

ABSTRACT

Fraudulent financial statements are a form of fraud that can undermine the reliability of financial information and disrupt the accountability of public financial management. In the context of police institutions, organizational complexity, the management of public budgets, and demands for public accountability highlight the important role of internal auditors in detecting and following up on indications of fraud. This study aims to explore the role of auditors in detecting *fraudulent financial statements* within the Regional Police Department (POLDA), including detection mechanisms, audit procedures, causal factors, enforcement mechanisms, detection barriers, and collaboration in strengthening the oversight system. This study employs a qualitative approach within an interpretive paradigm using a phenomenological method. Data were collected through interviews with informants who had experience in auditing and financial oversight within the police institution, complemented by document analysis. Data analysis was conducted through *open coding*, *axial coding*, *selective coding*, *constant comparative analysis*, and theoretical saturation. The findings identify six main categories: detection mechanisms; audit procedures and processes; causal factors; enforcement mechanisms; barriers and challenges in fraud detection; and collaboration and system strengthening. The findings indicate that auditors serve as an early warning mechanism through document examination, transaction verification, clarification, identification of *red flags*, and follow-up on audit findings. The risk of *fraudulent financial statements* is primarily influenced by pressure and opportunities arising from weaknesses in internal controls and organizational conditions. Enforcement is carried out progressively according to the

severity of the violation, while the effectiveness of detection is constrained by workload, limited resources, and auditor independence. Strengthening oversight through collaboration, internal controls, and audit digitalization is necessary to improve the effectiveness of detecting and preventing *fraudulent financial statements*.

Keywords: Internal auditors, *fraudulent financial statements*, fraud detection, phenomenology, police institution

