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Impact Of Forensic Audit & Internal Audit in Eliminating Corruption

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ABSTRACT: Fraud acts are classified into three groups, namely corruption, asset theft, and fabricated financial reports. Corruption in Indonesia has many extraordinary economic crimes. The aim of this research is to explain the impact of forensic audits and internal audits in eliminating corruption. Descriptive qualitative research method with 10 student actors who have worked as external auditors in Public Accounting Firms and Company internal auditors, literature review, previous research, phenomena in society, interviews, eliminating subjectivity by triangulation with FGD, discussion and conclusions. The result is that Forensic Audit is a literature review to build hypotheses that can be used for further research. The results of this research are that forensic audits & internal audits have a good impact on eliminating corruption.

KEY WORDS: Forensic Audit, Internal Audit, Corruption.

I. BACKGROUND

Corruption in Indonesia is a complex problem and has become a serious concern for the government and society. In 2023, the CPI was 34 out of 100, ranking 65 out of 180 countries in the world. Corruption in Indonesia can be classified into several types, such as causing losses to state finances, bribery, malfeasance, extortion, and others. The phenomenon that exists in society is that several Ministers of President Joko Widodo's Government were arrested by the Corruption Eradication Commission (KPK) such as 2 Ministers of Social Affairs Idrus Markam & Julian Batubara, Minister of Youth & Sports Imam Nahrawi, Minister of Marine Affairs and Fisheries Edhi Prabowo, Minister of Communication & Information Jhony G. Plate, Minister of Agriculture Jasin Limpo. Even the Chairman of the Corruption Eradication Commission (KPK) Firly Bahuri was dismissed from legal proceedings in a bribery case. Since 2004-2020, 274 DPR-DPRD have been arrested by the KPK. Since 2004-2022, 22 Governors, 148 Regents & Mayors were arrested by the KPK. (Detik com). The Directors & CEOs of 22 BUMNs have been arrested and punished for corruption, such as PT. Pertamina, PT. PLN, PT. Jiwasraya, PT. Asabri, PT. Timah, PT. Taspen, etc.

Disclosing fraud is relatively difficult because it is generally carried out systematically and secretly with an engineering mode in financial transactions. To prove it, there must be real evidence, namely the fulfillment of elements of an unlawful act by a person, benefiting oneself and/or others and the existence of state financial losses. The implementation of government cannot be separated from the use of the state budget as a source of government financing. The APBN and APBD are sources of financing that are mostly collected from the community. Therefore, its use must be supervised by an independent institution or agency to be accountable to the people so that the BPK (Supreme Audit Board) is held. This agency is tasked with examining the use of the APBN and APBD. For this reason, the development of accounting science has entered the investigative and forensic areas to detect fraudulent acts. Therefore, to assist and facilitate Law Enforcement Officers (APH) in their disclosure, a methodology for utilizing forensic audit science conducted by auditors who have forensic audit competencies and have mature emotional intelligence, so that it can reveal alleged irregularities in state financial management that indicate fraud, the real causes of irregularities, related parties and the amount of state financial losses caused by the actions of perpetrators that indicate corruption.

Problem.

Based on the background, the researcher provides several formulations of problems in this study as follows:

1) What is the impact of Forensic Audit on the elimination of Corruption?
2) What is the impact of Internal Auditors on the Elimination of Corruption?

II. THEORETICAL BASIS

1. Forensic Audit

According to Amrizal (2013) forensic audit is the science of collecting and presenting information in a form and format that is acceptable to the rule of law in court in fighting perpetrators of economic crimes. According to the Canadian Standard Practices for Investigative and Forensic Accounting (IFA), as well as from the practices carried out by Forensic Accounting in Indonesia in Soepardi (2009) in general there are two benefits to the activities of a forensic auditor, namely:

1) Support for management
2) Support in the legal process

There are indicators in forensic audit (Amrizal 2013), namely:

1) Forensic audit in preventing fraud definition and implementation.
2) Forensic audit materiality level
3) Forensic auditor duties
4) Forensic auditor responsibilities
5) Specification of expertise required by forensic auditors
6) Independence and objectivity
7) Forensic audit evidence.

2. Internal Audit

According to the IIA (Institute of Internal Auditors), internal audit is an independent and objective assurance and consulting activity, designed to provide added value and improve an organization's operations.

Internal audit is a process of objective assessment and evaluation conducted internally on a company's activities and systems, aimed at ensuring effectiveness, efficiency, and compliance, and providing suggestions for improvement.

The Role of Internal Audit in Preventing and Detecting Corruption

Moeller (2009) stated that internal auditors are often in a better position than external auditors to prevent and detect Fraud/Corruption with the following considerations:

1) Internal auditors conduct audits continuously so that fraud prevention and detection are easier to do.
2) Internal auditors are seen as more familiar and proficient in organizational activities and systems, so that through observation they can be in a better position to detect red flags of fraud.
3) Internal auditors can conduct more detailed and repeated reviews of transactions and related documents during the audit phase, so that potential fraud can be better detected.
4) The responsibility of internal auditors in preventing corruption is an assurance activity. Although in fact corruption cannot be eliminated, if auditors are able to carry out their audit activities effectively, it can have a strong effect in preventing the intended corruption.

3. Corruption

Fraud according to Adji in the Forensic Audit book (2021) is deliberate deception. Fraud Tree according to the Association Certified Fraud Examination (ACFE) there are 3, namely:

1) Corruption. Corruption is carried out by misusing authority and position to enrich oneself, others, organizations to the detriment of the state. For example, bribery, collusion, buying and selling positions, granting permits, giving tribute to contract work.
2) Misappropriation of Assets. Theft of Company assets is carried out by the Company's management staff. The method is by embezzlement of cash, the results of collecting receivables, theft of assets (inventory, land, buildings, vehicles, etc.).
3) Fraudulent Financial Statement. Engineering better Financial Reports. Efforts to increase Company Profits. The method is by increasing Income and reducing Costs. Corruption is often committed by public officials, quite a number of Ministers, Governors, Regents & Mayors, Directors of State-Owned Enterprises (BUMN) have been arrested and punished by the Corruption Eradication Commission (KPK).

Causes of Corruption

1) Cressy, Triangle Theory (1953).
a) Pressure. Economic pressure.
b) Opportunity. Create opportunities.
c) Rationalization. Find reasons, because salaries are small.

2) Jack Bologna, Gone Theory (1999).

a) Greed, greedy.
b) Need, need to want Curruption.
c) Opportunity. Create opportunities.
d) Disclosure. To explain.
3) Vousinas Hexagon Theory (2019).
a) Stimulus, the existence of encouragement.
b) Capability, the existence of capacity and ability.
c) Opportunity, the existence of opportunities, chances.
d) Rationalization, the existence of rationalization that others are also corrupt.
e) Ego, the existence of ego, self-arrogance.

III. RESEARCH METHOD

The research uses a descriptive qualitative research method, library research, looking at previous research, looking at & studying phenomena that exist in society, interviewing 20 student actors who have worked. The stages of the triangulation process for consensus with the Forum Group Discussion. Conducting analysis & discussion. Conclusions and recommendations are made

IV. RESULTS AND DISCUSSION

The Role of Forensic Audits in Eradicating Corruption in Indonesia Concepts to Reduce Corruption According to the research results of Pramesti & Haryanto (2019), it was stated that forensic audits have an effect on the level of corruption. This research supports previous research conducted by Rini & Damiati (2017) and Husna et al. (2017). However, this research does not support the results of previous research conducted by Masyitoh et al. (2015) which stated that forensic audits have a significant effect on the perception of local government corruption. According to The Economic Development Institute (EDI) of the World Bank, there is a concept called "Pillars of integrity" (Langseth, Stapenhurst, and Pope, 1997; Dye and Stapenhurst, 1998 in Indrawati, 2005). The eight parties as pillars of national integrity are:

1) executive institutions;
2) parliamentary institutions;
3) judicial institutions;
4) watchdog agencies;
5) media;
6) private sector;
7) civil society; and
8) law enforcement institutions.

Forensic audit in its application in Indonesia is only used to detect and investigate fraud/corruption, detect financial losses, and to become an expert witness in court. Meanwhile, the use of forensic audit science in detecting fraud risks and due diligence in private companies has not been practiced in Indonesia. Forensic audit in carrying out its role is expected to be able to effectively prevent, find out or reveal, and resolve corruption cases through preventive, detective, and repressive actions (Wiratmaja, 2010). Preventive strategies are created and implemented by being directed at things that cause corruption practices to be able to minimize the causes of corruption and opportunities to commit corruption. In the detective strategy implemented for corruption cases that have occurred, the case can be identified in a short time and accurately to prevent the possibility of greater losses. The repressive strategy is directed at providing legal sanctions to parties involved in corrupt practices.

Forensic audits are very much needed in connection with the anti-corruption movement. Forensic audits have been practiced in Indonesia after the financial crisis in 1997. Jumansyah (2011) explained that the success of forensic accounting in Indonesia began to be seen when the Bank Bali case emerged, where Pricewaterhouse Coopers as the accountant who conducted the examination of Bank Bali succeeded in showing a number of cash flows from certain people. 2005 was the year success for forensic accounting and the court system. The corruption case at the General Election Commission was successfully uncovered by the BPK (Financial Audit Agency) acting as a forensic accountant and was successfully resolved in court by the KPK (Corruption Eradication Commission) (Jumansyah, 2011).

The role of forensic audits was again demonstrated in the handling of the Bank Century case, the BPK has found important findings in the results of the forensic audit. The BPK's findings and conclusions that there had been embezzlement of the proceeds from the sale of US Treasure Strips (UTS) which were the rights of Bank Century amounting to 29.77 million US dollars by the owner of FGAH, the transfer of funds from the sale of securities by the Head of the Treasury Division of Bank Century to PT AI's deposit at Bank Century amounting to 7 million US dollars was unreasonable because it was suspected that there was no underlying transaction, and was detrimental to Bank Century so that it finally burdened the temporary capital participation, it was also suspected that there was embezzlement of the proceeds from the sale of 44 plots of former PT BMJA collateral assets worth Rp 62.06 billion by the President Director of PT TNS by not depositing the proceeds from the sale of the plots to Bank Century (Wahono, 2011).

The development of forensic accounting in Indonesia is a little late when compared to other accounting fields such as financial accounting, auditing, and internal auditing, while in America, forensic accounting has existed since the Al Capone case was revealed in 1931 by a forensic accountant, Frank J. Wilson. The Association of Certified Fraud Examiners, its professional organization, was only formed in 1988 and in 1992 the American College of Forensic Examiners campus was established. The government's efforts to improve forensic expertise in preventing and overcoming fraud such as corruption are demonstrated through the provision of forensic auditor competency training initiated by BPKP.

V. CONCLUSION AND SUGGESTIONS

1. Conclusion.

   Forensic Audit has an impact on eliminating Corruption. Internal Audit has an impact on eliminating Corruption.
2. Suggestions.

   Increasing the capacity of Internal Supervisory Apparatus regarding knowledge, skills in forensic audit to further eliminate corruption.

   Increasing capacity, qualifications by increasing formal education to S1, S2 levels and professional certification education.

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