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Competency assessment in fraud detection at BPK: Challenges and enhancements

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ABSTRACT

Public concerns have been raised regarding the audits conducted by the Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan or BPK), the supreme audit institution, which often issues unqualified opinions despite the increasing number of corruption cases. Internally, BPK recognizes this issue as a critical risk that must be mitigated to preserve public trust. BPK must maintain its competence and safeguard public funds. This case evaluates auditors' competency levels, identifies internal factors supporting their competence, and examines BPK's initiatives for improving fraud detection skills. Using survey, interview, and document review data, this case study assesses competency according to BPK standards. It investigates internal factors through the auditor's code of ethics and reviews performance reports to evaluate fraud detection skills. Our study finds that BPK auditors possess strong fraud detection skills. Second, the key internal factors strengthening fraud detection include competence and professional due care. Third, BPK has introduced limited education, training, and CFE/CFrA certification policies. Senior fraud detection auditors report feeling more competent due to their increased training, experience, and access to certifications. This study employs novel internal standards, self-assessment surveys, and interviews to analyze fraud detection proficiency.

KEYWORDS:
Competency; fraud; audit; BPK

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INTRODUCTION

The Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan, BPK), as mandated by the constitution, is responsible for auditing the management and accountability of state finances. BPK's 2022–2023 vice chair, Hendra Susanto, emphasized that BPK must deliver high-quality and impactful audit results. Effective audits bolster stakeholders' confidence in government financial statements and enhance state financial governance, promoting greater transparency and accountability (BPK RI, 2024). DeAngelo (1981) defines audit quality as the probability that an auditor identifies and reports violations in a client's accounting system.

BPK comprises nine members elected by the House of Representatives and officially inaugurated by the president. BPK performs its duties and implements its authority through the efforts of its 9,808 employees, comprising 5,656 auditors (57.67%) and 4,152 nonauditors (42.33%). Of these, 4,133 employees were stationed at the central office, while 5,135 were assigned to regional offices. The 5,656 auditors were categorized into four ranks: junior auditors (57.67%), associate auditors (33.56%), senior associate auditors (8.45%), and expert auditors (0.32%) (BPK RI, 2024).

The State Financial Audit Standards (SPKN) mandate auditors to assess and determine fraud risk factors and evaluate the risk of noncompliance or violations of regulations resulting from fraudulent actions (BPK RI, 2017). Beyond these audit standards, public expectations have grown regarding financial statements with an unqualified opinion (wajar tanpa pengecualian; henceforth, WTP). These financial statements are perceived as an indication that the entity receiving such an opinion has no fraud issues. This perception aligns with Statement on Auditing Standards (SAS) Number 99 and the Sarbanes-Oxley Act of 2002, emphasizing auditors' responsibility to detect fraud during the audit process (AICPA, 2002).

Unqualified opinions on financial statements issued by BPK for central and regional governments have increased yearly. However, this trend has not significantly reduced corruption in state financial management. Public scrutiny has increased, questioning the correlation between unqualified opinions and ongoing corruption cases. In several instances, corruption occurred even when ministries, agencies, or regional governments received unqualified opinions during the same period.

ICW (2022) report on corruption enforcement revealed 579 cases in 2022, an 8.63% increase from 533 cases in 2021. Potential losses to state and regional budgets reached IDR 42.747 trillion in 2022. Among the 579 corruption cases, budget misuse was the most common modus operandi, accounting for 303 cases (52%). Other cases included fictitious projects and markups (145 cases, 25%) and other forms of corruption, including extortion, unauthorized cuts, and permit-related corruption (131 cases). Budget misuse, fictitious projects, and markups were predominantly linked to goods and services procurement fraud. Research by Indra et al. (2022) found that auditors' understanding and competence in handling key fraud areas centered on goods and services procurement, land acquisition, inventory money management, employee salaries, and official business trip expenditures.

BPK RI (2023) identified a significant risk to achieving strategic goals: delayed or incomplete reporting of audit findings containing criminal elements to relevant authorities. To address this, BPK developed an action plan encouraging audit units to consult the Directorate General of Legal Affairs and the Principal Investigative Audit for cases involving fraud risks. Research by Petricia and Soedarsa (2023) found that red flags, professional skepticism, competence, independence, and professionalism significantly impact an auditor's ability to detect fraud. This contrasts with

Sanjaya's (2017) study, which identifies independence and audit risk as key factors while professional skepticism, competence, and training are insignificant in fraud detection.

Kleinman et al. (2020) expanded on earlier research by Asare et al. (2015), who examined audit process factors affecting fraud detection. They identified three critical barriers: (1) failure to assess management's incentives to commit fraud, (2) failure to appropriately evaluate management's opportunities to commit fraud, and (3) failure to adequately modify the audit program. Fatimah and Pramudyastuti (2023) explore how independence and competence enable auditors to prevent and detect fraudulent accounting practices. Their qualitative study found a strong correlation between auditor independence and competence in fraud prevention and detection. An auditor's independence and competence directly correlates to their potential to detect fraud.

Research on the factors influencing auditors' ability to detect fraud using qualitative methods remains limited. Studies analyzing professional skepticism, competence, independence, digital forensic skills, professionalism, and training rely on quantitative approaches. Unlike previous studies, which focused on statistical analyses of fraud detection factors, this study aims to address gaps by providing qualitative insights. Its unique approach is expected to contribute to academic literature by offering a deeper understanding of auditor competence in fraud detection within the public sector.

The Minister of Finance oversees awarding unqualified audit opinions, yet corruption persists. Ideally, institutions receiving WTP opinions should maintain strong internal controls, minimizing opportunities for financial misconduct (Gunarwanto, 2019). However, ongoing concerns link audit opinions to corruption cases. Internally, BPK's risk evaluation highlights that failing to mitigate policy, legal, operational, and reputational risks can erode public trust in audit quality (BPK RI, 2020). This aligns with Gabriele's (2014) findings, which show that professional errors can significantly harm an audit institution's reputation professionally and personally.

In the face of increasingly complex audit environments and rising public expectations for accountability, the competence of BPK auditors, particularly in fraud detection, is being tested. These challenges highlight the need to evaluate the adequacy of current competencies, the role of internal personal factors, and the effectiveness of institutional initiatives in strengthening audit capabilities. In response, this study addresses three key research questions: (1) What is the level of BPK auditors' competence in fraud detection?; (2) How do internal factors support BPK auditor competence in fraud detection?; and (3) How do BPK's efforts enhance auditors' competence in fraud detection during audits of state financial management and accountability?

This study focuses on BPK auditors, who are responsible for auditing the financial management of central and regional governments, national institutions, and state-owned enterprises (BUMN/BUMD). The study uses the fraud detection competency standards set by BPK to measure auditors' competency. The study also analyzes internal factors supporting fraud detection abilities, such as character, attitudes, and behaviors influencing individual actions and performance. These factors are assessed in relation to the ethical principles set out in the Indonesian Institute of Certified Public Accountants (IAPI) code of ethics.

The findings aim to guide BPK policymakers in strengthening auditors' competence in detecting fraud during audits of state financial management and accountability. By identifying internal factors that enhance competency, management can create environments conducive to skill application. Moreover, BPK can refine education and training programs to improve fraud detection knowledge.

RESEARCH METHOD

This study employs a case study approach to address questions regarding auditors' competence in fraud detection during the BPK's audits. Yin (2018) states that a case study is an empirical method that investigates phenomena in depth. The analysis focuses on auditors' competence in fraud detection, as outlined in the competency standards established under BPK Secretary General Regulation Number 46 of 2022, which defines six core technical competencies: applying audit standards; analyzing laws and regulations on state financial management; evaluating audit entities; managing evidence, data, and audit documentation; providing advocacy during audits; and reporting of audit results (BPK RI, 2022). Additionally, in the context of policies to meet competency requirements, this analysis incorporates SPKN. According to SPKN (2017), the Statement of Auditing Standards 100 stipulates that an auditor, as a collective, must possess sufficient professional competence to conduct audits. The competency requirements include (1) professional competence, (2) establishing specific competencies as a basis for determining that auditors have the necessary expertise to conduct audits, and (3) fulfilling the obligation to maintain competence through continuous professional education.

Because this study was conducted in the researcher's workplace, response bias may be a potential concern (Podsakoff et al., 2003). Authors have implemented several measures to minimize biased responses that may arise due to workplace relationships. First, we selected interview respondents from individuals who did not work in the same unit as the researcher. This reduces the likelihood of agreement bias or socially desirable responses. Second, no direct hierarchical relationship was found between the researcher and the respondents. This eliminates the risk of authority bias stemming from rank or position differences. These strategies align with best practices in qualitative research to ensure the data collected is objective, reflects respondents' genuine experiences, and maintains the study's validity (Yin, 2018).

Data Sources and Respondents

This study utilizes both primary and secondary data sources. Primary data were gathered through surveys and interviews with BPK auditors and officials from the Training Institute of State Financial Audit (Badiklat PKN) and the Human Resources Management (HRM) Bureau from September to October 2024. Secondary data were collected from literature reviews, official documents, and relevant reports aligned with the research topic.

Given the large number and widespread distribution of auditors, purposive sampling was used to select survey respondents. The selection process considered factors such as the auditors' positions, their roles within audit teams, and their assignment locations—whether at central or regional offices—as presented in Table 1.

Table 1. Auditor Respondents

Auditor Position	Role
Junior Auditor	Technically executes audit procedures based on audit programs and personal work programs.
Associate Auditor	Leads audit execution and understands and assesses the audit entity.
Senior Associate Auditor	Supervises audits, providing sufficient analysis to report to the Expert Auditor.
Expert Auditor	Ensures that audits are conducted according to standards.

Next, interviews were conducted using a convenience sampling approach to analyze the internal factors that support fraud detection competency. Informants were selected based on key criteria, including their current position, extensive audit experience, long tenure in the organization, and advanced educational background. Table 2 outlines the profiles of the selected interviewees.

Table 2. Informants' Profile

Informants	Auditor Position	Education Level	Professional Certification	Years of Experience	Assignment Experience
P1	Senior Associate	Postgraduate	CFE, CLA, CSFA	>20 years	>40 assignments
P2	Senior Associate	Postgraduate	-	>20 years	>40 assignments
P3	Senior Associate	Postgraduate	CPSAK, ACPA	>20 years	>40 assignments
P4	Senior Associate	Postgraduate	CA, CPA, ACPA, CSFA	>20 years	>40 assignments
P5	Associate	Postgraduate	-	15–20 years	>40 assignments
P6	Associate	Bachelor	CFrA, CA	>20 years	>40 assignments
P7	Junior	Postgraduate	-	15–20 years	20–30 assignments

Authors assessed auditors' competency levels in fraud detection through a targeted survey. The survey instrument was specifically designed for this study based on the competencies outlined in the Regulation of the Secretary General of BPK Number 46 of 2022. Respondents self-evaluated their proficiency in critical areas such as adherence to audit standards, analysis of financial management regulations, evaluation of audited entities, management of audit evidence and documentation, audit advocacy, and reporting audit findings. Competency was measured using a self-assessment scale from 1 to 10. For clearer interpretation, responses were grouped into five distinct competency levels. The overall competency was then determined by calculating the average self-assessment score, as presented in Table 3.

Table 3. Categorization of the Auditor Competence Levels

Score	Competence Category
1.00–2.79	Low Competence
2.80–4.59	Quite Low Competence
4.60–6.39	Medium Competence
6.40–8.19	Quite High Competence
8.20–10.00	High Competence

To examine the internal factors influencing auditors' ability to detect fraud, respondents were asked to identify attitudes aligned with BPK's core values, the IAPI professional code of ethics, or other essential traits. These competency standards are defined in the BPK Secretary General Regulation Number 46 of 2022. The survey utilized open-ended questions with predefined answer options, allowing respondents to specify which attitudes they believed were most critical for effective fraud detection. Follow-up interviews were then conducted to gain deeper insights into how auditors applied these attitudes in practice and how they navigated challenges during audit assignments. As this study focuses exclusively on internal factors affecting BPK auditors' competencies, external comparisons were intentionally excluded. Interviews with external parties were deemed unnecessary, as the study specifically seeks to capture auditors' internal perspectives on fraud detection. BPK's efforts to enhance auditor competence were explored through interviews and literature reviews. Interviews were conducted with officials from Badiklat PKN and HRM Bureau. The interview questions were specifically designed for this study and tailored to the roles and responsibilities of Badiklat PKN and HRM Bureau in relation to strengthening auditors' competence in fraud detection. In addition, a literature review was conducted by analyzing publicly available reports and documents related to BPK's organizational structure and performance.

Data Analysis

In this study, authors used thematic analysis as our analysis method. Braun and Clarke (2006), in Heriyanto (2018), defined thematic analysis as a technique aimed at identifying, analyzing, and categorizing patterns or themes derived from collected data. This method is very effective if a study intends to closely examine the qualitative data to identify relationships between observed patterns in a phenomenon and to explain their underlying causes (Fereday & Muir-Cochrane, 2006, in Heriyanto, 2018).

Validity is a central strength of qualitative research, ensuring that findings accurately reflect the perspectives of researchers, participants, and readers (Creswell & Miller, 2000, as cited in Creswell, 2009). One widely recommended strategy to bolster validity is data triangulation, which cross-verifies evidence from multiple sources to construct a coherent justification for the study's themes. In this study, triangulation was applied to examine internal factors contributing to auditors' competence in detecting fraud. Data collection included surveys and interviews. Survey responses were clarified through interviews to obtain more comprehensive explanations.

RESULT AND DISCUSSION

Aligned with the research objectives, the discussion addresses auditor competence in fraud detection through three areas of analysis: competence levels, internal supporting factors, and methods for improvement.

Analysis of Auditor Competency Level in Detecting Fraud

Auditor competence in fraud detection was measured through self-assessment conducted by 124 respondents. Respondents rated their competence across various skill areas using a survey scale ranging from 1 (low competence) to 10 (high competence). Overall, the self-assessed auditor competence in fraud detection yielded an overall score of 7.71, categorized as "quite high." The highest skill level was in analyzing laws and regulations related to state financial management, with a score of 7.86. Conversely, the lowest was in the assessment of audit entities, with a score of 7.64. Table 4 presents the assessment results in detail.

Table 4. Results of the Auditor Competence Assessment in Detecting Fraud (Self-Assessment)

Competence Indicator	Competence Level
Implementation of the audit standards	7.74
Analysis of the laws and regulations of state financial management	7.86
Assessment of the audit entities	7.64
Management of data into evidence and audit documentation	7.67
Advocacy in audits	7.75
Reporting of the audit results	7.65
Overall Competence Level	7.71

When auditor competence assessment results were categorized by position, Expert Auditors achieved an average score of 8.29, while Senior Associate Auditors scored 8.36. Both scores exceed the overall average competence score of 7.71. The competence levels of the Expert Auditors and Senior Associate Auditors fall into the "high competence" category. At the same time, the Associate Auditors and Junior Auditors have a "quite high" competence level in detecting fraud. Furthermore, when the competence assessment results were analyzed based on the levels of auditors, the competence level of the Senior Associate Auditors was the highest at 8.36. The specific scores for each indicator and the overall averages by auditor position are detailed in Table 5.

Table 5. Competence Levels of Auditors Based on Competence Indicators and Auditor Position

Competence Indicator	Competence Level (Low to High on a Scale of 1 to 10)			
	Junior	Associate	Senior Associate	Expert
Implementation of the audit standards	7.25	7.75	8.36	8.50
Analysis of the laws and regulations of state financial management	7.54	7.82	8.40	8.25
Assessment of the audit entities	7.12	7.66	8.26	8.33
Management of data into evidence and audit documentation	7.19	7.68	8.28	8.16
Advocacy in audits	7.40	7.68	8.34	8.50
Reporting of the audit results	7.19	7.55	8.54	8.00
Overall Competence Level	**7.28**	**7.69**	**8.36**	**8.29**

The average competence level for Junior Auditors, based on 36 respondents, was 7.28, reflecting lower competence compared to Associate Auditors. This difference is attributed to the shorter tenure and fewer assignments typically completed by Junior Auditors. Among the 36 Junior Auditors surveyed, the majority (21 individuals, 58.33%) had audit experience ranging from 10 to 20 assignments, while several respondents had fewer than 10 assignments. Additionally, nine respondents (25%) had experience with 20–30 assignments, one respondent (2.7%) had 30–40 assignments, and five respondents (13.8%) reported over 40 assignments.

The average competence level of the Associate Auditors, based on 61 respondents, is 7.69, indicating a higher competence level than that of the Junior Auditors. This is because Associate Auditors generally have longer tenures and more assignments than Junior Auditors. Of the Associate Auditor respondents, 41 individuals (67.21%) had experience with 30–40 assignments, including 21 respondents with more than 40 assignments. Meanwhile, 13 respondents (21.31%) reported 20–30 assignments, and 7 (11.47%) had 10–20 assignments.

The average competence level of the Senior Associate Auditors, based on 24 respondents, is 8.33, indicating a higher competence level compared to the Associate Auditors and Junior Auditors. This higher score is attributed to their extensive tenure and greater volume of assignments. Among the Senior Associate Auditor respondents, 17 individuals (70.83%) had experience with more than 40 assignments, 4 (16.67%) had 30–40 assignments, and 3 had fewer than 30 assignments.

The average competence level of Expert Auditors, based on two respondents, is 8.29. While slightly lower than that of Senior Associate Auditors, it surpasses the scores of Associate Auditors and Junior Auditors. This higher competence is attributed to the longer tenure and greater number of assignments completed by Expert Auditors compared to their Associate and Junior counterparts. Of the two Expert Auditor respondents, one had experience with 30–40 assignments, while the other had experience with more than 40 assignments. Both respondents had also completed training programs addressing all competence indicators.

Fraud detection is positively and significantly impacted by auditor competency. This implies that an auditor's capacity to identify fraud will increase with their skill level. This fact is in accordance with several research results that reveal the influence of auditor competence, experience, and knowledge on their ability to detect fraud. Noch et al. (2022) conclude that auditor competence has a positive effect on fraud detection. The higher the auditor's competence, the higher their ability to detect fraud. Wahidahwati and Asyik (2022) discover that fraud detection is positively and significantly impacted by auditor experience. Even in environmental internal audits, Wicaksono (2023) observes that increased auditor competence, combined with enhanced audit knowledge and skills, leads to a better understanding of audit objectives and improved fraud detection.

Analysis of Internal Factors in Detecting Fraud

Internal factors influencing fraud detection were examined through a survey in which respondents identified the attitudes that enable auditors to apply their competencies effectively. These competencies are defined in the BPK Secretary General Regulation Number 46 of 2022. The internal factors encompass personal attitudes, such as integrity, objectivity, professional competence, due care, confidentiality, and professionalism, as stipulated by the IAPI code of ethics, as well as any additional principles, values, or mindsets highlighted by the respondents. Next, the authors will provide a detailed analysis of each internal factor that supports the auditor's competence in detecting fraud.

Integrity

The IAPI defines integrity as honesty and straightforwardness in all professional and business relationships (IAPI, 2021). This principle must be upheld, even under pressure to engage in unethical actions that may harm individuals or organizations. Schlenker (2008), cited in Umar et al. (2022), describes integrity as a strong personal commitment to ethical and ideological principles that becomes part of an individual's self-concept and guides their behavior. Aulia et al. (2024) find that independence and integrity improve the audit opinion. This shows that audit opinions are more accurate when independence and integrity are demonstrated. This is because the auditor will be brave, honest, and responsible, and they will not let anything affect their decision-making. Interviews with BPK auditors highlighted integrity as a critical internal factor supporting fraud detection competence. Auditors identified their role in implementing audit standards, advocating during audits, and reporting results. Table 6 summarizes respondents' opinions.

Table 6. Interview Results on Integrity

Competency	Interview Conclusion
Implementation of the audit standards	The implementation of audit standards depends heavily on the auditor's integrity. While tiered reviews and supervision exist, the most effective oversight is self-driven integrity, which ensures adherence to BPK values: independence, integrity, and professionalism (P2).
Advocacy in audits	Communication is essential for gathering information and drawing conclusions. Fraud-related evidence must be obtained legally and ethically (P1).
Reporting of the audit results	The auditors must not be influenced by compromise during the hierarchical reporting process within the audit team (P1).

Millichamp and Taylor (2018) emphasize that auditors must consistently demonstrate integrity—embodying honesty, fairness, courage, and confidentiality—in all professional, business, and personal relationships. Yet conflicts of interest directly undermine this core principle. Supporting this view, Maulana (2020) finds that audit quality depends heavily on auditors' integrity, which requires impartiality, vigilant avoidance of conflicts of interest, and strict adherence to established audit procedures throughout the audit process. Supporting this view, Maulana (2020) finds that audit quality depends heavily on auditors' integrity, which requires impartiality, vigilant avoidance of conflicts of interest, and strict adherence to established audit procedures throughout the audit process.

Interactions between auditors and personnel from audited entities are inevitable during audit procedures. Effective communication is essential for achieving audit objectives. Bivol (2022) stresses that communication reflects the relationship between auditors and audited entities also plays a critical role in organizations. Audit evidence must be gathered with integrity, ensuring it originates from valid and appropriate sources. Bivol (2022) also emphasizes that developing effective communication skills (e.g., listening, interpersonal skills, and both written and verbal communication) is identified as a vital component of auditor self-development. Communication established between auditors and entities must not only prioritize effectiveness, but it must also be conducted with integrity. The auditors' communication skills should be used exclusively for applying audit standards and procedures and not for purposes outside the scope of the audit.

Objectivity

Objectivity is a fundamental principle in the Code of Ethics for Public Accountants, as established by the IAPI. The IAPI mandates that an auditor's professional judgment must not be compromised by "bias, conflicts of interest, or undue influence or dependence on individuals, organizations, technology, or other factors" (IAPI, 2021). Millichamp and Taylor (2018) define objectivity as a focus on facts, data, and relevant task elements, excluding extraneous considerations. Objectivity emphasizes honesty and avoidance of bias, prejudice, also compromise. For auditors, maintaining objectivity means making fair and impartial judgments based only on audit-relevant factors, free from conflicts of interest.

Interviews with BPK auditors reveal that maintaining an objective attitude is an internal factor in fraud detection competence. Objectivity supports key aspects such as financial legislation, audited entity assessments, data management as evidence, audit documentation, and reporting audit results. Table 7 summarizes the interview results.

In the public sector, organizational operations are governed by laws and regulations. According to Audit Standard 250 (SA 250) issued by IAPI (2021), auditors must consider the regulatory framework when detecting material misstatements in financial statement audits, whether due to fraud or error. Therefore, the ability to analyze legislation in state financial audits is a mandatory competence for auditors. Given the extensive scope of audits, the regulatory criteria applied are highly diverse. Auditors frequently encounter challenges such as overlapping regulations, inconsistencies between rules at the same or different hierarchical levels, and excessive regulatory issuance that lacks substantial value (over-regulation). The impact of these issues on auditors includes difficulty in using regulatory criteria to conclude audit findings.

Table 7. Interview Results on Objectivity

Competency	Interview Conclusion
Analysis of the laws and regulations of state financial management	An audit compares facts against regulatory criteria, requiring objective evaluation to accurately reflect potential deviations (P6).
Assessment of the audited entities	Auditors must remain impartial and free from personal interests or motivations when evaluating audited entities (P3).
Management of data into evidence and audit documentation	Data and audit evidence analysis, particularly related to fraud actions, must be conducted with professional judgment and objectivity (P7).
Reporting of the audit results	Reporting must objectively present audit findings or deviations, applying professional judgment without bias or conflicts of interest (P6).

Auditors must maintain objectivity when analyzing regulations that serve as criteria for reporting audit findings. The inherent limitations of existing regulations present challenges in interpreting provisions and drawing conclusions based on audit findings. Auditors exposed to conflicts of interest may exploit regulatory gaps for personal or third-party benefit.

Auditors must uphold an objective approach when assessing audited entities, particularly in assessing risks, including fraud risks. Audit program design and sample selection must be grounded in data and professional judgment that can be substantiated. This principle extends to the acquisition of audit evidence, as outlined in the Audit Standard 500 (SA 500) issued by IAPI (2021), which states that when designing and performing audit procedures, the auditor must consider the relevance and reliability of information used as audit evidence. Objectivity ensures that audit considerations remain focused on findings rather than external influences.

> “With objectivity, the audit is risk-based; we should avoid drawing biased conclusions about the entity’s risk, as it could affect the sampling decisions or planning, making it less optimal“ (P5).

Similarly, in reporting audit results, which is the product of the audit process, objectivity is essential for all parties involved in report preparation. At BPK, audit report development is determined by the capabilities of each team member within a hierarchical audit structure. Therefore, conflicts of interest with specific individuals can influence the audit report, especially when the audit is led by the person responsible for making the decisions.

Professional competence and due care

Professional competence and due care reflect a continuous commitment to ensuring that an auditor’s expertise meets the required standards. This expertise is reinforced through diligent actions aligned with specific professional and technical guidelines. In the context of fraud detection during an audit, auditors are expected to diligently apply audit standards when evaluating conditions indicative of fraud, using sufficient and appropriate audit evidence. Thus, accurate conclusions can be obtained through appropriate methods and audit evidence.

Survey results indicate that professional competence and due care are widely regarded as essential factors supporting auditors’ ability to detect fraud across all competency areas required of BPK auditors, except for the competency of reporting audit results. Here, sources emphasized objectivity and integrity. Most respondents asserted that professional competence and due care should serve as the foundation for auditors when applying standards, analyzing laws and regulations, assessing and understanding entities, gathering audit evidence, and communicating effectively. Table 8 presents the results of the interviews.

An auditor’s understanding and knowledge of audit standards are fundamental, as the quality of an auditor’s work depends heavily on adherence to these standards. Destyani and Tanusdjaja (2021) demonstrate that auditing standards significantly influence the quality of audit services. Audit is a collaborative process, allowing competence to be developed collectively. This includes assessing the audited entities, where effective audit planning enhances overall audit quality. Johnstone et al. (2016) emphasize that audit teams are encouraged to engage in team discussions—often called brainstorming sessions—to foster creative and comprehensive evaluation of client risks, particularly those related to potential fraud within the audited organization.

Moreover, audit teams must possess collective competence when interpreting the regulations that underpin audit criteria in the public sector. To uphold professional competence standards, these teams should include members with strong regulatory expertise or seek input from subject matter experts. At BPK, for instance, expertise in legal and regulatory analysis is frequently supported through consultation with the Directorate General of Legal Affairs, ensuring audits are grounded in a sound understanding of applicable laws and regulations.

Table 8. Interview Results on Professional Competence and Due Care

Competency	Interview Conclusion
Implementation of the audit standards	Auditors must exercise knowledge and caution when defining fraud conditions, carefully assessing key elements, such as hidden (concealed), intention, damage, and deception (P1).
Analysis of the laws and regulations of state financial management	Auditors must possess broad insight when interpreting regulations to fully understand their underlying substance (P2).
Assessment of the audit entities	Auditors' knowledge of the business process and weaknesses in controls will help identify fraud and assess risks (P4).
Management of data into evidence and audit documentation	Auditors must obtain sufficient and appropriate audit evidence during an audit. In fraud detection, "sufficiency" relies on professional judgment, whereas "appropriate" ensures consistency and supports identified findings or deviations. Therefore, when gathering audit evidence, auditors must have competence and adhere to due professional care (P6).
Advocacy in audits	Audit communication must be performed with caution. If related to fraud detection, there may be sensitive matters that must be communicated according to competence and caution (P5).

Confidentiality

In their professional relationship with clients, auditors have broad access to organizational data, including business and personal information. Therefore, to safeguard this access, the IAPI Code of Ethics establishes confidentiality requirements. According to the Code of Ethics (IAPI, 2021), the principle of confidentiality is a form of public interest protection as it facilitates the free flow of information from clients or organizations where they work to Members (auditors) with the understanding that the information will not be disclosed to third parties. However, certain situations, such as legal proceedings, may necessitate disclosure.

Interviews with BPK auditors reveal that confidentiality is a key factor supporting fraud detection competence, particularly in managing data as evidence and maintaining audit documentation. Table 9 summarizes the respondents' opinions. BPK auditors bear a strict duty to safeguard all evidence they collect—especially any findings that point to potential fraud. Octaviani and Ekasari (2021) emphasize that professional responsibility entails protecting client information and never disclosing it to third parties without proper authorization. This obligation is codified in BPK Regulation Number 3 of 2016, which prohibits auditors from exploiting any state secrets learned through their official duties for personal, individual, or group gain. Upholding such confidentiality, Erina and Darwanis (2012, as cited in Octaviani & Ekasari, 2021) argue, underpins sound audit practice and directly enhances the quality of audit reports—a primary measure of auditor performance.

Table 9. Interview Results on Confidentiality

Competency	Interview Conclusion
Management of data into evidence and audit documentation	Auditors have a responsibility to safeguard the confidentiality of audit evidence and documentation. This obligation aligns with the code of ethics, which must be adhered to in protecting sensitive information that cannot be disclosed by the auditor (P2). Audit documentation begins with auditors in the field, emphasizing the need for strict confidentiality. Unauthorized disclosure of incomplete audit records may result in misinterpretations (P5).

Professionalism

The BPK Code of Ethics defines professionalism as "the ability, expertise, and professional commitment in carrying out duties." Meanwhile, the IAPI Code of Ethics outlines key principles that uphold professionalism, which include:

> "Compliance with relevant laws and regulations, behavior consistent with the professional responsibility to act in the public interest in all professional activities and business relationships, and avoidance of any behavior that is known or ought to be known to discredit the profession" (IAPI, 2021).

Interviews with BPK auditors reveal that professional behavior is a key factor in fraud detection competence, particularly in assessing audited entities, advocating audit findings, and reporting audit results. Table 10 summarizes the respondents' opinions.

Table 10. Interview Results on Professionalism

Competency	Interview Conclusion
Assessment of the audit entities	The assessment of audited entities is a continuous process that extends beyond a fixed timeframe. Assessments should incorporate a range of relevant variables, including evaluating inherent risk. For example, in assessing internal control systems, a checklist alone is insufficient (P1).
Advocacy in audits	Communication flows vertically within the audit team and functionally with the auditee, particularly during evidence collection. Establishing professional communication is crucial when executing audit procedures related to fraud detection (P4).
Reporting of the audit results	The reporting stage occurs in the office (not in the field), requiring professionalism in report preparation, processing from the audit team to final approval by the responsible authority (P2).

BPK, under its constitutional mandate, performs routine audits of all state institutions. Effective entity assessment must begin well before fieldwork and extend beyond the planning phase; each audit unit needs a deep, ongoing understanding of the entities in its portfolio to bolster fraud detection. This requirement aligns with International Standard on Auditing (ISA) 315 and IAPI's Audit Standard (SA) 315 (2021), which stipulate that auditors must thoroughly evaluate the entity and its operating environment—"knowing your client"—by examining business processes, governance, and financial management quality prior to initiating audit procedures (Millichamp & Taylor, 2018).

Maintaining professional conduct during interactions with audited entities is equally critical, especially when fraud suspicions arise. Auditors must carefully balance the need to probe material misstatements—allocating appropriate time and procedures to confirm whether suspected fraud could materially affect their findings—against the entity's possible efforts to protect its public image. Navigating these sensitive discussions demands ethical restraint and a firm commitment to uncovering the truth.

Analysis of Efforts to Improve Competence in Fraud Detection

According to the Statement of Auditing Standards 100 (General Standards) in SPKN, competence encompasses education, knowledge, experience, and/or expertise possessed by an individual, both in auditing and in specific areas or fields (BPK RI, 2017). Furthermore, Paragraph 13 of the General Standards emphasizes that auditors collectively must have sufficient professional competence to carry out auditing tasks (BPK RI, 2017). Such professional competence is evidenced by certificates issued by authorized institutions or other documents that attest to expertise.

In BPK, the unit responsible for ensuring auditors meet competency requirements through education and professional certification is Badiklat PKN, in collaboration with the HRM Bureau. Badiklat PKN administers education and training programs for auditors and external parties also conducts certification initiatives to ensure proficiency in state financial audits. Meanwhile, the HRM Bureau oversees the development and evaluation of auditor competence. According to BPK's 2020–2024 Strategic Plan, the institution has conducted a self-assessment of training and professional development indicators (BPK RI, 2020). Three key characteristics have been identified as essential for enhancing auditor competence, particularly in improving auditors' fraud detection skills. The characteristics include the following:

1) Creating Stakeholder Satisfaction and Trust in the Training, Certification, and Accreditation Processes

   Stakeholder engagement, particularly with auditing units, must ensure that training programs align with organizational needs and expectations. Effective coordination with stakeholders is crucial for developing training materials, engaging qualified facilitators, and establishing the necessary learning infrastructure.

   "In addition to competency-based training levels, the training programs consider current issues and upcoming audit plans. Badiklat PKN also distributes questionnaires to all Echelon II-level work units to identify training needs for the next year, including specific needs of each employee. These survey results are tabulated and scored to determine the most prioritized training programs" (Badiklat PKN).

2) Competent Facilitators and Professional Management

   To compensate for the limited number of internal trainers, Badiklat PKN enlists facilitators from auditors or other qualified professionals to provide practical insights to training participants.

   "Given the importance of fraud detection in financial statements and its relevance for tools like the Fraud Risk Assessment Matrix (FRAM), facilitators with practical experience are essential. For this reason, facilitators from the Principal Investigative Audit (AUI) are appointed to enrich the content with real-world perspectives. While internal trainers may possess auditing knowledge, issues of current relevance are better addressed by those directly involved, such as AUI auditors" (Badiklat PKN).

3) Curriculum, Methods, and Learning Media Aligned with Competency Development Needs

   The annual training agenda is structured quarterly and communicated to all Echelon II level work units. Training candidates are selected based on interest, organizational needs, and available learning methods provided by Badiklat PKN. Alongside traditional classroom training, learning is conducted remotely through distance learning, e-learning, blended learning, and self-learning, supported by appropriate materials and media. However, fraud detection training has not yet been developed as a standalone or specialized program.

   "Competence development is carried out through education and training programs for the formation and advancement of auditors. Therefore, the competence framework comprises the standards that auditors must possess at a given level. For example, training for an Associate Auditor being promoted to Senior Associate Auditor includes topics aligned with competency standards for that level. Fraud-related themes are integrated into specific subjects, such as business process analysis and risk assessment training or procurement auditing training" (Badiklat PKN).

HRM Bureau at BPK oversees all personnel functions and, in partnership with Badiklat PKN, drives competency development through professional certification programs. Among these, fraud-detection credentials—Certified Fraud Examiner (CFE) and Certified Forensic Auditor (CFrA)—are offered, yet uptake remains low. Of BPK's 5,538 auditors, only 109 (1.96%) hold a CFE, and 218 (3.94%) hold a CFrA, underscoring the need to expand certified expertise in fraud detection.

> "HRM Bureau annually conducts several professional certification programs based on organizational needs and available budget. In addition to organizing certification programs funded by its budget, BPK also receives donor funding, where the certifications offered align with the donors' requests. HRM Bureau has organized professional certifications such as CFE and CFrA several times, utilizing a selection system. This approach is necessary due to budget constraints, which prevent all auditors from participating in these programs" (HRM Bureau).

Despite budget constraints, HRM Bureau's strategy for implementing continuing education to enhance auditors' competence and knowledge has not specifically prioritized fraud detection capabilities.

> "The development of competencies for BPK personnel is planned through the Human Capital Development Plan (HCDP). This HCDP is aligned with the organization's objectives and does not specifically aim to address the competence required for detecting fraudulent activities" (HRM Bureau).

Cheng et al. (2009) found that increased investment in human resource development improves auditor quality. Their study also highlights the substantial influence of human resource strength on the audit market for both public and nonpublic entities. Given BPK's role in auditing state financial management, sufficient budget allocation for auditor competency development is crucial. Pramono and Keliat (2022) similarly found that BPK auditors showed strong interest in enhancing their competencies through formal education and professional certification, despite certain challenges. One challenge involves career advancement, and ensuring competency development is inclusive for all employees, including nonauditors.

Badiklat PKN and HRM Bureau have made significant efforts to enhance auditor competence within their respective domains. Badiklat PKN focuses on developing the auditor's knowledge and skills aligned with the organization's strategic plan and SPKN. Meanwhile, the HRM Bureau ensures that auditors meet organizational needs and competency standards through legal and formal mechanisms.

CONCLUSION

The study's findings show that auditors generally perceive their fraud detection competence as high. However, self-assessment results reveal that Senior Associate Auditors and Expert Auditors demonstrate higher proficiency levels, largely due to their advanced education, broader expertise, and greater exposure to formal training and audit experience compared to Junior Auditors and Associate Auditors. Internal factors influencing BPK auditors' ability to conduct audits align with BPK's core values and the ethical principles of public accountants, such as integrity, objectivity, professional competence, due care, confidentiality, and professionalism. Among these, respondents identified professional competence and due care as the most critical attributes for fraud detection. These competencies enable auditors to apply audit standards, interpret laws and regulations, assess audited entities, document evidence, substantiate findings, and report results accurately, forming a solid basis for identifying potential or ongoing fraudulent activities and initiating investigative audits (predication).

Badiklat PKN and HRM Bureau have implemented efforts to enhance auditor competence within their respective roles. Badiklat PKN focuses on developing auditors' knowledge and skills aligned with the organization's strategic plan, supporting competency-building initiatives mandated by the SPKN. Meanwhile, HRM Bureau oversees the legal and formal aspects, ensuring auditors meet organizational requirements and adhere to established competency standards. Despite these initiatives, Badiklat PKN currently lacks a dedicated curriculum specifically aimed at enhancing fraud detection expertise. Fraud-related topics are integrated into broader subjects based on thematic relevance, rather than offered as standalone or specialized courses. Similarly, while HRM Bureau has introduced competency development programs—including professional certifications and assessments—to meet continuing education requirements, further budget support is needed to expand certification opportunities and improve the quality of auditor education.

This study takes a general approach by examining fraud detection across national financial audits. Future research could adopt a more targeted focus by investigating specific audit areas, recognizing that differences in financial management practices and fraud risks across central also local governments, ministries, and state-owned enterprises may influence how auditors apply their fraud detection expertise. Additionally, involving external parties, such as audited entities or other relevant stakeholders, in future studies could enrich the analysis by providing broader insights into auditors' competency from multiple perspectives.

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