

Professionalism and Effectiveness of Internal Audit in Fraud Control: A Qualitative Study of A Construction Company in Indonesia

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Abstract

This study is grounded in the gap that fraud control in construction companies has not yet been comprehensively explained through qualitative evidence on how internal auditors maintain professionalism and audit effectiveness while facing organisational pressures. Accordingly, this study aims to examine the professionalism and effectiveness of internal audit in fraud control within a large Indonesian construction company, with particular attention to the structural, social, and psychological pressures encountered by internal auditors. The study is conceptually situated within internal audit professionalism and corporate governance perspectives, which emphasize integrity, objectivity, independence, and accountability in strengthening organisational control. A qualitative case study approach was employed, using thematic analysis based on Braun and Clarke (2006). Data were collected through semi-structured in-depth interviews with two purposively selected internal auditors, designated as DA and IR, from the Internal Audit Unit of the case company. The interview data were supported by document review of audit reports, work guidelines, and supervisory evaluation records. Trustworthiness was ensured through member checking, document triangulation, and peer debriefing. The findings reveal three main themes. First, internal auditors demonstrated professionalism under pressure by maintaining integrity, objectivity, and independence despite structural and social pressures from management, including implicit directives to modify audit findings. Second, internal audit was implemented systematically through the stages of desk audit, field audit, reporting, and follow-up, supported by a risk-based Annual Supervisory Work Programme (PKPT). Third, the effectiveness of internal audit was constrained by structural and institutional factors, particularly the direct reporting line of the Internal Audit Unit to the president director and selective follow-up compliance by operational units. Theoretically, these findings strengthen the understanding of internal audit professionalism and governance effectiveness in the context of construction companies in emerging markets. Practically, the study highlights the need to strengthen internal audit independence, improve audit committee oversight, and enhance auditor training in managing organisational pressure. Future studies are recommended to involve a broader range of participants, compare multiple construction companies, and incorporate perspectives from audit committees and operational management to develop a more comprehensive understanding of fraud control mechanisms.

INTRODUCTION

Fraud in corporate settings imposes substantial economic and reputational harm on organisations, investors, and the broader public. High-profile international cases, including Enron (2001), WorldCom (2002), and Wirecard (2020) illustrate how deficiencies in internal oversight mechanisms can enable large-scale financial misreporting over extended periods. In the Indonesian construction sector, several recent cases underscore the severity of the problem. Alleged

corruption in PT PP (Persero)'s Engineering, Procurement, and Construction (EPC) division (2022–2023) involved fictitious subcontractor invoices, causing estimated state losses of approximately IDR 80 billion (Komisi Pemberantasan Korupsi, 2023). The Sheikh Mohammed bin Zayed (MBZ) toll road project fraud, revealed through KPK investigations, involved pre-arranged tender outcomes, fictitious procurement, and structural non-compliance with engineering specifications, resulting in losses of approximately IDR 510 billion. Similarly, the Waskita Karya case (District Court No. 59/Pid.Sus-TPK/2020/PN Jkt.Pst) involved 41 fictitious work contracts signed by senior officials, causing losses of IDR 202.296 billion, of which only 34% was recovered.

These cases illustrate a recurring pattern: fraud in construction companies is frequently facilitated by weaknesses in internal oversight, manipulated documentation, and collusion at managerial levels. According to the Association of Certified Fraud Examiners (ACFE, 2022), occupational fraud encompasses three categories which are asset misappropriation, corruption, and financial statement fraud and organisations with weak internal audit functions experience significantly higher fraud losses and longer detection times. Indonesian Corruption Watch (ICW) data indicate that 444 corruption cases in 2022 caused losses of IDR 18.6 trillion to the Indonesian public, reinforcing the scale of the problem. Internal audit, when functioning effectively, constitutes a principal organisational defence against fraud. The Institute of Internal Auditors (IIA, 2024) defines internal auditing as an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations by helping it accomplish its objectives through a systematic, disciplined approach to evaluating and improving risk management, control, and governance processes. However, the extent to which internal audit realises this potential in practice, particularly in high-risk sectors and contexts characterised by hierarchical pressures remains an empirically under-examined question.

Prior quantitative studies have demonstrated significant associations between internal audit characteristics and fraud-related outcomes (Bonrath & Eulerich, 2024; Alqudah et al., 2023; Hakim & Suryatimur, 2022). However, such studies offer limited explanation of the underlying mechanisms through which internal auditors respond to organisational pressures, preserve professional judgment, and sustain audit effectiveness in day-to-day practice. This gap is particularly evident in the construction sector, where qualitative evidence remains limited. Construction companies operate in audit environments characterized by geographically dispersed project sites, complex subcontracting arrangements, high transaction volumes, and strong pressures to meet project deadlines and cost targets. These conditions not only increase opportunities for fraud but also make monitoring and control activities more difficult to implement consistently. Against this background, the present study addresses two research questions, which are RQ1: How do internal auditors in a construction company demonstrate professionalism when confronted with organisational pressures that may threaten their independence and objectivity?, RQ2: What structural and contextual factors facilitate or constrain the effectiveness of internal audit in detecting and preventing fraud in a construction company? By examining these questions through a qualitative case study of a large Indonesian construction company, this study contributes sector-specific empirical evidence to the internal audit literature and provides practical insights for strengthening governance mechanisms in high-risk construction environments.

The theoretical foundation of this study draws on internal audit professionalism and corporate governance perspectives. Internal audit professionalism is conceptualised through the IIA's Global Internal Audit Standards (2024), which emphasise integrity, objectivity,

independence, and competence as core professional attributes. Corporate governance theory, informed by agency theory (Jensen & Meckling, 1976), positions internal audit as a key mechanism for reducing information asymmetry between management and stakeholders, thereby strengthening organisational accountability. Roussy and Brivot (2016) further argue that internal auditors navigate dual roles as organisational servants and professional watchdogs, creating inherent tensions when managerial pressures threaten professional independence. Sarens, De Beelde, and Everaert (2009) similarly found that internal auditors frequently encounter conflicts between organisational loyalty and professional obligation, particularly in contexts where top management exercises strong influence over audit activities. These tensions are especially pronounced in the construction sector, where hierarchical organisational structures and project-based work create unique governance challenges (Lukhele, Botha, & Mbanga, 2022). The fraud triangle framework (Cressey, 1953), comprising pressure, opportunity, and rationalisation, further provides a conceptual lens for understanding how fraud risk arises in complex project environments and how internal audit can intervene at each vertex of the triangle through preventive and detective controls.

METHODS

This study used a qualitative research design to examine the role of internal audit in controlling fraud within a construction company. A qualitative approach was considered appropriate because it enables an in-depth understanding of social phenomena by exploring the meanings, experiences, and perspectives of individuals involved in a specific context (Sugiyono, 2020). This approach is flexible, descriptive, and interpretive, allowing the researcher to understand the effectiveness of internal audit, as well as the supporting and inhibiting factors in fraud control, from the perspectives of auditors and management (Moleong, 2017; Sahir, 2021).

The research object was the internal audit system and fraud control mechanisms implemented in a construction company. Data were collected through interviews and documentation. The interviews were primarily conducted using a structured format with informants directly involved in internal audit activities, including the Head of the Internal Supervisory Unit and internal auditors responsible for performance audits, financial audits, reviews, and evaluations. Semi-structured and unstructured interviews were also used when necessary to obtain deeper information and to allow further exploration of participants' responses until data saturation was achieved. Documentation was conducted by reviewing relevant company documents, including internal audit reports, internal control policies, procedures, organizational records, previous studies, and journal articles related to the research topic (Moleong, 2017).

The unit of analysis focused on internal audit practices related to fraud control. The collected data were classified based on several indicators, including audit planning, field audit implementation, reporting, follow-up actions, auditor independence, fraud prevention strategies, fraud control mechanisms, and monitoring of audit recommendations. The data were then

interpreted using internal audit theory, internal control systems, and the fraud triangle framework to understand how internal audit contributes to fraud prevention, detection, and mitigation.

Data analysis was conducted using thematic analysis. The process began with organizing interview transcripts, documents, and field notes, followed by identifying relevant information, coding the data, grouping similar codes into themes, reviewing the consistency of each theme, and formulating final categories supported by empirical evidence. The analysis was conducted both inductively from the field data and deductively based on relevant theories and previous studies. This process aimed to produce a systematic interpretation of the role of internal audit in strengthening fraud control within the company (Sugiyono, 2020).

The study received ethical clearance from the STIESIA Surabaya Postgraduate Research Ethics Committee. All participants provided written informed consent before data collection and were informed of their right to withdraw at any stage without consequence. The company name was anonymized, and participant identifiers, including DA and IR, were used to replace real names. Interview recordings and transcripts were stored in encrypted form, accessible only to the research team, and will be deleted three years after publication.

RESULTS AND DISCUSSION

Thematic analysis generated three principal themes, each with constituent sub-themes. Table 1 provides an overview of the thematic structure.

Table 1. Thematic Structure of Findings

Theme	Sub-themes	Primary Source
1. Auditor Professionalism Under Pressure	1a. Maintaining independence under structural pressure 1b. Social pressure and collegial dilemmas 1c. Moral courage and ethical commitment	Interviews (DA, IR); audit reports
2. Systematic Audit Execution in a High-Risk Environment	2a. Risk-based planning (PKPT) and triangulation 2b. Field audit rigor 2c. Multi-layered reporting mechanism	Interviews (DA, IR); PKPT documents; audit reports
3. Structural Constraints on Audit Effectiveness	3a. Governance structure and independence deficit 3b. Selective follow-up compliance 3c. Resource and time constraints	Interviews (DA, IR); follow-up records

Structured Internal Audit Procedures in Fraud Control

The findings show that internal audit in the construction company is implemented through a systematic process consisting of planning, fieldwork, reporting, and follow-up monitoring. The audit process begins with a desk audit, in which auditors collect preliminary data and evidence to determine audit objectives, scope, criteria, priority areas, and the on-site audit program. This initial

stage is reviewed by the audit supervisor and approved by the Head of the Internal Supervisory Unit before the audit proceeds to the fieldwork stage.

Risk-based planning emerged as a central element of the audit process. One participant explained:

“Usually, we start with a desk audit by collecting various relevant data and information. From there, we determine the audit objectives, scope, and priority areas considered vulnerable. The on-site audit program is then prepared to ensure that potential fraud can be mapped from the beginning.”
(DA, Interview)

Another participant emphasized the importance of risk mapping in the planning stage:

“Our audit planning is prepared by determining the audit object, mapping possible risks, and developing a field examination strategy. This process helps us understand vulnerable points and the best way to anticipate potential fraud.”

(IR, Interview)

These statements indicate that audit planning is not merely an administrative activity, but a risk-based process designed to identify areas vulnerable to fraud from the beginning of the audit cycle. In the context of a construction company, risk-based planning is particularly important because construction projects involve large-value transactions, subcontractor involvement, procurement processes, and dispersed project sites. The Annual Supervisory Work Program, or *Program Kerja Pengawasan Tahunan* (PKPT), therefore functions as a strategic audit instrument that directs supervisory activities toward areas with higher fraud risk.

This finding is consistent with recent literature. Bonrath and Eulerich (2024) found that internal auditing plays a pivotal role in fraud prevention and detection when the internal audit function is actively involved in identifying fraud risk and evaluating control weaknesses. Putra et al. (2022) also showed that internal audit, risk management, whistleblowing systems, and big data analytics contribute to the prevention of financial crime behavior.

Fieldwork, Evidence Validation, and Audit Reporting

The fieldwork stage represents the core of internal audit because auditors directly test whether internal controls are implemented effectively. DA described the fieldwork process as follows:

“When going to the field, auditors conduct physical inspections, document checks, and interviews with related parties. All findings are recorded in a draft report for further analysis.”
(DA, Interview)

IR similarly explained:

“The fieldwork process usually involves direct data verification with work units, activity observation, and validation of transaction evidence. From there, we prepare a temporary report which is then discussed with management.”
(IR, Interview)

These excerpts show that auditors apply triangulation by combining physical inspection, document review, interviews, observation, and transaction validation. This process is essential in construction companies because fraud risk may arise from discrepancies between administrative records and actual project conditions. For example, irregularities may occur in procurement, subcontractor invoices, project cost reporting, material delivery, or physical work progress.

The triangulation process allows auditors to compare documentary evidence with field conditions. In this way, audit findings become more reliable because they are supported by multiple sources of evidence. This is relevant to Lukhele, Botha, and Mbanga (2022), who identified irregularities in construction procurement, including poor performance, fraudulent documentation, and non-compliance in construction-related activities. Therefore, field verification is crucial because fraud in construction projects may not be fully visible through document review alone.

Audit findings are then documented in working papers and draft audit reports. These documents are reviewed by the supervisor to assess evidence sufficiency and conclusion accuracy. The Head of the Internal Supervisory Unit conducts the final review before the report is issued. This multi-layered review process functions as a quality assurance mechanism to ensure that audit reports are objective, evidence-based, and useful for managerial decision-making.

Follow-up Monitoring as a Fraud Control Mechanism

The findings also show that audit effectiveness depends on whether audit recommendations are implemented by the auditee. DA emphasized that the audit process continues after the audit report is submitted:

“After the audit report is submitted, we do not stop there. There is a follow-up monitoring process to ensure that recommendations are implemented. Usually, we prepare a monitoring report showing the status, whether the recommendation has been fulfilled or remains open.” (DA, Interview)

IR added:

“Follow-up is carried out through evaluation meetings and periodic reports, for example quarterly. In this way, we can assess the extent to which audit recommendations have actually been implemented by the auditee.”
(IR, Interview)

These statements indicate that follow-up monitoring is a critical component of fraud control. Audit recommendations will have limited impact if they are not implemented. In the

context of fraud control, unimplemented recommendations may leave weaknesses in procurement authorization, transaction validation, subcontractor management, and project cost reporting. Follow-up reports and quarterly evaluation meetings therefore serve as accountability mechanisms to ensure that corrective actions are carried out.

This finding is consistent with Indriani, Nadirsyah, Mulyany, and Munandar (2024), who found that internal audit, internal control, and fraud prevention contribute to stronger governance. In this study, follow-up monitoring becomes the practical mechanism through which audit findings are transformed into corrective action.

Fraud Control Mechanisms in the Construction Company

Fraud control begins with the identification of critical fraud points. DA explained:

“The identification of critical points begins during the desk audit by reviewing data, examining financial reports, and assessing high-risk areas such as large transactions or processes vulnerable to abuse. These areas become the focus of the audit.” (DA, Interview)

IR emphasized the use of data pattern analysis:

“We usually use data pattern analysis. If there is an irregularity or a significant difference from the previous period, it is immediately marked. The results of the analysis are then confirmed through interviews and observation.” (IR, Interview)

These findings show that fraud identification is conducted through a combination of document analysis, risk mapping, data analytics, interviews, and field observation. The use of data pattern analysis enables auditors to identify anomalies that may indicate fraud risk. However, the auditors do not rely solely on data analysis; they also verify anomalies through interviews and direct observation. The use of data analytics is consistent with Sidauruk (2024), who found that data analytics strengthens fraud prevention and detection by helping internal auditors identify irregularities more efficiently. In this study, technology-based analysis supports early fraud detection, while field verification confirms whether unusual patterns reflect fraud risk or operational differences.

The auditors also assess the fraud control system through risk classification and compliance testing. DA stated:

“The assessment is carried out by classifying risk factors into low, medium, or high categories. From this classification, it can be seen whether the company’s internal control system is sufficiently strong or needs improvement.” (DA, Interview)

IR explained the role of compliance testing:

“Usually, we conduct compliance testing. Company internal procedures are checked to see whether they are actually implemented or only exist as a formality. If compliance is low, it means the control system is weak.” (IR, Interview)

These statements show that fraud control assessment requires two complementary approaches: risk assessment and compliance testing. Risk classification helps auditors determine the level of vulnerability in each area, while compliance testing ensures that internal procedures are consistently implemented in practice. This is important because a control system may appear adequate in written procedures but remain ineffective if it is not followed by employees or operational units.

Audit Testing and Evaluation

Audit testing and evaluation are conducted through document verification, confirmation with auditees, and field observation. DA explained:

“The testing stage usually includes document verification, data confirmation with the auditee, and field observation. The results of this testing are evaluated together with the supervisor before being submitted to the Head of SPI for review.” (DA, Interview)

IR emphasized the layered nature of the evaluation process:

“The audit evaluation process is layered. After the team conducts initial testing, the results are reviewed by the supervisor, and then continued to the Head of SPI level. After this series of reviews, the final audit report can be issued.” (IR, Interview)

These findings indicate that audit evaluation is conducted through a multi-layered review mechanism. This mechanism strengthens the reliability of audit findings because conclusions are not made by individual auditors alone, but are examined through several levels of review. The review process also helps ensure consistency between findings, evidence, conclusions, and recommendations. Novatiani et al. (2024) found that internal auditor competence and internal control improve internal audit quality and contribute to the prevention of fraudulent financial statements. This supports the present finding that audit quality depends not only on the existence of audit procedures, but also on the competence of auditors and the strength of internal control mechanisms.

Auditor Independence and Professionalism

Auditor independence emerged as a key factor in fraud control. DA explained:

“Independence is maintained by not accepting any gifts or gratuities from the audited party. Even small things are prohibited, so that there is no conflict of interest.” (DA, Interview)

IR added:

"We always maintain professional distance from the auditee. Even though we interact frequently, the relationship remains formal and does not involve things that could affect audit objectivity." (IR, Interview)

These statements show that auditor independence is maintained through ethical discipline and professional boundaries. Refusing gratuities helps prevent conflicts of interest, while maintaining professional distance reduces the risk of personal relationships influencing audit judgment. In fraud control, independence is essential because auditors must be able to report findings objectively, including findings that may be unfavorable to certain units or individuals.

Professionalism was also found to support audit effectiveness. DA stated:

"We regularly attend internal audit training and update our knowledge of the latest audit standards. In that way, our competence is maintained." (DA, Interview)

IR explained the importance of field experience:

"In addition to training, we also learn a lot from field experience. Each audit case provides new lessons, so future work can be more professional." (IR, Interview)

These statements indicate that professionalism is developed through continuous training, updated knowledge of audit standards, and practical field experience. Auditor professionalism is therefore not limited to technical competence, but also includes ethical awareness, judgment, communication ability, and the capacity to learn from audit cases. Recent research supports this finding. Novatiani et al. (2024) found that auditor competence contributes to internal audit quality and fraud prevention, while Bonrath and Eulerich (2024) emphasize that internal audit contributes to fraud prevention and detection when it has adequate professional capacity and a clear role in fraud risk management.

Organizational Factors Affecting Audit Effectiveness

The findings show that internal audit effectiveness is influenced not only by auditor competence, independence, and professionalism, but also by organizational support. Factors that strengthen fraud control include data transparency from auditees, management support, audit technology, whistleblowing mechanisms, and auditor competence. These factors help auditors obtain reliable information, detect irregularities more quickly, and ensure that audit recommendations are followed up. However, several factors weaken fraud control, including a non-transparent organizational culture, reluctance to disclose information, slow manual reporting systems, weak management commitment, and inadequate internal control. These weaknesses may reduce the ability of internal audit to detect fraud early and ensure corrective action. Therefore, fraud control should not be viewed solely as the responsibility of internal auditors. It also requires organizational commitment to transparency, accountability, and timely corrective action.

Overall, the findings demonstrate that internal audit plays an important role in controlling fraud in construction companies through risk-based planning, field verification, evidence validation, audit reporting, and follow-up monitoring. Internal audit helps identify critical fraud points, assess control weaknesses, test compliance, validate evidence, and encourage corrective action. However, its effectiveness depends on the strength of the internal control system, auditor independence, professional competence, management support, technological tools, whistleblowing mechanisms, and organizational transparency.

Thus, internal audit should be understood not merely as a technical inspection function, but as a governance mechanism that strengthens accountability, improves internal control, and supports fraud prevention and detection in construction project activities. In the construction sector, where project complexity, subcontractor involvement, large-value transactions, and dispersed project sites create higher fraud risk, internal audit plays a strategic role in ensuring that recorded transactions, physical progress, and organizational procedures are aligned.

DISCUSSION

The findings of this study show that internal audit plays a strategic role in controlling fraud in a construction company through a systematic audit process consisting of risk-based planning, fieldwork, audit reporting, and follow-up monitoring. The interview results indicate that internal audit is not limited to the examination of documents or financial transactions, but also involves the identification of fraud-prone areas, verification of physical project conditions, evaluation of internal controls, and monitoring of corrective actions. This finding is consistent with the thesis findings, which show that internal audit activities include risk-based planning, field implementation, follow-up, and efforts to maintain auditor independence and professionalism.

The first important finding is that risk-based audit planning is a fundamental stage in fraud control. The auditors explained that the audit process begins with a desk audit, in which relevant data and preliminary evidence are collected to determine audit objectives, scope, priority areas, and the on-site audit program. DA stated, “Usually, we start with a desk audit by collecting various relevant data and information. From there, we determine the audit objectives, scope, and priority areas considered vulnerable.” IR also emphasized that audit planning is conducted by determining the audit object, mapping potential risks, and developing a field examination strategy. These statements indicate that the planning stage functions as an early fraud-risk mapping mechanism. This finding supports recent empirical evidence showing that internal audit contributes to fraud prevention and detection when it is involved in identifying fraud risk and evaluating control weaknesses (Bonrath & Eulerich, 2024). Bonrath and Eulerich’s study reports that internal auditing has a pivotal role in preventing and detecting fraud, although the role may vary depending on the orientation and structure of the internal audit function.

The use of the Annual Supervisory Work Program, or *Program Kerja Pengawasan Tahunan* (PKPT), further strengthens the role of internal audit as a risk-based control mechanism. In the context of a construction company, this approach is particularly relevant because construction projects involve large-value transactions, subcontractor arrangements, material procurement, project cost reporting, and dispersed operational sites. These characteristics create greater

opportunities for fraud if internal controls are weak. Therefore, the PKPT does not merely serve as an administrative work plan, but as a strategic instrument for directing audit resources toward areas with the highest fraud risk. This supports Putra et al. (2022), who found that internal audit, risk management, whistleblowing systems, and big data analytics are related to fraud prevention and the prevention of financial crime behavior.

The second finding concerns fieldwork and evidence validation. The study shows that fieldwork is the core stage of internal audit because auditors directly test whether internal control procedures are implemented in practice. DA explained that during fieldwork, auditors conduct physical inspections, document checks, and interviews with related parties. IR added that fieldwork involves direct data verification with work units, observation of operational activities, and validation of transaction evidence. These findings demonstrate that auditors use triangulation by combining document review, physical inspection, interviews, observation, and transaction validation. This approach is essential in construction companies because fraud may occur when there is a discrepancy between administrative records and actual project conditions.

The relevance of field verification is strengthened by the nature of fraud risk in construction activities. Fraud may appear in inflated subcontractor invoices, inaccurate project progress reports, manipulation of procurement documents, or discrepancies between material delivery records and physical work progress. Therefore, the comparison between documents and field evidence becomes an important mechanism for detecting irregularities. The thesis findings also state that fieldwork is not merely a formal audit stage, but a primary means of testing internal control effectiveness and detecting fraud symptoms that may not appear in administrative documents. This is consistent with recent research showing that irregularities in construction procurement may involve poor performance, non-compliance, and fraudulent documentation, making field verification necessary to strengthen audit reliability.

The third finding shows that audit testing and evaluation are conducted through a layered review process. The auditors explained that audit testing includes document verification, data confirmation with auditees, and field observation. The results are then evaluated by the supervisor before being reviewed by the Head of the Internal Supervisory Unit. This layered process helps ensure that audit findings are supported by sufficient evidence and are not based solely on individual auditor judgment. The thesis also emphasizes that multi-layer review strengthens the reliability of audit findings and reduces the risk of individual bias. This finding is aligned with Novatiani et al. (2024), who found that internal auditor competence and internal control improve internal audit quality in efforts to prevent fraudulent financial statements.

The fourth finding indicates that follow-up monitoring is a critical element in fraud control. DA stated, "After the audit report is submitted, we do not stop there. There is a follow-up monitoring process to ensure that recommendations are implemented." IR similarly explained that follow-up is carried out through evaluation meetings and periodic reports, commonly on a quarterly basis. These findings show that audit recommendations will only contribute to fraud control if they are implemented by the auditee. Without consistent follow-up, audit findings may remain as administrative records without producing real improvements in the internal control system. The thesis also emphasizes that follow-up monitoring ensures that audit recommendations are implemented and that fraud prevention efforts operate effectively.

This finding is important because fraud control does not end with detection. Internal audit must also ensure that corrective actions are implemented to close control gaps. In the context of construction companies, unimplemented recommendations may leave weaknesses in

procurement authorization, subcontractor management, transaction validation, and project cost reporting. Nadirsyah, Indriani, and Mulyany (2024) found that the internal audit function contributes to internal control and governance, with fraud prevention playing an important role in strengthening governance outcomes. Therefore, follow-up monitoring can be understood as the mechanism through which internal audit findings are transformed into organizational improvement.

The fifth finding concerns the identification and assessment of critical fraud points. The auditors explained that critical fraud points are identified through desk audit, review of financial reports, analysis of high-value transactions, and assessment of processes vulnerable to abuse. IR also noted that auditors use data pattern analysis to identify irregularities or significant differences from previous periods. These findings indicate that fraud identification is conducted through a combination of document analysis, risk mapping, data analytics, interviews, and field observation. This approach shows that fraud control in the company is both preventive and detective: preventive because risks are mapped before fieldwork, and detective because anomalies are confirmed through audit testing and observation.

The use of data analytics is also relevant to contemporary internal audit practice. Data pattern analysis enables auditors to detect unusual transactions or deviations that may indicate fraud risk. However, the findings show that data analytics is not used as a standalone tool; it is combined with interviews and field observations to verify whether irregularities represent actual fraud risk or operational differences. This supports Putra et al. (2022), who highlight the role of big data analytics, internal audit, risk management, and whistleblowing systems in fraud prevention. It also supports the view that technology can strengthen fraud detection when integrated with professional audit judgment and field verification.

The sixth finding highlights auditor independence and professionalism as key determinants of audit effectiveness. DA explained that independence is maintained by refusing gifts or gratuities from auditees, even in small forms, to avoid conflicts of interest. IR added that auditors maintain professional distance from auditees so that frequent interaction during the audit process does not affect objectivity. These findings indicate that independence is not only a matter of formal organizational structure, but also an ethical practice reflected in auditors' daily conduct.

Professionalism also emerged as an important factor. DA stated that auditors regularly attend internal audit training and update their knowledge of audit standards, while IR emphasized that field experience provides practical learning for future audit assignments. These findings show that auditor professionalism is developed through continuous training, knowledge updating, field experience, ethical awareness, and professional judgment. This supports Novatiani et al. (2024), who found that internal auditor competence contributes to internal audit quality and fraud prevention. In this study, competence is not limited to technical audit ability, but also includes the ability to maintain objectivity, communicate findings, evaluate evidence, and formulate recommendations that can strengthen fraud control.

The seventh finding shows that organizational support strongly affects the effectiveness of internal audit in controlling fraud. Factors that strengthen fraud control include data transparency from auditees, management support, audit technology, whistleblowing mechanisms, and auditor competence. These factors enable auditors to access reliable information, detect irregularities more quickly, and ensure that recommendations are followed up. However, the study also found several inhibiting factors, including a non-transparent organizational culture, reluctance to disclose information, slow manual reporting systems, weak management

commitment, and inadequate internal control. These factors may weaken the ability of internal audit to detect fraud early and ensure corrective action.

The implication of these findings is that fraud control cannot be placed solely on internal auditors. Internal audit can identify risks, test controls, validate evidence, and recommend improvements, but fraud control will only be effective when the organization supports transparency, accountability, and corrective action. Thus, internal audit effectiveness depends on the interaction between auditor competence, auditor independence, internal control quality, management commitment, technology, and organizational culture.

Overall, this study demonstrates that internal audit plays an important role in fraud control within construction companies through risk-based planning, field verification, evidence validation, audit reporting, and follow-up monitoring. Internal audit helps identify critical fraud points, assess control weaknesses, test compliance, and encourage corrective action. However, the effectiveness of internal audit depends on the strength of the internal control system, auditor independence, professional competence, management support, technological tools, whistleblowing mechanisms, and organizational transparency. Therefore, internal audit should be understood not only as a technical inspection function, but also as a governance mechanism that strengthens accountability, improves internal control, and supports fraud prevention and detection in construction project activities.

CONCLUSION

This study concludes that internal audit plays a strategic role in controlling fraud within a construction company. The findings show that internal audit is not merely an administrative function focused on document examination, but a governance mechanism that supports fraud prevention, detection, reporting, and corrective action. The internal audit process is implemented through a structured cycle consisting of risk-based planning, fieldwork, audit reporting, and follow-up monitoring.

Risk-based planning, particularly through desk audit and the Annual Supervisory Work Program (*Program Kerja Pengawasan Tahunan/PKPT*), enables auditors to identify fraud-prone areas from the beginning of the audit process. Fieldwork strengthens fraud detection by combining document review, physical inspection, interviews, observation, and transaction validation. This triangulation is important in construction companies because fraud risks may arise from discrepancies between administrative records and actual project conditions. In addition, the layered review process involving auditors, supervisors, and the Head of the Internal Supervisory Unit helps ensure that audit findings are supported by sufficient evidence and are professionally accountable.

The study also shows that follow-up monitoring is a critical element in fraud control. Audit recommendations will have limited impact if they are not implemented by the auditee. Therefore, monitoring reports, periodic evaluation meetings, and verification of corrective actions are necessary to ensure that audit findings lead to real improvements in the internal control system. Auditor independence and professionalism also emerged as essential factors. Independence is maintained through refusal of gratuities and professional distance from auditees, while professionalism is strengthened through continuous training, updated knowledge of audit standards, field experience, and ethical awareness.

Overall, the effectiveness of internal audit in controlling fraud depends not only on audit procedures, but also on organizational support. Data transparency, management commitment,

audit technology, whistleblowing mechanisms, and strong internal controls can strengthen fraud control. Conversely, non-transparent organizational culture, reluctance to disclose information, slow manual reporting systems, weak management commitment, and inadequate internal control can reduce audit effectiveness. Therefore, construction companies need to strengthen internal audit independence, improve technology-based audit practices, ensure consistent follow-up of audit recommendations, and build an organizational culture that supports transparency and accountability.

From a theoretical standpoint, this study contributes to the internal audit and corporate governance literature by providing qualitative evidence of how professionalism is enacted under organisational pressure in an emerging market context. The findings extend the internal audit professionalism framework by demonstrating that integrity, objectivity, and independence are not merely codified principles but active practices that auditors must consciously uphold against structural, social, and psychological pressures. This aligns with the agency theory perspective, in which internal audit serves as a monitoring mechanism to reduce information asymmetry and principal-agent conflicts (Mautz & Sharaf, 1961; COSO, 2013). Furthermore, the study reinforces institutional theory insights by illustrating how audit effectiveness is shaped not only by individual auditor behaviour but also by the governance structures within which auditors operate, including reporting lines, audit committee oversight, and management commitment to accountability (Roussy & Brivot, 2016; Sarens, De Beelde, & Everaert, 2009). Practically, the findings highlight the urgent need for construction companies in high-risk environments to invest in strengthening the structural independence of the internal audit function, implementing technology-assisted audit tools, and developing auditor capacity to navigate organisational pressure while maintaining professional standards.

This study has several limitations that should inform the interpretation of its findings and the direction of future research. First, the study is based on a single case company with two informants, which limits the transferability of findings to other construction companies or sectors. While the information power of the data was sufficient to address the research questions (Malterud, Siersma, & Guassora, 2016), broader participant inclusion would strengthen theoretical saturation. Future studies are therefore recommended to involve a wider range of informants, including members of the audit committee, operational management, and external auditors, to capture a more comprehensive perspective on fraud control mechanisms. Second, future research should adopt comparative case study designs involving multiple construction companies to identify patterns and differences across organisational contexts. Third, longitudinal approaches could provide deeper insight into how internal audit effectiveness evolves over time in response to governance reforms, regulatory changes, and improvements in audit technology. Finally, mixed-method studies combining qualitative depth with quantitative breadth could yield more generalisable findings on the determinants of internal audit effectiveness in high-risk sectors across different emerging market settings.

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