of SmartPLS

Table 1. Path Coefficients

| No. | Research Hypothesis                          | Original Sample (O) | T Statistics (|O/STDEV|) | P Values | Description       |
|-----|----------------------------------------------|---------------------|----------------|----------|------------------|
| H1  | Indepedency → Fraud Prevention               | 0,373               | 3,080          | 0,002    | Accepted         |
| H2  | Professionalism → Fraud Prevention           | -0,350              | 2,229          | 0,026    | Not Accepted     |
| H3  | Integrity → Fraud Prevention                 | 0,652               | 4,009          | 0,000    | Accepted         |
| H4  | Leadership Style → Independency → Fraud Prevention | -0,196          | 1,426          | 0,154    | Not Accepted     |
| H5  | Leadership Style → Professionalism → Fraud Prevention | 0,553              | 2,546          | 0,011    | Accepted         |
Based on the results of testing the research hypothesis in the table above, it was obtained that the t-count on the research hypothesis 1 was < 1.96 and the p-value of the research hypothesis 1 > 0.05. This shows that H1 is rejected, so that hypothesis 1 in the research is not proven or cannot be accepted. Meanwhile, for the results of testing hypothesis 2 to hypothesis 5 research in the table above, the t-count on the research hypothesis is > 1.96 and the p-value of the research hypothesis is < 0.05. This shows that the research hypothesis 2, 3, 4, 5 is proven or can be accepted.

1. Independence on Fraud Prevention

The coefficient value for the relationship of the Independent variable on Fraud Prevention is 0.373, and the p-value is 0.002 <0.05, then H0 is rejected. These results indicate that independence has a positive and significant effect on Fraud Prevention with a significance level of 5%. Thus, the first hypothesis (H1) is accepted and independence shows a significant positive influence on Fraud Prevention.

Independence is an attitude and action in an examination that is objective and free from conflicts of interest in carrying out professional responsibilities. Independence in auditing means an impartial perspective in the implementation of tests, evaluation of examination results, and preparation of audit reports, the independent mental attitude must include Independence in fact and Independence in appearance. From the statement above, it can be concluded that independence is a neutral attitude, action and perspective that is not impartial and is not influenced by anyone when carrying out the audit process.

The results of this study are supported by the theory of planned behavior which is used that someone who has an independent attitude will think more about goals and is not justified in taking sides with anyone's interests, therefore independence has a positive influence on fraud prevention. As is the case with research conducted by (Made Yunita Windasari, 2016), (Rini Sulistiyanti, 2020), (Herman Karamoy Heince RN Wokas, 2015), and (Rifqa Ayu Dasila, 2019) which states that independence has shown significant positive results against fraud prevention.

2. Professionalism on Fraud Prevention

The coefficient value of Professionalism on Fraud Prevention is -0.350, and the p-value is 0.026 <0.05, then H0 is accepted. These results indicate that Professionalism has a negative but significant effect on Fraud Prevention at a significance level of 5%. Thus, the second hypothesis.

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The level of professionalism of every individual, can be assessed from the extent to which the quality of the individual work or profession in their organization. The results of this study prove that professionalism has no effect on fraud prevention, while the moderating variable, namely leadership style, can moderate/strengthen the relationship between professionalism and fraud prevention. This shows that professional commitment is not strong enough to make employees in the organization to prevent fraud that occurs in the organization, but with a leadership style, employees can be more focused in the organization to act according to what is exemplified and desired by the leader, so means to strengthen the professionalism by individual, its need support from the good leadership style in organization.

3. Integrity on Fraud Prevention

The coefficient value of Integrity on Fraud Prevention is 0.652, and the p-value is 0.000<0.05, so H0 is rejected. These results indicate that Integrity has a positive and significant effect on Fraud Prevention at a significance level of 5%. Thus, the third hypothesis of Integrity (H3) is accepted and Integrity shows a significant positive influence on Fraud Prevention.

Integrity is a trait or attitude which maintains the profession and is able to expand public trust with responsibility. Currently, the most effective approach in preventing fraud is by increasing the standard of governance, one of which is by increasing the attitude of high integrity. This means that if the integrity of the employee is high, the fraud that occurs will be lower.

The results of this study are supported by the theory of planned behavior which is used that someone who has a high attitude of integrity will suppress fraud that occurs, therefore integrity has a positive influence on fraud prevention.

In line with the concept stated above, empirically several previous studies have proven that the attitude of integrity has a significant positive relationship to fraud prevention. As is the case with research conducted by (Mohammad Husen Rifai, 2020), and (Maria do Rosário Da Veiga et al., 2019) which stated that integrity was proven to show significant positive results on fraud prevention.

4. Leadership Style as Moderating The Independence on Fraud Prevention

The coefficient value of independence on fraud prevention with leadership style as a moderation variable is -0.196, and the p-value is 0.154 > 0.05, so H0 is accepted. These results indicate that independence has a negative effect on fraud prevention with a moderating of leadership style and is not statistically significant at the 5% significance level. Thus, the fourth hypothesis (H4) is rejected and leadership style can not moderate the relationship of independence on fraud prevention.

The style of leadership really needs to be considered by a leader. A good leadership style is a leadership style that is able to motivate employees to work. A leader who is not firm in leading an organization then his employees will tend to commit fraud. The results
of hypothesis testing prove that leadership style cannot strengthen the influence of independent variables on fraud prevention.

The results of this study do not support the results of the study (Frans Leonard Wijayanto, 2020) namely leadership style as moderating independence towards fraud prevention. So based on the historical research, can be concluded that a good leadership style does not affect the attitude of employee independence.

5. Leadership Style as Moderating Professionalism Against Fraud Prevention

The coefficient value of Professionalism on Fraud Prevention with Leadership Style as a Moderation variable is 0.553, and the p-value is 0.011 < 0.05, then H0 is rejected. These results indicate that Professionalism has a positive effect on Fraud Prevention with a moderating effect of Leadership Style, at a significance level of 5%. Thus, the fifth hypothesis (H5) is accepted and professionalism has a significant positive effect on fraud prevention with leadership style as a moderating variable.

An effective leadership style is needed to improve the professionalism of all employees in achieving organizational goals as a public service agency. The role of leadership will be important and needed to harmonize various kinds of needs and also create a conducive working atmosphere, besides that it can encourage employees to behave in accordance with the organizational goals set.

The results of this study support the results of research conducted by (M.Haykal Daditullah, 2021), namely leadership style as moderating professionalism towards fraud prevention. A good leadership style can be in the form of good relations between superiors and subordinates in the form of a good separation of duties so that the communication process runs smoothly. Therefore, employees with the capability will think twice about being inclined to commit fraud if there is a firm leadership style in their organization. This is because organizations with a good leadership style will always monitor their subordinates so that it will be difficult for capable employees to tend to commit fraud so that a professional attitude will be formed.

6. Leadership Style as Moderating Integrity Against Fraud Prevention

The coefficient value of the Integrity of Fraud Prevention with Leadership Style as a Moderation variable is -0.291, and the p-value is 0.129 > 0.05, so H0 is accepted. These results indicate that Integrity has a negative effect on Fraud Prevention with a moderating effect on Leadership Style and is not statistically significant at the 5% significance level. Thus, the sixth hypothesis (H6) is rejected and Integrity has no significant negative effect on Fraud Prevention with Leadership Style as a moderating variable.

Previous research has examined the causes of fraud with various factors. Various causes that influence someone to commit fraud, including leadership style. Leadership style is included in the pressure factor that can cause subordinates to commit fraud.

The results of this study support the results of research conducted (Indrapraja et al.,

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showing that leadership style has no effect on fraud. These results prove that the leadership style does not moderate integrity towards fraud prevention, where a person's attitude of integrity cannot be influenced by a good leadership style.

**Conclusion**

Based on the results of the discussion above, it can be concluded that independency and integrity of the employees are needed for prevent fraud in organization. From this research also we can conclude that leadership style that moderate the relationship of professionalism is influence the fraud prevention in organization, from here we can know that leadership style is a things that eneeded to be have by the employee in organization especially auditor.

This research has a questionnaire return rate of below 71% which is probably due to the research being conducted during busy periods. This may reduce the accuracy of the results of this research. other than that this research is a data processing sourced from respondents' answers to the questionnaires given, so that the results of the questionnaire are a description of the respondents' perceptions at that time. Thus the results of the same research at other times may be different. Therefore, the results of this research cannot be generalized.

For the next research is expected to expand the scope used with a wider population an larger sample, so that better results are obtain and is expected to be able to use other methods to obtain complete data, for example by conducting direct interviews with respondents in filling out questionnaires, to increase the level of accuracy of research results and better reflect the actual answers and the last, Future research also is expected to add other factors that can affect fraud prevention and add other methods related to fraud prevention research.

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