



The Role of Spiritual Auditors to Prevent Fraud in Regional Government Institutions

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Abstract

The purpose of this study is to analyze whether government internal auditors with the quality of spiritual intelligence inside them can play a role in preventing fraud in government. This study took 201 respondents who work as government internal auditors assigned to the Financial and Development Supervisory Agency (BPKP) in province level as the subject. The data analysis method used was the Structural Equation Model (SEM) with the AMOS application. The results of the study proved that spiritual intelligence has a positive and significant influence on auditor performance, auditor performance and spiritual intelligence have a positive and significant impact on fraud prevention, and auditor performance can provide a mediating effect in the influence of spiritual intelligence on fraud prevention.

Keywords: Spiritual Intelligence; Auditor Performance; Fraud Prevention

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INTRODUCTION

A survey conducted by the Association of Certified Fraud Examiners (ACFE) in 2024 found 1,921 fraud cases worldwide, spanning 138 countries. The total losses from these frauds amounted to US\$3.1 billion (1). According to data from the ACFE (2024), Indonesia has one of the highest fraud rates in the Asia Pacific. Of the 183 cases recorded in 19 countries, Indonesia accounted for 25. Indonesia is the third-highest fraud rate in the region, after China and Australia.

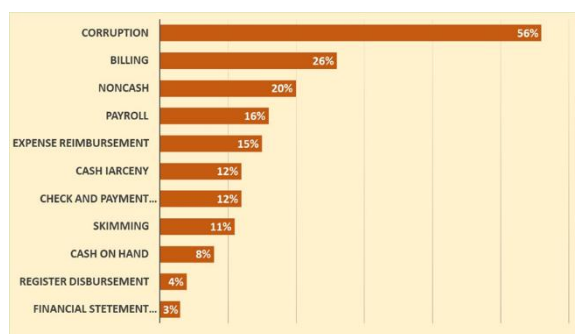


Figure 1. Types of Fraud in Government Organizations Worldwide in 2024
(Source: ACFE, 2024)

Figure 3 clearly shows that the most common fraud in government organizations is corruption. Corruption cases remain widespread, including in Indonesia. The Corruption Eradication Commission (KPK) released the results of its 2024 Integrity Assessment Survey (SPI) with an index score of 71.53 on a scale of 0-100. This score falls into the vulnerable category, meaning

the integrity of public institutions, based on the experiences and perceptions of the public (service users), employees, and experts, is vulnerable.

The Indonesian government annually allocates considerable financial resources for corruption prevention and monitoring. However, despite these various initiatives, there has been no marked decrease in corruption incidents (2). Considering the many corruption cases that occur throughout the world, especially in Indonesia, it is necessary to dig deeper into the things that can be done to prevent this fraud from occurring. Thus, this study tries to provide a solution to prevent fraud from the spiritual role of government internal auditors. The spiritual auditor in this study is shown by the auditor's Spiritual Intelligence and the role of Spiritual Leadership in leading the organization.

Earlier investigations carried out by Mappanyuki, (2016) demonstrates that spiritual intelligence exerts a significant positive effect on auditor performance (3). Previous research linking Spiritual Intelligence (SI) and fraud in reputable international journals is limited. One such study was conducted by Mahdi et al., (2021), who used SI as a moderating variable. Previous research suggests that auditors play a vital role in fraud prevention (5), while other research provides empirical evidence that Spiritual Intelligence has no effect on fraud prevention (6). With the differences in the results, this research wants to prove again that spiritual intelligence can play a role in preventing fraud. Furthermore, auditor's integrity and organizational commitment affect positively to fraud prevention (7). This study aims to prove that Auditor Performance can

mediate the influence of Spiritual Intelligence and Spiritual Leadership on Fraud Prevention.

RESEARCH METHODOLOGY

The population in this study is the Government Internal Auditors who work at BPKP. The research sample was taken using a purposive sampling method. Purposive sampling is a non-random sampling method that involves selecting samples based on specific criteria that align with the research objectives, ensuring that the chosen participants possess characteristics relevant to the study. This intentional selection approach allows researchers to focus on particular attributes or qualities necessary to achieve the study's goals. The considerations in determining the research sample were APIP serving in the BPKP Provincial Representative and Regional Inspectorates that have the highest fraud cases in government institutions in Indonesia with the greatest losses, so that the research samples were taken from the BPKP of Central Java Province, East Java Province and South Sumatra Province with 201 respondents. To collect research data, a survey method was used. This research used a questionnaire for data collection (8).

The research model can be seen in the following image:

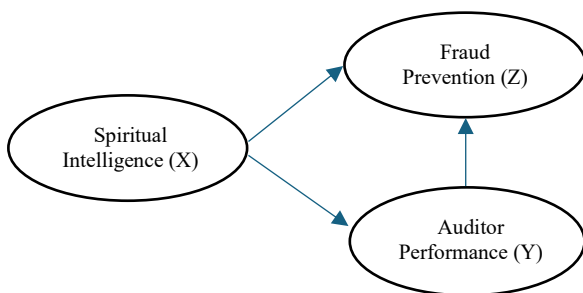


Figure 2. Research Model

Fraud is defined as an illegal act that is performed deliberately with a specific intention, such as manipulation or the presentation of false information to deceive other parties. This intentional misconduct aims to mislead and can result in significant harm or unfair advantage to the perpetrator (9). Thus, Fraud Prevention is an effort to prevent unlawful acts that are carried out intentionally for a specific purpose, such as manipulation or giving false reports to other parties. To measure Fraud Prevention this research use indicators from Article 48 paragraph (2) of PP Number 60 of 2008 concerning the Government Internal Supervision System, the government internal supervision apparatus carries out internal supervision through audit, review, evaluation, monitoring; and other supervisory activities.

Auditor performance refers to the effective execution and completion of audit tasks within a specified timeframe, encompassing the quality and diligence with which an auditor fulfills their responsibilities in

line with established professional standards and requirements (3). This variable measured by Article 11 of Government Regulation No. 60 of 2008, which are assurance activities; anti-corruption activities; consulting activities.

Spiritual intelligence is defined as the form of intelligence that enables individuals to address and resolve issues related to meaning and value, allowing them to contextualize their actions and lives within a broader, richer, and more meaningful framework, and to discern which actions or life paths hold greater significance compared to others (10). This variable measured by indicators from King (2008), which are Critical Existential Thinking, Personal Meaning Production, Transcendental Awareness and Conscious State Expansion.

The hypotheses in this study are as follows:

H₁ : Spiritual Intelligence has a positive influence on Auditor Performance.

H₂ : Auditor Performance has a positive influence on Fraud Prevention.

H₃ : Spiritual Intelligence has a direct positive influence on Fraud Prevention.

H₄ : Auditor Performance can mediate the influence of Spiritual Intelligence to Fraud Prevention.

Data analysis tools using SEM with AMOS with the following regression formula:

$$Z = \beta_1 X_1 + \beta_2 Y_1 + \epsilon_2$$

Information:

Y : Auditor Performance

Z : Fraud Prevention

α_0 : Intercept

$\beta_1 \dots \beta_2$: Coefficient of variable

X₁ : Spiritual Intelligence

$\epsilon_1 \dots \epsilon_2$: Error Item.

RESULTS AND DISCUSSION

Table below depict the result of validity test result:

Table 1. Validity Test Result

Variable	Indicator Items	Standardized Loading Factor (SLF)
Spiritual Intelligence	SI.1.1	0,875
	SI.1.2	0,840
	SI.2.1	0,857
	SI.2.2	0,850
	SI.3.1	0,838
	SI.3.2	0,818
	SI.4.1	0,852
	SI.4.2	0,870
Auditor Performance	AP.1.1	0,873
	AP.1.2	0,867
	AP.1.3	0,824
	AP.1.4	0,852
	AP.1.5	0,856
	AP.2.1	0,859
	AP.2.2	0,861
	AP.3.1	0,863

	AP.3.2	0,860
Fraud Prevention	FP.1.1	0,715
	FP.1.2	0,742
	FP.2.1	0,723
	FP.2.2	0,777
	FP.3.1	0,727
	FP.3.2	0,743
	FP.4.1	0,739
	FP.4.2	0,722
	FP.5.1	0,784
	FP.5.2	0,764

Source: Processed Data from AMOS 17

Good convergent validity is indicated by a high standardized loading factor (SLF) value. Hair et al., (2010: 678) recommends an SLF value of ≥ 0.5 . Based on this, it can be concluded that all indicator items are declared valid.

To measure the reliability of an indicator item, the construct reliability (CR) and average variance extracted (AVE) values are used. The construct reliability (CR) measure is also a determining indicator of the goodness or badness of convergent validity. Hair (2010:679) explains that a Composite Reliability (CR) value equal to or exceeding 0.7 signifies strong reliability, while values between 0.6 and 0.7 are deemed acceptable, contingent upon the indicator variables demonstrating robust validity. The CR is calculated using a specific formula outlined by Hair (2010:679). Additionally, Hair (2010:679) emphasizes that an Average Variance Extracted (AVE) value of 0.5 or higher reflects satisfactory convergent validity. The results of the reliability test can be seen in Table 2 as follows:

Table 2. Reliability Test Result

Variables	AVE	CR	Result
Spiritual Intelligence	0,722793	0,954235	Reliable
Auditor Performance	0,735001	0,961474	Reliable
Fraud Prevention	0,553458	0,925277	Reliable

Source: Processed Data from AMOS 17

Before conducting the hypothesis test, a fit model test was conducted using predetermined criteria. The result can be seen as following figure:

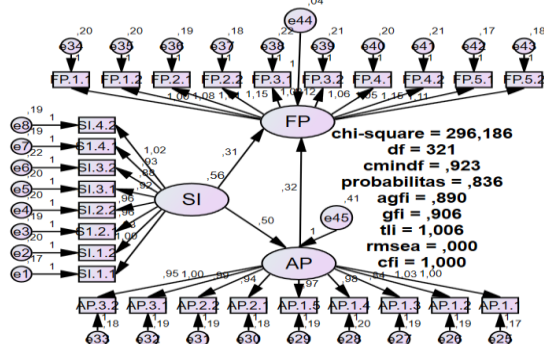


Figure 3. Fit Model Test Result

Based on the image above, it is concluded that the SEM model has met the assumptions.

Table 3. Fit Model

	Value	Result
Chi-Square /df= cmin df	296,749 / 186 = 321	Fit
Probability	0,836 > 0,05	Fit
AGFI	0,890 0,8 to 0,9	Marginal Fit
GFI	0,906 > 0,9	Fit
TLI	1,006 > 0,9	Fit
RMSEA	0,000 < 0,1	Fit
CFI	1,000 > 0,9	Fit

Source: Processed Data from AMOS 17

Move forward, a structural model test will be carried out, namely testing the significance of the influence, and the result can be seen on table below.

Table 4. Hypothesis Test Result for Direct Effect

	Estimate	S.E.	C.R.	P
AP <--- SI	0,504	0,069	7,305	***
FP <--- AP	0,315	0,038	8,375	***
FP <--- SI	0,310	0,037	8,318	***

Source: Processed Data from AMOS 17

Based on the data from Table 4, it can be inferred that Spiritual Intelligence positively influences Auditor Performance, evidenced by a path coefficient of 0.504 and a critical ratio (C.R.) value of 7.305, which exceeds the threshold of 1.96, therefore, Hypothesis 1 is supported and accepted. Auditor Performance has a positive effect on Fraud Prevention, with a coefficient value of 0.315 and a significant C.R. value of 8.337 > 1.96, thus concluding that Hypothesis 2 is accepted. Spiritual Intelligence has a positive effect on Fraud Prevention, with a coefficient value of 0.310 and a significant C.R. value of 8.318 > 1.96, thus concluding that Hypothesis 3 is accepted.

The next step, a mediation test was conducted to test whether Auditor Performance significantly mediates the relationship between Spiritual Intelligence and Fraud Prevention. Mediation testing was carried out using the Sobel test and the result showed that the Sobel z value was 5,48032 with a probability of 0,0000. Based on this, it was concluded that the indirect effect of Spiritual Intelligence on Fraud Prevention, through Auditor Performance was $0,504 \times 0,315 = 0,15876$. Auditor Performance significantly mediated the relationship between Spiritual Intelligence and Fraud Prevention, with Sobel Z = 5,48032 > 1.96 so it was concluded that Hypothesis 4 was accepted.

The Influence of Spiritual Intelligence on Auditor Performance

The research results show that spiritual intelligence has a positive and significant impact on auditor performance. Auditors with high spiritual qualities tend to be more self-controlled, behave honestly and ethically, and understand that their work is part of their religious obligations, thus improving the quality and performance of their audits. The research results are in line with the results of previous research conducted by Mappanyuki (2016) (3).

The Influence of Auditor Performance on Fraud Prevention

The findings of the study indicate that auditor performance exerts a positive and statistically significant influence on fraud prevention. High-performing internal auditors help prevent fraud by identifying weaknesses in internal controls, conducting effective oversight, and providing recommendations for improvement. This enables organizations to better minimize the risk of fraud. The research results are in line with the results of previous research conducted by Lonto et al., (2023) (5).

The Direct Influence of Spiritual Intelligence on Fraud Prevention

The study findings reveal that spiritual intelligence exerts a positive and statistically significant influence on preventing fraud, highlighting its critical role in enhancing ethical behavior and integrity within organizational contexts. Spiritual intelligence helps auditors maintain ethical attitudes, strong integrity, and professionalism, which are essential in preventing and disclosing fraud. The research results are in line with the results of previous research conducted by Mahdi, et al (2021) (4).

The Mediating Role of Auditor Performance in the Influence of Spiritual Intelligence on Fraud Prevention

The research results show that auditor performance able to give mediation effect in the influence of spiritual intelligence on fraud prevention. Auditor performance can play a mediation role in the influence of spiritual intelligence on fraud prevention. This means that spiritual intelligence indirectly impacts fraud prevention through its effect on the auditor's performance. Good auditor performance, bolstered by spiritual intelligence, enables auditors to more effectively prevent fraud in organization. Essentially, spiritual intelligence enhances auditor competence and motivation, which in turn increases the auditor's ability to proactively prevent fraud.

CONCLUSION

Based on the research results provided it can be concluded that Spiritual intelligence has a positive and significant influence on auditor performance, auditor performance and spiritual intelligence has a positive and significant impact on fraud prevention, and auditor

performance able to give mediation effect in the influence of spiritual intelligence on fraud prevention.

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