THE INFLUENCE OF RISK MANAGEMENT, HR QUALITY AND WORKLOAD ON THE ABILITY TO DETECT FRAUD IN LOCAL GOVERNMENT INSPECTORATES IN NORTH SUMATRA

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Abstract

This study intends to test and analyze whether the variables of Implementation of Risk Management, Quality of Human Resources, and Workload affect the Auditor's Ability to Detect Fraud either partially or simultaneously. The population of this study are internal auditors in provinces, districts and cities in North Sumatra. The method used is a survey method by distributing questionnaires using the Google form and is a causality study. Respondents amounted to 184 Auditor Functional Officers who worked at the North Sumatra Regional Government Inspectorate. Determination of the sample using a simple random technique. The research design built is multiple linear regression analysis. The data collected by the researchers was processed using the PLS and SPSS applications. The results of the study show that the implementation of risk management variables, The quality of human resources and workload have an effect on the auditor's ability to detect fraud, both partially and simultaneously, have a simultaneous effect on the ability to detect fraud. Partially, the implementation of risk management and quality of human resources has a unidirectional (positive) relationship and has a significant effect on the auditor's ability to detect fraud, while workload has a negative and insignificant relationship.

Keywords: *Ability to Detect Fraud, Application of Risk Management, HR Quality, Workload.*

1. INTRODUCTION

The ability to detect fraud is a skill or expertise possessed by the auditor to find indications of fraud and is something that is very useful in terms of healthy competition and government organizations. According to (Kumaat, 2011) detecting fraud is an effort to obtain sufficient early indications of fraudulent acts, as well as narrowing the space for the perpetrators of fraud. The public's demand for a clean and corruption-free government requires the implementation of a supervisory function and a good internal control system for the implementation of government and management of state finances. This is to ensure that the implementation of activities is in accordance with the policies and plans that have been set and to ensure that the objectives are achieved in an economical, efficient and effective manner. The Inspectorate is a regional apparatus institution that has the task of assisting the Regional Head in the administration of regional government in the field of supervision within the territory and levels of government, which is organizationally responsible in carrying out its main tasks and functions to the regional head, both the Governor and the Regent/Mayor. Supervision of regional financial management is important to save regional finances. Supervision of the implementation of regional government is carried out by provincial and district/city inspectorates.

Several cases of corruption in the Covid-19 social assistance fund caused losses of around 14.59 billion rupiah. Focusing on Regency and City Governments in the Provincial Government of North Sumatra, there have been several cases of abuse of regional financial authority which resulted in several Regional Heads being entangled in corruption cases in the 2018-2021 period. The losses incurred reached billions of rupiah. This continues to be a public concern.

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The number of inspectorate human resources who have auditor certificates is relatively low, while the number of programs and activities supervised is quite large. In order to keep abreast of processes and phenomena that arise in the criminal field, especially those affecting the economic environment, such structures must have human resources capable of adapting quickly to these challenges. Awareness of fraud has a positive effect on the level of individual integrity (Zanzig et al, 2011).

Auditor sharpness is needed as well as information from various parties outside the auditor to be able to detect fraud. The auditor's ability to detect fraud is the quality of an auditor in explaining improprieties in his audit assignment. This ability is supported by the auditor's ability to understand and understand fraud, its types, characteristics, and ways of detecting it. The number of inspectorate human resources who have auditor certificates is relatively low, while the number of programs and activities supervised is quite large. Risk management has been proposed by various assessors, regulators and experts to be applied to organizations. The application of risk management itself can be used as a tool to prevent fraud (Arena et al, 2010, Ayagre et al, 2014; Rahman & Al Dhaimes, 2018, Venter, 2007).

2. FOUNDATION OF THEORY
2.1. Agency Theory
This theory is used to understand the relationship between agent and principal. Agents represent principals in certain business transactions and are expected to represent the best interests of principals without regard to personal interests. The basic ideology of public sector organizations (especially government) is to maximize social welfare by prioritizing public interests and public services above other interests.

2.2. Attribution Theory
Attribution theory is used to explain the conclusions or judgments made by the auditor. Attribution theory basically wants to explain the causes of other people's behavior. Is the behavior caused by internal dispositions (eg motives, attitudes, etc.) or by external circumstances (Walgito, 2002). Attributions relate to judgments and explain how an auditor behaves. The auditor's ability to detect fraud is largely determined by internal attribution, where the factors that determine the ability to detect more come from within the auditor. Ability can be formed through one's efforts, for example by seeking knowledge, maintaining independence, and increasing professional skepticism.

2.3. Fraud Detection Ability
Fitriany (2012) said the auditor's ability to detect fraud is the quality of an auditor in explaining the irregularities in the financial statements presented by the company by identifying and proving the fraud. The methods that can be used to detect fraud are by looking at signs or signals from an action that is suspected of causing or having the potential to cause fraud. According to Anggriawan (2014), the auditor's ability to detect fraud is a skill or expertise possessed by an auditor to find indications of fraud.

2.4. Implementation of Risk Management
According to (Erlina et al, 2019), risk management is a strategy that can be implemented by local governments to minimize the potential risk effects of fraud including corruption, bribery, and others on local governments. Practicing risk management can assist organizations in presenting the various interests of stakeholders, increasing confidence and restoring confidence among

stakeholders that risks can be actively managed (COSO, 2017). According to Abdullah and Said (2019) and also Mohd-Sanusi et al. (2015), a recent study says that risk management can significantly reduce crime.

2.5. HR Quality

Human resource is the design of formal systems within an organization to ensure the effective and efficient use of human talent to achieve organizational goals (Mathis and Jackson, 2006). According to Suharto (2012: 70) the quality of human resources is the ability of employees to carry out the inspection process which is seen from a person's skills, educational background, requirements that must be followed to be able to carry out the inspection process, training, professional issues and socialization of regulations that have changed.

2.6. Workload

Workload is the amount of audit work that must be carried out by the auditor or the limited audit time to carry out the audit process (Novita, 2015). According to Permendagri No.12 of 2008 workload is the amount of work that must be carried by a position/organizational unit and is the product of work volume and time norm. Workload is the amount of time a person spends doing work during working hours. According to Suryanto (2017) workload is the amount of work a person has to do in a certain period of time.

3. CONCEPTUAL FRAMEWORK AND HYPOTHESIS
3.1. conceptual framework

This study intends to test and analyze whether the variables of Implementation of Risk Management, Quality of Human Resources, and Workload affect the Auditor's Ability to Detect Fraud either partially or simultaneously.
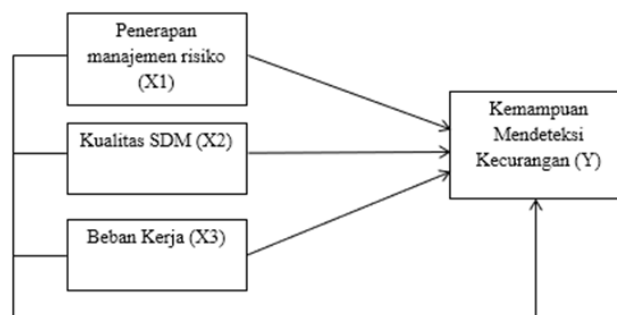

Figure 1 conceptual framework

3.2. hypothesis

Based on the conceptual framework, the hypotheses given are:

H1: The application of risk management has a positive and significant effect on the ability to detect fraud.

H2: Human resources have a positive and significant effect on the ability to detect fraud.

H3: Workload has a negative and significant effect on the ability to detect fraud.

H4: Implementation of risk management, quality of human resources, and workload have a simultaneous and significant effect on the ability to detect fraud.

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4. RESEARCH METHOD

The method used is a survey method by distributing questionnaires using the Google form and is a causality study. The population is 432 Auditors Inspectorate of the Provincial Government of North Sumatra and District Cities in Sumatra. To determine the sample size, the Yamane formula (1998) was used and produced 207 samples. All returned questionnaires are the number of samples in this study anda the respondents amounted to 184 Auditor Functional Officers who worked at the North Sumatra Regional Government Inspectorate. Determination of the sample using a simple random technique. The research design built is multiple linear regression analysis. The data collected by the researchers was processed using the PLS and SPSS applications.

$$\eta_j = \beta_{ji} X \eta_i + \gamma_{jb} \xi_b + \zeta_j$$

Information:

η_j = endogenous latent variable random vector

$\gamma_{jb}\xi_b$ = coefficient matrix of exogenous latent variables, which shows the relationship of ξ to η

$\beta_{ji}\eta_i$ = coefficient matrix of exogenous latent variables

ζ_j = inner residual variable

5. RESULTS AND DISCUSSION

5.1. Research result
Research Analysis

This study uses a reflective structure model, in which there are four constructs, namely the Application of Risk Management (X1), HR Quality (X2), Workload (X3), and Ability to Detect Fraud (Y).
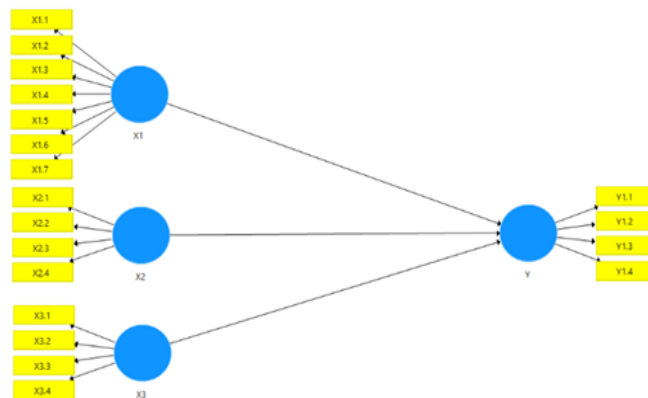

Figure 2 Reflective Structural Models

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Conclusion
Implementation of Risk Management -> Ability to Detect Fraud	0.167	0.081	2074	0.038	Accepted
HR Quality -> Ability to Detect Fraud	0.676	0.078	8,695	0.000	Accepted
Workload -> Cheating Detecting Capability	-0.157	0.059	2,644	0.008	Accepted

Table 3 *Path Coefficient*

Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	761,436	3	253,812	68,375	.000b
	residual	668,167	180	3,712		
	Total	1429,603	183			

ANOVAa

a. Dependent Variable: Ability to Detect Fraud
b. Predictors: (Constant), Implementation of Risk Management, HR Quality, and Workload

Table 4 *Simultaneous Significance Test (f-test)*

5.2. Discussion

1. Application of Risk Management Has a Significant Positive Impact on the Ability to Detect Fraud

The results of this study found that the application of risk management has a positive and significant effect on the ability to detect fraud. This is in line with the results of previous studies (Sihombing et al, (2022), Tarjo et al, (2022), and Atmanegara et al (2021)). who said that the application of risk management has a positive effect on the ability to detect fraud. The internal auditors at the regional inspectorate have implemented good risk management so that the auditor's ability to detect fraud is also good. According to (Erlina et al, 2019), risk management is a strategy that can be implemented by local governments to minimize the potential risk effects of fraud including corruption, bribery, and others on local governments. The application of this risk management can reduce fraud in local governments. This is because when auditors are faced with a danger signal when conducting an audit, they will try to find causes and make conclusions about the danger signal.

2. HR Quality Has a Significant Positive Influence on the Ability to Detect Fraud

The results of this study support the research of Petrascu et al, (2015), namely the quality of human resources significantly influences fraud detection. If the auditor has a good ability to detect fraud, it is very likely that this will have a good impact on the government sector and can apply the principles of good governance that are clean and free from corruption. The better the human resources, both due to training and experience, the more knowledge related to the tasks being carried out and the better the detection of fraud.

3. Workload Has a Significant Negative Effect on the Ability to Detect Fraud

Auditors who have to complete several audit assignments in the first quarter of the year (busy season) cause fatigue and result in a decreased ability to detect fraud (Supriyanto, 2014). This is also concluded in the research of Setiawan and Fitriany (2011), namely auditors who have a heavy workload will experience fatigue and dysfunctional behavior. Auditing literature shows that workload stress on audits will have a negative impact on audit quality as auditors have limitations to properly apply audit procedures to many audit clients at the same time (Gul et al., 2017; López & Peters, 2012).

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4. **Implementation of risk management, quality of human resources, and workload affect the ability to detect fraud simultaneously.**

   If the implementation of risk management and HR quality is good, the ability to detect fraud will also be good. The application of good risk management in local government will certainly increase the ability of APIP as the government's internal supervisor in detecting fraud.

6. CONCLUSIONS AND SUGGESTIONS
6.1. Conclusion

The application of risk management has a positive and significant effect on the auditor's ability to detect fraud at the North Sumatra Regional Inspectorate. HR quality has a positive and significant effect on the ability to detect fraud in the auditors of the North Sumatra Regional Inspectorate. Workload has a negative and significant effect on the ability to detect fraud in auditors at the Regional Inspectorate of North Sumatra. The application of risk management, HR quality and workload simultaneously have a significant effect on the auditor's ability to detect fraud at the North Sumatra Regional Inspectorate.

6.2. Suggestion

a. For future researchers, to conduct FGDs with several core respondents to obtain facts and dig deeper information so that potential misperceptions by respondents to existing questions can be minimized and also add new variables and research entities,

b. For the North Sumatra Regional Inspectorate Representative to improve the auditor's ability to detect fraud through well-programmed training programs, experience sharing by fellow auditors and managing the rhythm of audit assignments by taking into account the auditor's workload and maintaining consistent professional skepticism.

c. For the Inspectorate, it is necessary to increase knowledge, design and carry out programmed training, share the experience of senior auditors with juniors and share experiences with auditors at BPK and BPKP and manage the rhythm of audit assignments by taking into account the workload of auditors and maintaining a consistent attitude of professional skepticism.

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