

EXPLORING THE MEDIATING EFFECT OF SHARIA AUDIT QUALITY IN THE RELATIONSHIP BETWEEN INTERNAL AUDIT CHARACTERISTICS AND FRAUD PREVENTION

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Abstract

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Fraud remains a critical concern in both for-profit and non-profit organizations, including zakat institutions that rely heavily on public trust and religious accountability. Most previous studies have examined internal audit competence or due professional care separately, but few have explored their combined influence, particularly when mediated by Sharia audit quality. This study examines the mediating role of Sharia audit quality in the relationship between internal audit characteristics, namely internal audit competence and due professional care, and fraud prevention within Indonesia's National Zakat Board (*Badan Amil Zakat Nasional*, BAZNAS). We analysed survey data from 262 respondents across 131 BAZNAS units using partial least squares structural equation modelling (PLS-SEM). The findings show that both competence and due professional care significantly enhance fraud prevention, directly and indirectly, through Sharia audit quality, with due professional care emerging as the stronger determinant of audit quality. This paper advances previous research by demonstrating how Sharia audit quality mediates the relationship between internal audit characteristics and fraud prevention within zakat institutions. The study contributes to Islamic auditing literature by identifying Sharia audit quality as a key mechanism in strengthening anti-fraud efforts. Practically, the findings provide strategic implications for regulators and zakat institutions to enhance accountability, transparency, and public trust.

Keywords: Competence, Due Professional Care, Internal Audit Characteristic, Fraud Prevention, Sharia Audit Quality

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1. INTRODUCTION

Fraud remains a persistent threat in both profit and non-profit sectors, including in zakat institutions (Jalil, 2018). Despite their religious mission and public role, zakat organizations often face governance weaknesses that increase the risk of mismanagement of funds. For example, the Association of Certified Fraud Examiners (ACFE, 2020) reported that Indonesia had 36 out of 198 fraud cases in the Asia-Pacific region in 2020, the highest among 16 surveyed countries. Empirical studies highlight persistent challenges in zakat management, including weak reporting practices, limited institutional capacity, low public awareness, and insufficient human resource competence that collectively undermine accountability (Ardani & Pujiyono, 2021). These issues indicate weak governance structures within Indonesian zakat organizations (Santoso et al., 2018).

Indonesia's National Zakat Board (*Badan Amil Zakat Nasional*, BAZNAS) is Indonesia's national zakat agency, operating a wide network of offices (currently 549) responsible for collecting and distributing zakat funds nationwide. The government established regional BAZNAS institutions at the provincial, district, and city levels (Al-Haddad et al., 2024). Although regulatory reforms and standardized procedures have been implemented, institutional weaknesses have, in several cases, resulted in actual fraud cases. Media and audit reports have documented several cases of zakat fund misappropriation, ranging from funds being kept in bank accounts instead of being distributed to corruption by local leaders and misuse of resources for excessive executive remuneration. Reported cases during 2022–2023 in several regional BAZNAS offices led to substantial financial losses. These incidents highlight systemic governance issues and inadequate internal oversight mechanisms within zakat institutions (Wahyuni-TD et al., 2021; Siregar, 2022; Ibrahim, 2023).

Similar governance challenges have also been reported in Islamic charitable institutions outside Indonesia. In Malaysia, studies highlight persistent weaknesses in zakat institutions, particularly in transparency and audit oversight (Wahab & Rahman, 2015; Saad et al., 2017). In the Middle East, research shows that waqf and zakat organizations often face limited regulatory enforcement and inconsistent Sharia audit practices, undermining stakeholder confidence (Kasim et al., 2009). Likewise, African experiences, such as in Nigeria and Sudan, reveal that poor internal controls and a lack of professional audit mechanisms expose zakat and waqf funds to mismanagement and fraud (Abdullahi et al., 2022). These global findings suggest that ensuring audit quality is a common and critical challenge for Islamic non-profit institutions, reinforcing the importance of investigating internal audit characteristics within BAZNAS as a representative case.

At the same time, these global findings underline not only the universal challenges of fraud prevention in Islamic charitable institutions but also the distinctive need for an audit approach that integrates both technical assurance and compliance with Islamic principles. This highlights the potential uniqueness of Sharia audit quality, which extends beyond conventional audit practices by embedding

religious and ethical accountability into the governance framework of zakat institutions. As noted in prior literature, however, the specific scope of a Sharia audit may vary depending on the organization, its activities, and its adherence to Islamic principles, underscoring the importance of clearly defined auditor competence and standards (Salleh et al., 2024).

From the perspective of the fraud triangle (Cressey, 1953, as cited in Dorminey et al., 2012), these conditions create opportunities and rationalizations, reinforcing the urgency of effective internal audit mechanisms. Internal auditors play a vital role in minimizing errors and enabling the early detection of potential fraud (Yusriwati, 2017; Sutaryo & Sinaga, 2018). Prior research has documented the evolving role in strengthening corporate governance through oversight, reinforcing control environments, and mitigating fraud risks (Soh & Martinov-Bennie, 2011; Coram et al., 2006; Beasley et al., 2000). Furthermore, internal auditors are increasingly recognized as key contributors to improving organizational performance (Alqatamin & Alqatamin, 2024; Getie Mihret & Zemenu Woldeyohannis, 2008; Ali & Owais, 2013).

Building on these insights, this study examines how two internal audit characteristics, competence and due professional care, affect fraud prevention in BAZNAS, and whether Sharia audit quality mediates these relationships. While previous studies have examined these factors separately in conventional audit settings, there is limited empirical evidence on their combined impact through a Sharia audit quality perspective, particularly in a non-profit Islamic context. Addressing this gap, this study tests a conceptual model using partial least squares structural equation modelling (PLS-SEM) on survey data collected from internal auditors and *amil* (zakat officer) across BAZNAS units.

The main research question is:

RQ: To what extent does Sharia audit quality mediate the relationship between internal audit characteristics (competence and due professional care) and fraud prevention in BAZNAS?

The primary contributions of this paper are twofold: 1) empirically identifying Sharia audit quality as a mediating mechanism linking auditor characteristics to fraud prevention in a national zakat institution; and 2) providing practical recommendations for strengthening Sharia-compliant audit procedures and auditor capacity within zakat organizations.

This paper is structured as follows. Section 2 reviews the relevant literature and develops the hypotheses. Section 3 describes the research design and methods. Section 4 presents results, while Section 5 discusses the findings. Section 6 concludes the paper.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Internal audit characteristics

The scope of the internal audit function has expanded significantly in recent years, assuming increasingly critical roles within organizations (Ardianingsih et al., 2024; Alzeban & Gwilliam, 2014). Effective internal auditing depends on the professional attributes of internal auditors, commonly referred to

as internal audit characteristics. Prior studies have examined how these characteristics influence organizational performance. For example, Leung et al. (2004) and Shaiti and Al-Matari (2020) analysed the relationship between internal audit function characteristics and organizational performance, and Zain et al. (2006) reported a positive association between the internal audit effectiveness and managerial resources.

Several attributes are widely recognized as key indicators of internal audit quality and effectiveness, including independence, objectivity, competence, proficiency, and due professional care (Kaabi, 2023; Endaya & Hanefah, 2016; Eulerich & Ratzinger-Sakel, 2017). These characteristics are essential not only for ensuring the integrity of the audit process but also for enhancing the credibility of financial reporting and strengthening organizational governance (Prawitt et al., 2009; Lin et al., 2011; Pizzini et al., 2012).

Internal audit characteristics comprise a set of core qualities that auditors must possess to perform their responsibilities effectively, such as competence, objectivity, effective communication, due professional care, and continuous professional development (Bari et al., 2024; Endaya & Hanefah, 2013). Their subsequent empirical study empirically demonstrated that these characteristics significantly enhance internal audit effectiveness. Likewise, Shaiti and Al-Matari (2020) identified independence and competence as critical factors influencing the quality of internal control.

Based on previous studies and the context of zakat institutions, this research focuses on two key factors of internal audit characteristics: competence and due professional care. These factors represent core elements of professional capability and ethical diligence expected from internal auditors, and they are particularly relevant in the context of Islamic non-profit organizations such as BAZNAS. These factors are elaborated in the following subsections.

2.1.1. Internal audit competence

The Institute of Internal Auditors (IIA, 2025) defines competence as the ability to apply knowledge and skills to perform tasks effectively and responsibly. Internal auditors are required to possess professional competence to discharge their duties appropriately (Amanamah, 2024; Pickett, 2010; Yazid & Suryanto, 2016). Maintaining high standards of behaviour and fostering an ethical culture are essential components of the internal audit profession. In this study, internal audit competence is defined as the combination of expertise, technical skills, professional judgement, and ethical awareness that enables auditors to perform their responsibilities effectively and independently. It encompasses knowledge of auditing principles, analytical capability, and understanding of Sharia compliance in the context of zakat fund management.

2.1.2. Due professional care

Due professional care represents the level of diligence, thoroughness, and critical thinking that an internal auditor applies throughout the audit process, from planning and fieldwork to reporting and follow-up. According to the Statement on

Auditing Standards (SAS) No. 1, auditors are required to exercise appropriate judgment and professional scepticism at every stage of their work. Subiyanto (2021) and Octaviani et al. (2021) emphasized that due professional care enhances audit quality and builds public trust in audit findings. In internal audit practice, this attribute is reflected in the auditor's ability to apply ethical reasoning, remain objective, and maintain professional integrity. Within zakat institutions, due professional care is particularly crucial for ensuring accountability and compliance with Sharia principles. By exercising due care, internal auditors are better equipped to identify fraud risks and provide recommendations that strengthen the governance of zakat fund management.

2.2. Sharia audit quality

Sutton (1993) conceptualized audit quality through two main dimensions: process and outcome. The process dimension refers to how well the auditor performs audit tasks in accordance with established standards, while the outcome dimension concerns the degree of confidence that financial statement users place in the audit report. Accordingly, high audit quality is achieved when audit work delivers credible and reliable assurance, whereas low-quality audits result in less trustworthy outcomes. In the context of Islamic finance, Yazid and Suryanto (2016) defined Sharia audit quality as the process of supervising, controlling, and reporting financial transactions to ensure compliance with Islamic principles in a manner that is accurate, timely, and relevant, while producing fair reports for decision-making. Unlike conventional audits, Sharia audits extend beyond adherence to auditing and accounting standards to include verification that all organizational transactions adhere to Sharia principles. Thus, Sharia audit quality is more comprehensive, as it integrates professional auditing standards with religious compliance. Within BAZNAS, this quality is supported by standardized internal audit procedures and risk-based audit planning, ensuring that audit practices align with both professional requirements and Sharia principles.

2.3. Fraud prevention

Fraud can occur at all organizational levels, from employees to management and even owners (Anugerah, 2014). Experts suggest that only a small fraction of fraud cases are ever detected, which underscores the importance of focusing on prevention (Jalil, 2018). Albrecht et al. (1984) defined fraud prevention as creating a secure organizational environment and minimizing opportunities for fraudulent behaviour. Accordingly, fraud prevention represents a systematic and proactive approach aimed at deterring fraud before it occurs. Prawitt et al. (2009) emphasized that effective fraud mitigation should begin at the earliest stage. In the context of BAZNAS, fraud prevention is strengthened through Sharia-compliant governance, standardized audit procedures, and risk-based oversight mechanisms designed to ensure accountability and safeguard zakat fund management.

2.4. Framework and hypotheses

2.4.1. Internal audit competence and Sharia audit quality

Libby and Frederick (1990) emphasized that auditor competence, derived from knowledge and experience, is a key determinant of audit quality. This argument is supported by Chen et al. (2008), who demonstrated that audit quality improves with the auditor's length of experience. Arens et al. (2011) highlighted that competence is closely associated with the ability to conduct audits effectively. Behn et al. (2008) further showed that both ethical standards and auditor competence have a significant impact on audit quality. Collectively, these studies indicate that higher levels of competence positively influence audit quality.

2.4.2. Due professional care and Sharia audit quality

The principles of internal audit practice emphasize that auditors must not only be competent but also exercise due professional care, which reflects thoroughness, precision, and diligence in carrying out audit tasks. Due professional care is essential for achieving high-quality audit outcomes. Faturachman and Nugraha (2015) argued that reliable audit reports can only be achieved when auditors consistently apply due professional care in every assignment. Yenny et al. (2019) highlighted that adherence to professional judgement strengthens audit quality, while the higher the auditor's commitment to applying professional ethics, the higher the quality of the audit report (Nasrabadi & Arbabian, 2015).

2.4.3. Internal audit competence and fraud prevention

The Institute of Internal Auditors (IIA, 2017a, 2017c) described internal auditing as an independent and objective assurance and consulting function designed to add value and improve organizational operations. By systematically evaluating and enhancing risk management, control, and governance processes, internal auditing supports the achievement of organizational objectives. However, the effectiveness of this function relies heavily on the competence of internal auditors. Without adequate competence, auditors cannot assist management in addressing risk, especially as modern audit roles emphasize risk monitoring over mere compliance. Prior studies demonstrated that organizations with competence in internal audit functions are better positioned to detect and reduce fraud (Hogan et al., 2008; Coram et al., 2006). Similarly, Aswar and Apollo (2020) and Lonto et al. (2023) found that auditor competence significantly contributes to fraud detection and prevention.

2.4.4. Due professional care and fraud prevention

According to the International Professional Practice Framework (IIA, 2017c), due professional care

requires internal auditors to act with prudence and competence in fulfilling their responsibilities, particularly in detecting potential fraud. Widaningsih and Nur Hakim (2015) stated that auditors must possess the skills and judgement necessary to identify irregularities. Similarly, Suryanti et al. (2021) stated that experienced auditors are better equipped to interpret audit findings. Afrah et al. (2022) further highlighted that due professional care strengthens fraud prevention by upholding independence and objectivity in their work.

2.4.5. Sharia audit quality and fraud prevention

Auditors with higher educational attainment and extensive professional experience are more likely to deliver higher-quality audits (Yazid & Suryanto, 2016). High-quality audits enable auditors to apply procedures objectively and without bias, thereby enhancing the credibility of the audit outcomes. For external stakeholders, such audit quality provides reasonable assurance that the financial statements are free from material misstatement or fraudulent activity. Internal audit plays a pivotal role in enhancing audit quality, thereby enabling organizations to effectively safeguard against fraudulent practices. As emphasized by Lonto et al. (2023), improvements in audit quality directly contribute to strengthening the effectiveness of internal audit functions in fraud prevention.

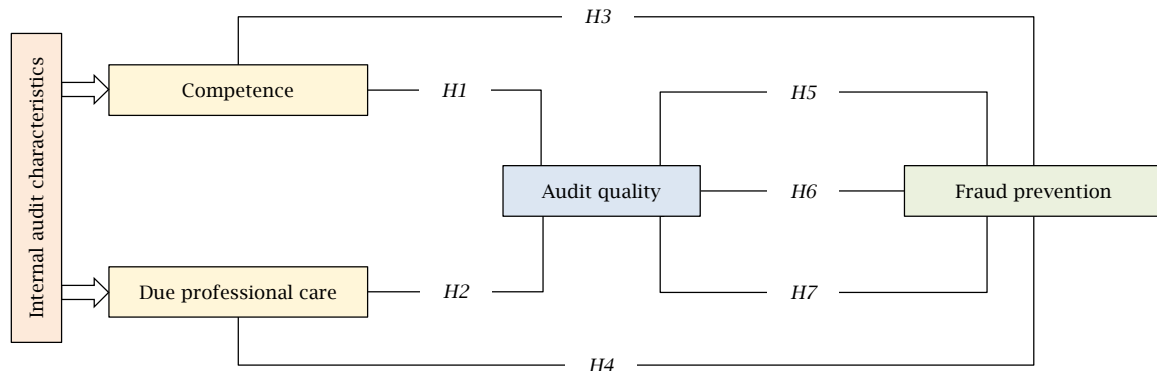
2.4.6. Internal audit competence for fraud prevention through Sharia audit quality

Masjhur (2023) proposed a conceptual model highlighting auditors' responsibility in detecting errors and fraud to maintain audit quality in the public sector, particularly under agency theory. Ishak et al. (2022) highlighted that internal audit effectiveness moderates the link between competence and fraud detection. Kzykeyeva (2022) and Solichin et al. (2022) emphasized that auditor competence and internal controls significantly enhance audit quality in mitigating fraud risks.

2.4.7. Due professional care for fraud prevention through Sharia audit quality

Internal auditors must uphold standards of independence, objectivity, and professional proficiency (Afrah et al., 2022). Auditor competence ensures smooth audit implementation and supports fraud prevention. Suhendra (2021) emphasized that due professional care is essential for audit quality, helping ensure reports are free from material misstatements. Additionally, the due professional care significantly affects fraud prevention procedures, which are influenced by internal audit quality and social pressure (Rahmat & Sari, 2020).

Based on the theoretical review and previous empirical findings, this study develops a conceptual model to examine the mediating effect of Sharia audit quality in the relationship between internal audit competence, due professional care, and fraud prevention.

Figure 1. Conceptual framework

To test the relationships in the model, the following hypotheses are proposed:

H1: The competence has a significant effect on the Sharia audit quality.

H2: The due professional care has a significant effect on the Sharia audit quality.

H3: The competence has a significant effect on fraud prevention.

H4: Due professional care has a significant effect on fraud prevention.

H5: Sharia audit quality has a significant effect on fraud prevention.

H6: The competence has a significant effect on fraud prevention through audit quality.

H7: Due professional care has a significant effect on fraud prevention through audit quality.

3. RESEARCH METHODOLOGY

3.1. Research design and variables

This study employed a quantitative, survey-based approach using an associative method to examine the relationship among variables. Fraud prevention serves as the dependent variable, while internal audit competence and due professional care are treated as the independent variables. Sharia audit quality functioned as a mediating variable. The measurement indicators for each construct were adapted from established sources: internal audit competence from Bailey (2010), due professional care from Singgih and Bawono (2010), Sukrisno (2013), and Sharia audit quality from the Inspector General's Decree No.137/2021, and fraud prevention from ACFE (2022). All constructs were measured on a five-point Likert scale, from 1 (strongly disagree) to 5 (strongly agree).

3.2. Data type and data source

Purposive sampling was employed, targeting BAZNAS units with established internal audit functions. While this non-probability approach may introduce potential selection bias, it was considered appropriate to ensure that only respondents with direct audit responsibilities were included. From 161 eligible units, 131 participated in the study, resulting in 262 valid responses comprising 131 internal auditors and 131 *amil* (zakat officers). Data collection was conducted over three months through structured questionnaires, with a completion

rate of 81.36%, indicating high participation and effective distribution. The demographic characteristics of the respondents are presented in Table 1.

Table 1. Demographic data

Characteristics	Frequency	Percentage
Age group		
20-30 years old	31	11.8
31-50 years old	151	57.6
> 50 years old	80	30.6
Educational level		
High school	3	1.1
Bachelor	179	68.3
Master	73	27.9
Doctoral	7	2.7
Experience (year)		
1-5	183	69.8
6-10	70	26.7
> 10	9	3.5

Note: $n = 262$.

Source: Authors' elaboration.

3.3. Data analysis method

Data were analyzed using the PLS-SEM approach, covering outer model assessment, inner model evaluation, and hypothesis testing. The outer model tested instrument validity and reliability using outer loadings (≥ 0.50), composite reliability ($CR \geq 0.70$), and average variance extracted ($AVE \geq 0.50$). The inner model examined variable relationships via R^2 values, while t-tests assessed the influence between latent variables.

4. RESEARCH RESULTS

4.1. Descriptive statistics of questionnaire collection

This study involved 161 of 549 BAZNAS units in Indonesia that have an internal audit and agreed to participate. Of 322 questionnaires distributed, 262 were returned from 131 units. Table 2 presents the detailed survey data.

Table 2. Questionnaire data collection

Description	Amount	Percentage
Distributed questionnaires	322	100
Returned questionnaires	262	81
Valid	262	81
Invalid	0	0

Source: Authors' elaboration.

4.2. Convergent validity

The convergent validity was assessed using outer loadings and AVE.

Table 3. Construct reliability and validity

Construct	AVE	Validity
Internal audit competencies	0.750–0.777	Valid
Due professional care	0.826–0.841	Valid
Sharia audit quality	0.728–0.780	Valid
Fraud prevention	0.526–0.838	Valid

Note: All α and CR values exceed 0.70, and AVE values are above 0.50, indicating adequate reliability and convergent validity. Source: Authors' elaboration.

All constructs met the threshold (α and CR > 0.70; AVE > 0.50), except for a few indicators (*IAC12*, *IAC13*, *DPC2*, *Fraud5*, *Fraud7*, *Fraud10*, *Fraud11*), which were excluded. The retained indicators show AVE values ranging from 0.526 to 0.841, indicating that more than half of the variance is explained by the constructs.

4.3. Discriminant validity

Discriminant validity was established using heterotrait-monotrait (HTMT) ratios. All values were below the 0.90 threshold (highest = 0.553 between Sharia audit quality and fraud prevention), confirming that each construct measures a distinct concept.

Table 4. Discriminant validity (HTMT summary)

Construct	Internal audit competence (X1)	Due professional care (X2)	Sharia audit quality (Y)	Fraud prevention (Z)
Internal audit competencies (X1)				
Due professional care (X2)	0.088			
Sharia audit quality (Y)	0.552	0.501		
Fraud prevention (Z)	0.520	0.488	0.553	

Source: Authors' elaboration.

4.4. Reliability

Reliability was tested using Cronbach's alpha and CR. All constructs exceeded the minimum value of 0.70, indicating good internal consistency.

Table 5. Reliability results (Summary)

Construct	Cronbach's alpha	CR
Internal audit competencies	0.977	0.978
Due professional care	0.914	0.936
Sharia audit quality	0.917	0.933
Fraud prevention	0.963	0.967

Source: Authors' elaboration.

fraud prevention = 0.728 (strong). Q^2 values: all endogenous constructs have $Q^2 > 0.35$, showing strong predictive relevance. Standardized root mean square residual (SRMR) < 0.08, indicating good model fit.

Table 6. R^2 and Q^2 summary

Construct	R^2	Criteria	Q^2	Criteria
Sharia audit quality	0.673	Strong	0.418	Strong
Fraud prevention	0.728	Strong	0.444	Strong

Source: Authors' elaboration.

4.5. Inner model

Structural model assessment used R^2 , Q^2 , and SRMR. R^2 values: Sharia audit quality = 0.673 (strong);

4.6. Structured model

The hypothesized relationships were tested using path analysis in PLS-SEM. All proposed paths were significant at the 1% level, as shown in Table 7.

Table 7. Structural model results

Hypothesis	Relationship	Path coefficient	t-value	Supported
H1	X1-Y	0.507	8.742	Yes
H2	X2-Y	0.353	6.309	Yes
H3	X1-Y	0.267	3.884	Yes
H4	X2-Y	0.194	3.633	Yes
H5	Y-Z	0.438	5.045	Yes
H6	X1-Y-Z	0.222	4.366	Yes
H7	X2-Y-Z	0.154	4.254	Yes

Note: $p < 0.01$; all hypothesized paths are significant.

Source: Authors' elaboration.

5. DISCUSSION OF THE RESULTS

The findings of this study collectively underscore the critical role of internal audit characteristics in enhancing Sharia audit quality and fraud prevention. Both competence and due professional care were found to significantly strengthen the oversight capacity of zakat institutions, with Sharia audit quality emerging as a vital mechanism that translates these attributes into effective anti-fraud outcomes.

The analysis focused on competence and due professional care, as these dimensions are widely recognized in auditing standards and prior research as direct determinants of audit quality and fraud

detection effectiveness, making them measurable and contextually significant for zakat institutions. Independence and objectivity were excluded since, in the BAZNAS context, they are shaped more by organizational structure than individual auditor behaviour. Future research is encouraged to incorporate independence and objectivity, particularly in comparative or cross-institutional designs, to provide a more holistic understanding of internal audit characteristics.

The following subsections elaborate in detail on the specific effects of competence and due professional care on Sharia audit quality and fraud prevention, as tested in the study's hypotheses.

5.1. The effect of internal audit competence on Sharia audit quality

The results confirm that auditor competence has a significant positive effect on Sharia audit quality. This finding is consistent with previous studies (Yazid & Suryanto, 2016; Iryani, 2017; Umar et al., 2019; Widyanah, 2020), which highlight the importance of technical skills, experience, and Sharia understanding in ensuring an accountable and principled audit process. Competence includes communication abilities, audit tool mastery, problem detection, and compliance with Sharia audit rules. Hadisantoso et al. (2022) note that auditor competence supports transparent and accurate audits within Islamic-based organizations.

BAZNAS has strengthened auditor competence through capacity-building programs, recruitment policies requiring a bachelor's degree, relevant audit experience, and the issuance of standardized internal audit governance guidelines through Chairman's Decree No. 99 of 2024. These initiatives have produced consistent and technically sound Sharia audit reports, demonstrating that enhanced competence improves oversight and accountability in zakat fund management.

The implementation of internal audit remains uneven, with only 15% of BAZNAS offices in West Java and about 30% nationally having active internal audit units. Recruitment challenges persist due to budget constraints, limited prioritization, and the absence of nationally recognized competence standards. As the new decree has yet to establish such standards and its dissemination is limited, the full impact on Sharia audit quality is still unrealized, though it reflects institutional commitment to continuous regulatory improvement.

5.2. The effect of due professional care on Sharia audit quality

Due professional care has a significant effect on Sharia audit quality. This confirms that professionalism and prudence are central to ensuring high-quality audits. These findings align with existing theories and research. Due professional care reflects auditors' precision, scepticism, and responsibility in assessing risks and reporting results (Kooskusumawardani & Birton, 2016; Sitorus & Pramudianti, 2022). Studies by Ratha and Ramantha (2015), Faturachman and Nugraha (2015), and Budiman et al. (2017) confirm that due professional care has a significant influence on audit quality, particularly in the public and Sharia sectors.

BAZNAS has institutionalized due professional care through regulations mandating risk-based audit planning aligned with international standards. External assessments by Public Accounting Firms and the Ministry of Religious Affairs' Inspectorate General rated its internal audit function as "adequate", confirming compliance with professional norms and reinforcing evidence that professional care is crucial for Sharia audit quality.

Despite the progress, the application of due professional care remains inconsistent across regional offices. Limited budgets and varying institutional capacities hinder the full implementation of the risk-based audit framework. While the central office complies with professional standards, regional

units face difficulties, though overall findings reflect a commitment to strengthening professionalism and aligning Sharia audits with international standards.

5.3. The effect of internal auditor competence on fraud prevention

Auditor competence also significantly affects fraud prevention. This suggests competent auditors can effectively detect potential fraud. These results indicate a positive correlation between internal auditor competence in BAZNAS and its fraud prevention capacity. Competent auditors possess the technical expertise, analytical skills, and professional judgement required to detect irregularities and assess fraud risks. Prior research by Johari et al. (2022) and Carolita and Rahardjo (2012) demonstrates that a combination of knowledge, skills, experience, and sound audit attitudes significantly enhances fraud prevention capabilities. Consistent with these findings, studies by Hasanah (2021) and Lonto et al. (2023) show that internal auditor competence significantly supports fraud prevention, especially in public or non-profit sectors.

In BAZNAS, internal audit units have demonstrated adequate performance, particularly in fraud prevention. The use of standardized operating procedures (SOPs) and structured follow-up mechanisms ensures systematic audits, while the integration of technical skills with Sharia principles strengthens internal controls, safeguards zakat fund integrity, and reinforces public trust.

Challenges persist as many regional BAZNAS offices lack fully operational Internal Audit units, with limited staff capacity and training undermining fraud detection. In smaller offices, the dual role of auditors as both administrators and controllers reduces independence and weakens fraud prevention efforts, indicating that while competence supports fraud control, its impact is constrained by inadequate resources and specialization.

5.4. The effect of due professional care on fraud prevention

The findings confirm that due professional care significantly affects Fraud Prevention. This aligns with the IIA (2017c), which underscores that internal auditors must exercise due professional care by applying the skills, diligence, and prudence expected of competent professionals, including prudence toward potential fraud. Prior studies (Widaningsih & Nur Hakim, 2015; Suryanti et al., 2021; Afrah et al., 2022) affirm that professional care, manifested in thorough planning, precise execution, and critical evaluation, enhances auditors' ability to detect and prevent fraud. Professional skepticism, as a core element, ensures auditors critically assess evidence, challenge assumptions, and identify warning signs before they escalate into material irregularities.

In BAZNAS, internal audit units consistently apply these principles of prudence and professionalism. This is demonstrated through the implementation of standardized SOPs for the collection and distribution of zakat, rigorous document verification before fund disbursement, and the enforcement of stricter reporting protocols. These practices strengthen internal controls and establish effective early detection mechanisms for

potential fraud, thereby safeguarding operational integrity and maintaining public trust in zakat governance.

The implementation of due professional care remains uneven, as limited training in advanced methodologies and professional scepticism hampers the detection of subtle fraud. Excessive workloads also encourage a checklist approach over critical evaluation, indicating that while due professional care strengthens fraud prevention, its effectiveness depends on ongoing development, adequate staffing, and consistent audit standards across BAZNAS.

5.5. The effect of Sharia audit quality on fraud prevention

The results show that Sharia audit quality has a positive and significant effect on fraud prevention. This finding indicates that higher Sharia audit quality implemented by internal auditors in BAZNAS contributes substantially to reducing fraud risks. In line with fraud prevention theory, quality audits enable early detection of irregularities, ensure internal controls operate effectively, and foster a culture of accountability. These results are consistent with prior studies by Khan et al. (2023), Indrasti and Karlina (2020), and Yazid and Suryanto (2016), as well as Epstein and Geiger (1994), who emphasize that audit quality is a critical factor in minimizing fraud likelihood.

In BAZNAS, statistical evidence is reinforced by operational outcomes. Internal audit units have adopted standardized Sharia audit procedures, enforced rigorous verification before fund distribution, and strengthened reporting systems. These measures have coincided with an 80% decline in reported fraud cases between 2019 and 2025, underscoring that improving Sharia audit quality delivers a tangible and measurable impact on fraud prevention, while safeguarding zakat fund governance and maintaining Sharia compliance.

Gaps persist as the application of Sharia audit quality varies across regional BAZNAS offices, especially in smaller districts with limited resources and expertise. In some cases, audit reports are prepared to meet formal requirements but lack the depth of analysis needed to uncover complex fraud schemes. Furthermore, the absence of a nationally standardized framework for Sharia audit quality means that implementation often depends on the discretion of local auditors. These constraints suggest that while Sharia audit quality demonstrably reduces fraud, its effectiveness is contingent upon consistent application, adequate auditor training, and stronger regulatory enforcement.

5.6. The indirect effect of internal auditor competence on fraud prevention through Sharia audit quality

The mediation analysis shows that competence indirectly enhances fraud prevention through Sharia audit quality. These findings align with prior research emphasizing the mediating role of audit quality in linking competence to fraud prevention. Studies by Lonto et al. (2023) and Hadisantoso et al. (2022) show that auditor competence has a greater impact when supported by strong audit quality. High-quality audits produce objective findings,

targeted recommendations, and focused corrective actions. Thus, Sharia audit quality serves as a vital bridge between auditor competence and the institution's capacity to detect and prevent fraud, ensuring accountable and Sharia-compliant governance.

In the BAZNAS context, this relationship is reinforced by ongoing capacity-building initiatives for internal auditors, including technical training, professional certification, and the application of risk-based, Sharia-compliant audit methods. These measures ensure that audits are systematic, credible, and aligned with professional Sharia audit standards, thereby enhancing both the reliability of audit reports and the institution's ability to detect early fraud indicators and implement preventive actions.

The mediating role of Sharia audit quality is uneven across regional BAZNAS offices due to limited certified auditors, unequal access to professional development, and weak monitoring of audit recommendations. These gaps indicate that while Sharia audit quality strengthens the correlation between competence and fraud prevention, its effectiveness depends on uniform training, certification, and supervisory mechanisms across the BAZNAS network. Where certification cannot yet be organized internally, it can be facilitated through external institutions such as the IIA, the Professional Certification Board for Internal Auditors (*Lembaga Sertifikasi Profesi Auditor Internal*, LSPAI), or the Financial and Development Supervisory Agency (*Badan Pengawasan Keuangan dan Pembangunan*, BPKP).

5.7. The indirect effect of due professional care on fraud prevention through Sharia audit quality

The mediating effect of Sharia audit quality was also observed in the relationship between due professional care and fraud prevention. This shows that audit quality serves as a key channel through which professional care enhances antifraud effectiveness. Sharia audit quality translates professional attitudes into effective oversight. These findings support earlier studies (Budiman et al., 2017; Octaviani et al., 2021; Sitorus & Pramudianti, 2022), which assert that applying due professional care improves audit quality, strengthens internal controls, and enhances fraud prevention. Auditors with prudence and skepticism tend to produce accurate, objective, and actionable audit results.

In the BAZNAS setting, internal auditors' commitment to risk-based planning, document verification, and strict reporting procedures demonstrates how professional care is transformed into effective oversight. This mediating role of Sharia audit quality ensures that professional attitudes are translated into systematic and sustainable fraud prevention.

However, challenges remain in practice. Not all regional BAZNAS offices consistently apply risk-based auditing or maintain the same level of professional care, often due to resource constraints, uneven auditors' competence, and limited training opportunities. These disparities indicate that while Sharia audit quality mediates the relationship in theory and in BAZNAS practice, its effectiveness may vary significantly across regions.

Although the empirical evidence was drawn from BAZNAS, the findings have wider relevance beyond this context. Similar governance and accountability challenges are faced by Islamic charitable institutions in Malaysia, the Middle East, and Africa, as well as other non-profit organizations where transparency and fraud prevention are critical. The mechanisms identified in this study, namely the role of competence and due professional care in enhancing Sharia audit quality and fraud prevention, can therefore inform governance practices in comparable institutional settings. This strengthens the generalizability of the study, while also highlighting opportunities for cross-country comparisons in future research.

6. CONCLUSION

This study examines the mediating role of Sharia audit quality in the relationship between internal audit characteristics (competence and due professional care) and fraud prevention in Indonesia's national zakat board. Findings reveal that both competence and due professional care significantly enhance Sharia audit quality, with due professional care emerging as the most influential factor. In addition, both characteristics directly strengthen fraud prevention efforts. Importantly, Sharia audit quality significantly mediates this relationship, underscoring its vital role in strengthening anti-fraud effectiveness.

These findings contribute theoretically to the growing body of literature in Islamic auditing and governance by highlighting how key internal audit function characteristics influence the quality

of audit outcomes and ultimately enhance organizational integrity. The confirmation of sharia audit quality as a mediating variable offers new insights into how internal mechanisms within Islamic institutions can be optimized to enhance fraud prevention and foster public trust in the management of zakat funds.

Practically, BAZNAS should continuously develop internal auditors' competencies in both technical and Sharia aspects. Institutionalizing due professional care through ethical codes, supervision, and regular evaluations is essential. Standardized Sharia audit procedures and technology integration can improve efficiency and fraud prevention. Regulators are also urged to enforce audit quality standards that promote accountability, transparency, and trust in zakat fund governance.

While this study offers a unique contribution to the literature on Islamic auditing and organizational governance, several limitations should be acknowledged. The analysis focused exclusively on BAZNAS institutions, which may limit the generalizability of the findings to other Islamic non-profit organizations operating under different governance models. Moreover, only two internal audit characteristics, competence and due professional care, were examined as antecedents of Sharia audit quality and fraud prevention.

Future studies could extend the analysis to other Islamic non-profit settings, such as waqf or Islamic microfinance institutions, and include additional characteristics such as independence, objectivity, integrity, and professional scepticism to provide a more holistic view of audit effectiveness in Islamic institutions.

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