

## The Important Role Of Forensic Accounting And Investigative Audit In Fraud Prevention And Disclosure

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### Abstrak

Penipuan atau korupsi dalam suatu organisasi akan mengakibatkan kerugian bagi organisasi tersebut. Hal ini menyebabkan pentingnya pencegahan dan pengungkapan tindakan penipuan ini. Akuntansi forensik dan audit investigasi muncul sebagai langkah dalam mengatasi penipuan. Namun sebagai disiplin ilmu yang tergolong baru, pemahaman masyarakat terhadap disiplin ilmu ini masih tergolong rendah. Penelitian ini kemudian akan melihat betapa pentingnya peran akuntansi forensik dan investigasi audit dalam mengatasi dan mencegah penipuan. Penelitian ini selanjutnya akan dilakukan dengan menggunakan pendekatan kualitatif dengan data yang berasal dari berbagai hasil penelitian dan penelitian terdahulu yang masih relevan dengan penelitian ini. Penelitian ini menemukan bahwa dengan adanya akuntansi forensik akan dapat menyelesaikan permasalahan hukum penipuan, baik di dalam maupun di luar pengadilan. Fakta audit investigatif dapat mencari, menemukan dan mengungkapkan bukti ada tidaknya suatu tindakan kecurangan. Fraud itu sendiri dapat dicegah melalui pengendalian internal yang memadai.

**Kata kunci:** *Audit Investigasi, Akuntansi Forensik, Kecurangan.*

### Abstract

Fraud or corruption in an organization will result in losses for the organization. This causes the importance of prevention and disclosure of this fraudulent act. Forensic accounting and investigative auditing emerged as steps in overcoming fraud. However, as a scientific discipline that can be considered new, the public's understanding of this discipline is still relatively low. This research will then look at how vital the role of forensic accounting and audit investigations is in overcoming and preventing fraud. This research will then be carried out using a qualitative approach with data derived from various research results and previous studies that are still relevant to this research. This study found that the existence of forensic accounting will be able to resolve fraud legal problems, both inside and outside the court. The fact of an investigative audit can seek, find and disclose evidence of the presence or absence of an act of fraud. Fraud itself can be prevented through adequate internal controls.

**Keywords:** *Investigation Audit, Forensic Accounting, Fraud.*

## INTRODUCTION

The term fraud is still entirely foreign to most ordinary people, but practitioners and academics have long known fraud in economics. Fraud is an economic hazard that can threaten the sustainability of a company, country, or even the world. Neuralt.com estimates that fraud causes global financial losses of more than US\$ 5 trillion annually. In Report to the Nation, ACFE says that an organization loses 5% of its revenue every year due to fraud. This situation is undoubtedly a challenge for today's modern economy. Moreover, fraud has no limits; fraud can occur anywhere and anytime without even being detected early on. Then the fraud suddenly came to light along with a sizable economic loss. Amazingly, fraud can also influence new rules in the business and financial world (Rustiarini et al., 2019).

The Enron case in October 2001 was one of world history's most significant fraud cases. Not only America but the world economy was also affected by the fraud. At that time, it was revealed that Enron was doing window dressing on its financial statements, hiding vast amounts of debt, some of which, around US\$ 8 billion, was deliberately misclassified as trading in energy futures, also inflating the income of Mariner Energi, which is a subsidiary, of US\$ 185 million to US\$ 366 million. This Enron case became the background for the emergence of the Sarbanes-Oxley Act in 2002 (Roszkowska, 2020).

Then there was the WorldCom case in 2002 and recorded as the largest bankruptcy in American history with an asset value of US \$ 103.9 billion. WorldCom was revealed to have falsified revenues in its financial statements of US\$ 3.8 billion, as well as the case of investment fraud by Bernard Madoff with a ponzi scheme in 2008 with a total loss of US\$ 65 billion. Many other cases are also horrendous and cause huge losses, such as the Olympus accounting fraud case in 2011, Toshiba's financial manipulation in 2015, and the fraud on Google and Facebook in 2017. Several recent fraud cases have been successfully compiled by ACFE and published in fraud magazine with the title "5 Most Scandalous Frauds of 2020". These cases were fraud in the COVID-19 pandemic situation and caused the United States a loss of US\$ 100 million; the loss of Wirecard's \$2 billion in cash assets; FinCEN files showing the laundering of more than US\$2 trillion involving international central banks, including Deutsche Bank, JPMorgan Chase, HSBC, Standard Chartered and Bank of New York Mellon; the Airbus bribery case; and Luckin Coffee's forged revenue of more than US\$300 million (Griffin & Shams, 2020).

In Indonesia, the corruption case involving Juliari Batubara, the Minister of Social Affairs, was suspected of receiving a total of Rp. Seventeen billion from two social assistance packages in the form of necessities was recently one of the most discussed fraud cases. The corruption case of PT Armed Insurance of the Republic of Indonesia (Asabri) Tbk, with an estimated state loss of Rp 23.7 trillion, has also attracted the wider community's attention. Several cases of fraud that have occurred before the two points include polishing of financial

statements by Garuda Indonesia, bribery of procurement of goods and equipment at Krakatau Steel, corruption of PT Jiwasraya, and fraud of financial statements by PT Aqua, and so on (Ayuningtyas et al., 2022).

A fraud that is a threat to the world economy and continues to emerge without being able to stop it is essential to take preventive and disclosure measures with the main aim of reducing or minimizing losses that are getting out of control. One of the steps that can be taken is to utilize forensic accounting and investigative auditing. Of course, various parties' roles are needed, especially from related institutions such as the KPK, BPK, BPKP, PPATK, independent auditors, and non-governmental organizations such as ICW. Several well-known cases that demonstrate the success of forensic accounting and investigative auditing in fraud prevention and disclosure efforts are the cases of Bank Bali with accountants from Pricewaterhouse Cooper, who succeeded in showing the existence of complex cash flows such as sunbursts. Then there is the case of Bank BNI with forensic accountants from PPATK, the case of Century Bank, which was found and resolved by the KPK, and so on. However, not many people understand forensic accounting and investigative auditing as a new discipline. Not infrequently, they also still ask about fraud (Tarjo et al., 2022).

This research with the theme of the critical role of forensic accounting and investigative audit in fraud prevention and disclosure efforts is expected to provide an overview of forensic accounting and investigative auditing, fraud, techniques for preventing and uncovering fraud, as well as the current condition of fraud.

### **Forensic Accounting**

According to Tuanakotta, forensic accounting broadly applies accounting discipline, including auditing, to legal issues for legal settlement inside or outside the court, in the public and private sectors. Lawyers use forensic accounting as a tool to find evidence from white-collar cases that they cannot obtain. This evidence will help win many cases. The implementation of out-of-court forensic accountants or non-litigation (non-litigation), one of which is to assist in formulating alternative settlements for disputes over compensation calculations as a result of termination or breach of contract. At the same time, Hopwood defines forensic accounting as applying investigative and analytical skills to solve financial problems by meeting the standards required by the court (Kustinah, 2022).

Forensic accounting includes financial expertise, knowledge of fraud, and a sound understanding of business realities and the workings of the legal system. To uncover the occurrence of fraud, a forensic accountant must have a solid basic knowledge of accounting and auditing, recognition of human and organizational behavior, knowledge of aspects that encourage fraud, knowledge of laws and regulations, knowledge of criminology and victimology, and understanding of internal control (Botes & Saadeh, 2018).

According to Crumbley, forensic accounting is not synonymous with accounting according to Generally Accepted Accounting Principles (GAAP). The measure is not GAAP, but what is legal or statutory is accurate. According to Siahaan, the main difference between forensic accounting and general accounting lies in the framework of thought (Mindset). If forensic accounting emphasizes oddness and irregularities, and patterns of conduct, general accounting emphasizes errors and oversights (Mohite, 2019).

Forensic accounting is divided into 2, namely investigative services and litigation services. Investigative services direct the examination of fraud in which auditors acquire accounting knowledge to detect, prevent, and control fraud. Litigation services represent testimony from a fraud examiner, and forensic accounting services are offered to resolve valuation issues such as divorce cases (Wahyuni-TD et al., 2021).

Initially, forensic accounting was introduced by Peloubet in 1946 in his essay entitled "Forensic Accounting: It's Place in Today's Economy". In the late 1940s, forensic accounting proved its worth during World War II, although formal procedures were not implemented until 1980 when major academic studies in the field were published. Since the 1980s, in several western countries, especially the United States, a new profession in the field of accounting and auditing has emerged. This profession includes accounting, auditing, and investigative skills. In the United States, initially, forensic accounting was used to determine the division of inheritance and reveal motives for murder. Then forensic accounting developed very rapidly after the Sarbanes-Oxley Act in 2002 and was strengthened by the Foreign Corrupt Practice Act in the United States and other OECD (Organization of Economic Cooperation and Development) countries (Afriyie et al., 2022).

In Indonesia, forensic accounting practice experienced rapid development after the financial crisis in 1997. The success of forensic accounting was very prominent when Pricewaterhouse Cooper (PwC) succeeded in dismantling the Bank Bali case by showing the complicated flow of funds in the form of a diagram of light sticking out of the sun (Sunburst). The technique used in this case is to follow the flow of money and in-depth interviews and then direct it to the officials and business people involved in the case. PwC condenses these complex cash flows into cash flows from specific individuals. Furthermore, a BNI case was handled by PPATK using the Follow the Money technique as used by PwC in the Bank Bali case and succeeded in proving to the court that Andrian Waworuntu was involved in embezzling BNI's L/C worth Rp 1.3 trillion. Currently, forensic accounting practices have been carried out by various institutions such as the Corruption Eradication Commission (KPK), the Supreme Audit Agency (BPK), the Financial and Development Supervisory Agency (BPKP), the Financial Transaction Reports and Analysis Center (PPATK), Public Accounting Firms (KAP), as well as non-governmental organizations such as Indonesia Corruption Watch

(ICW). Forensic accounting has also been incorporated into the curriculum of the Accounting Study Program at various universities in Indonesia Tjeng & Nopianti, 2020).

With various fraud scandals in the world economy, forensic accounting has become an essential and needed tool in preventing fraud and theft, as well as efforts to restore public trust. Several companies have also taken steps to improve their internal control infrastructure so that the critical role of forensic accounting as an investigative tool is also increasing in line with these developments (Abdullahi & Mansor, 2018).

### **Investigative Audit**

The investigative audit is directed at proving the presence or absence of fraud or other unlawful acts. Tuanakotta defines an investigative audit as an effort to prove an error per applicable legal provisions. Since the objective of an investigative audit is to identify and disclose fraud or crime, the approaches, procedures, and techniques used in an investigative audit are relatively different from those used in financial audits, performance audits, or other specific purpose audits (Sukardi, 2022). The following is the difference between an investigative audit and a general audit.

1. Time of assignment. General audits are carried out according to the assignment schedule, while investigative audits are not repeated because fraud is not expected to occur, has a different complexity, and are carried out after an evaluation of red flags and some additional evidence indicating the need for an investigation.
2. Scope of assignment. General audits are general in nature of an entity or object whose assertions are evaluated, while specific investigative audits are based on complexity, estimated *modus operandi*, and targets for evidence and regulations that have been violated to respond to allegations or reports of alleged fraud.
3. The purpose of the assignment. The general audit aims to provide an opinion, score, or rating, while the investigative audit states whether the target is believed to be guilty/innocent.
4. The relationship or position of both parties. In the general audit, the situation between the two parties is not contradictory, even though the internal auditor is the client's strategic partner, while in the investigative audit, the position is opposite and in line with the assignment objective to determine whether the target is guilty so that he deserves to be sanctioned or forwarded to law enforcement or whether he is innocent.
5. The methodology used in the assignment. General audits use auditing techniques, concepts, and approaches, while investigative audits use investigative auditing techniques.

6. The assumptions underlying the interaction. Professional skepticism is generally assumed, whereas, in investigative audits, absolute disbelief is assumed.
7. Confidence to be had. A general audit must obtain reasonable assurance because it is based on testing based on sampling, while an investigative audit must obtain absolute assurance because allegations of fraud must be proven by valid and convincing evidence so that it is not known as testing based on sampling (Oyerogba, 2021).

An essential feature of investigative audits in revealing fraud is that these activities are always marked by a lack of factual information about fraud and its perpetrators. The following elements can assist forensic auditors in exposing fraud:

1. The place where the fraud occurred. Knowing where the fraud occurred is very useful for investigators in examining and interpreting the fraud. So that conclusions can be drawn and reconstructed the course of the fraud.
  - a) The ability of the auditor to reconstruct the occurrence of fraud. Knowledge is vital for an investigator in finding a lack of information. An experienced investigator tends to be able to see indications of fraud so that the type and motive can be shown.
  - b) Information from people who know the fraud. This information is critical to digging deeper and deeper into the truth of the facts (Hazami-Ammar, 2019).

In general, an investigative audit consists of six stages, namely:

- a) Pre-planning. In this stage, data collection and analysis will be carried out.
- b) Planning. Hypotheses will be developed for an act of fraud, and audit planning will be carried out.
- c) Collecting evidence. At this stage, the auditor will gather the evidence that is considered legal evidence in disclosing fraud.
- d) Evaluate evidence. The evidence will be analyzed to see the suitability between the existing evidence and the developed hypothesis.
- e) Evidence reporting. An investigative audit report is prepared as documentary evidence that the auditor has performed his duties following applicable procedures.
- f) Follow-up. In this stage, the findings of the investigative audit are ascertained whether they have been followed up by the party responsible for the case or not (Seregig et al., 2019).

By conducting an investigative audit, the facts regarding an act of fraud will be disclosed, which include the type of fraud (subject), the perpetrator of the fraud (object), an explanation of the modus operandi of fraud, as well as how much loss and the impact of the fraud. However, before starting an investigative audit, several things need to be considered, namely:

- a) Suppose suspected fraud is found in private and public sectors before starting an investigation. In that case, the leadership of the company or institution must

determine what it wants to achieve from the analysis because investigations take a long time, are expensive, and can harm the reputation of the company or stakeholders.

- b) Understand and fulfill the predication element. Investigating fraud will involve a lot of activity, resources, and time such as interviewing witnesses, suspects, and experts; seeking, collecting, and compiling evidence; writing reports, liaise with law enforcement and courts. Therefore, fraud investigations must have a strong footing, namely the management's decision whether the case will only be resolved internally or will be forwarded to law enforcement and management's expectations for handling cases and the existence of predications. Predication is a condition that must be met before an investigation is carried out. Predication is the entire situation or condition with reasons or arguments and adequate evidence that can lead individuals who are careful, careful, trained, and professional to believe that fraud has, is, currently, and will occur.
- c) Understand the initial position of the case based on the initial evidence obtained, then carry out analysis and preparation to determine the alleged modus operandi, perpetrator, locus (scene); elements of unlawful acts or regulations following the modus operandi; and the evidence that needs to be obtained (Lubis et al., 2021).

As with investigations and investigations, investigative audits can be carried out reactively or proactively. An investigative audit is said to be reactive if the auditor carries out the audit after obtaining information from other parties regarding the possibility of fraud and crime. Meanwhile, it is said to be proactive if the auditor actively collects data and analyzes it to find the possibility of fraud and crime before information from other parties (Atkins et al., 2022).

## **1. Fraud**

W. Steve Albrecht and Chad D. Albrecht, in their book "Fraud Examination," define fraud as a general term that includes a variety of ways that can be used by human ingenuity and used by one individual to gain an advantage over others by misrepresentation. According to the Association of Certified Fraud Examiners (ACFE), fraud includes any crime committed for profit by using fraud as its primary modus operandi. More specifically, the Black's Law Dictionary defines fraud as a misrepresentation of the truth or concealment of material facts to induce others to take harmful actions. So from these understandings, it can be concluded that fraud is an act of fraud, fraud, and unlawful acts that are carried out intentionally or consciously to obtain personal benefits or certain groups with the result of losses for other parties. So an act can be categorized as fraud if there is an advantage for

oneself or a particular group, it causes harm to other parties, and is carried out improperly, illegally, or unlawfully (Scheaf & Wood, 2022).

The Association of Certified Fraud Examiners (ACFE) describes fraud (occupational fraud) in the form of a fraud tree consisting of three primary forms, namely:

- a) Corruption (corruption). This term is different from corruption in Indonesian law because occupational fraud only consists of 4 forms: conflicts of interest, bribery, illegal gratuities, and economic extortion. ).
- b) Asset misappropriation can be in the form of looting in the form of cash, the form of theft of cash on hand, theft of cash inflows, and embezzlement. It can also take the form of looting non-cash assets (inventory and all other assets) in the form of misuse (misuse) and theft (robbery).
- c) Financial statement fraud is fraud committed by management by making material misstatements in the financial statements in the form of net worth/net income overstatements and net worth/net income understatements (Owusu et al., 2021).

Of the three forms of fraud, only corruption and asset misappropriation are the center of attention of forensic accountants. Meanwhile, financial statement fraud is the center of attention in the general audit/opinion audit. The release of Sarbanes-Oxley in the United States, and the implementation of the act, both directly and indirectly around the world, made independent auditors more careful in conducting general audits, especially in efforts to find financial statements fraud. Failure to find financial statement fraud makes the financial statements misleading for various parties. Even the worst consequences are like the fate of Arthur Andersen in the Enron case in 2001 (Wibowo & Dewi, 2022). That is the reason why forensic accountants or investigative auditors almost do not touch financial statement fraud so that financial statements become misleading, except for two reasons, namely:

- a) Regulators such as Bapepam, Securities and Exchange Commission, or Financial Services Authority (OJK, Financial Services Authority) have a strong suspicion that the audit report of a public accounting firm contains serious errors (or the public accounting firm in question admits this).
- b) When financial statement fraud is carried out by electronic, integrated, and massive data processing or the dominant use of computers in preparing reports (Pejic Bach et al., 2019).

Fraud can be committed by anyone, in terms of the perpetrators of fraud, fraud can be classified as follows:

- a) Management fraud, commonly referred to as white-collar crime, is a crime committed by an important person or person with high social status and carried out in the context of work. This crime involves violating duties, obligations, and



responsibilities by taking action or omitting vaguely or clearly in an intentional fraud, theft, or misappropriation of an asset entrusted to him.

- b) Fraud by employees, namely dishonest actions by employees that cause losses to the entity even though management has taken preventive measures.
- c) Fraud from outside the organization, namely fraud committed by suppliers, contractor suppliers, and so on in connection with the delivery of work, goods, or services that harm the recipient.
- d) Fraud involves outsiders and insiders of the organization through unhealthy cooperation (Vousinas, 2019).

Fraud occurs for various reasons. One way to describe fraud is to use the Fraud triangle model developed by Cressey. In the fraud triangle, there are three factors cause someone to commit fraud: pressure, opportunity, and rationalization. Pressure is the initial cause of fraud, for example, there is pressing pressure in the form of an urgent financial need, but he cannot share it with anyone. So fraud is used as a quick and appropriate shortcut to get out of this condition. According to SAS No. 99, there are four conditions commonly under pressure: financial stability, external pressure, personal financial need, and financial targets. Opportunity is the second cause, and pressure is not necessarily the cause of someone committing fraud. However, an opportunity is needed so that the fraudulent act committed is not known to anyone. The third cause is justification (rationalization). Justification is a necessary part and motivation for committing crimes. Justification is needed to maintain the perpetrator as a trusted person (Tickner & Button, 2021).

In addition to the fraud triangle, other models have been developed to explain the occurrence of fraud. Among them are fraud diamonds, fraud crowd pentagon, GONE theory, and MICE theory. Fraud diamond and fraud crowd pentagon are developments of the fraud triangle. Fraud Diamond explains that fraud occurs because of 4 factors: incentives, opportunities, rationalizations, and capabilities. At the same time, Crowe pentagon fraud proposed by Crowe Howarth explains that the triggers for fraud are pressure, opportunity, rationalization, competence, and arrogance. The gone theory identifies that fraud is caused by four factors, namely Greed, Opportunity, Need, and Exposure. Exposure in Gone Theory means that the disclosure of fraud will make someone want to commit fraud or repeat the same act if the sanctions or punishments received cannot deter the perpetrator (Saluja et al., 2021). In his book entitled "The Faces of Fraud", Biegelmen explains several theories on why fraud can repeatedly occur, including:

- a) Potato chips. This theory reveals that someone commits fraud repeatedly because of addiction. It's similar to when someone eats one potato chip that isn't enough. A

fraud perpetrator who has succeeded in committing fraud once will continue to do so, and it is difficult to stop it because he feels that no one will know his actions.

- b) Tip of the iceberg. Not infrequently, the fraud that has been revealed is only a small part of the actual big fraud. This is similar to an iceberg where only the tip is visible, and a large chunk of the iceberg is below the surface.
- c) Rotten apple. There is a saying that a rotten apple in a basket will cause other apples in the same basket to rot too. This also applies to fraud perpetrators. A leader who should be a role model but instead sets a bad example by committing fraud, it is not impossible for other employees to imitate his actions and participate in fraud.
- d) Long-hanging fraud. This term represents a fraud gap that often doesn't get attention, so it becomes a significant opportunity to commit fraud easily. Suppose a small gap does not get the attention it deserves. In that case, it is not impossible that the perpetrators of fraud will continue to carry out their actions repeatedly over a long period, even up to years.
- e) Short memory syndrome. With this theory, Biegelmen said that people tend to forget past experiences (short memory syndrome) quickly. Even though the criminal practices that occurred at that time still exist now, only with various names and different ways that continue to develop (Millar et al., 2022).

According to Sayyid, there are other reasons why fraud can occur. These causes are causes that come from the internal environment and causes from the external environment. Some of the causes that come from the internal environment are an unsupportive work environment, inadequate system, poor reward system, lack of interpersonal trust, lack of ethics, high-stress levels, job demands, unhealthy competition, the non-functioning of the Company's Internal Controls, and the non-functioning of the Company's Risk Management. Meanwhile, the cause of fraud that comes from the external environment and contributes to the motive for the occurrence of fraud is the condition of the industry, which is full of competition and unstable economic conditions (Da Veiga et al., 2020).

## **METHOD**

This research will be carried out using a qualitative approach the method. The data used in this study came from various research results and previous studies that still have relevance to the results of this study. Research data collected will be processed by researchers so that satisfactory research results can be found.

## **RESULT AND DISCUSSION**

## 1. Fraud Prevention

In line with the slogan that prevention is better than cure, the frauds that have been revealed so far are only a small part of the overall big fraud that occurred. So prevention remains the most appropriate solution to deal with the problem of fraud. According to Tuanakotta, fraud prevention can be done through internal control. It is also necessary to instill awareness about fraud (fraud awareness) and efforts to assess the risk of fraud (fraud risk assessment). Internal control can be in the form of active or passive internal control. Active internal control such as signature; counter signature; passwords and PINs; segregation of duties; physical asset control; inventory control in real time; fences, padlocks, and all buildings and physical barriers; document matching; and a numbered form that has been checked. Passive internal control can be carried out with customized controls for the problem at hand (customized controls), audit trails, focused audits, surveillance of critical activities, and assignment transfers. However, as a fence that limits, protects, or closes access to potential fraud perpetrators, internal control can be penetrated by ingenious fraud perpetrators. They can even easily come and go without anyone knowing.

In addition, fraud prevention can also be carried out with the following steps:

- a) Build an excellent internal control structure. In September 1992, COSO (The Committee of Sponsoring Organizations of The Treadway Commission) introduced a control framework that is broader than the traditional accounting control model and includes risk management, namely internal control, which consists of 5 components, namely the control environment, risk assessment, control activities, information and communication, and monitoring.
- b) Streamlining control activities, carried out by reviewing performance, information processing, physical control, and segregation of duties.
- c) Improving organizational culture can be done by implementing the principles of Good Corporate Governance (GCG), such as fairness, transparency, accountability, responsibility, morality, reliability, and commitment.
- d) Streamline the internal audit function. Although the internal auditor cannot guarantee that fraud will not occur, it is hoped that the internal auditor will be able to detect fraud and provide useful advice to management to prevent it.

Meanwhile, according to Albrecht, there are several steps that can be taken by company management to prevent fraud, namely:

- a) Creating a culture of honesty, openness, and mutual assistance.
- b) Eliminate opportunities for fraud, namely by identifying the importance of reasonable internal control, preventing collusion between employees and outside parties, recognizing how to monitor employees, preparing response channels for

anonymous tips, conducting fraud audits proactively, and creating an effective organization to minimize the occurrence fraud.

## **2. Fraud Disclosure**

Prevention is handling before fraud occurs, but detection and disclosure is an action when fraud has occurred. Preventing fraud is part of a proactive fraud audit, while detecting fraud is part of an investigative fraud audit. Fraud detection determines whether there is fraud within the company or related agencies. Moreover, early detection becomes a critical factor when fraud is committed by top management or company owners because fraud becomes more difficult to prevent. According to Wulandari, several techniques can be used to detect fraud, namely:

- a) Critical Point Auditing (CPA) is a technique carried out by examining accounting records that lead to symptoms or the possibility of fraud. This CPA can be done by:
  - 1) Trend analysis is the pattern (conjuncture) that occurs from one period to the next.
  - 2) Special testing, namely testing activities that have a high ratio of fraud.
- b) Job Sensitivity Analysis (JSA) is a technique that uses job sensitivity analysis based on an assumption or an analysis by looking at the risk of fraud from the point of view of potential perpetrators. JSA can be done with:
  - 1) Identify all job positions that are prone to fraud.
  - 2) Identify the level of control exercised by the manager.
  - 3) Identify symptoms such as unexplained personal wealth, lavish lifestyles, dissatisfaction, selfishness, neglect of instructions, and wanting to be considered necessary (individual character).
  - 4) Detailed testing. Whether testing and follow-up improvements have been carried out at the first opportunity for high-risk types of work.

While the disclosure of fraud can be done in various ways or investigative audit techniques as disclosed by Tuanakotta, namely:

- a) Using audit techniques on financial statements more deeply and broadly. The method consists of a physical examination, asking for confirmation, checking documents, analytical reviews, oral or written information from the auditee, reperformance, and observation. If audit techniques are applied in a general audit, the audit evidence collected will support the auditor's opinion. However, in an investigative audit, these techniques are exploratory, looking for "arable areas", or probing or deepening.
- b) Utilizing taxation techniques and organized crime, the investigative audit techniques are the net worth and expenditure methods. The net worth method is a method

used to track income that taxpayers have not reported. At the same time, the Expenditure method is used to examine taxpayers who do not collect property but have large or luxurious expenses. Both methods use simple bookkeeping and accounting logic. The Expenditure method is more popular than the net worth method because it is easier to create or calculate and is more accessible for ordinary people to understand. An accountant should be able to calculate unreported taxable income based on the net worth method and then convert it to the expenditure method.

- c) Tracing the traces of the flow of money. Following the money means following the traces left in a flow of money or funds. This trail will lead investigators or forensic accountants to the perpetrators of fraud. Follow the money is based on a simple idea, but this technique effectively uncovers fraud. In Indonesia, the follow the money technique has succeeded in discovering the flow of funds in the Bank Bali case.
- d) Using investigative audit techniques in the procurement of goods. This investigation uses a tender or open bidding system, which usually consists of 3 stages: pre-solicitation, solicitation, negotiation, implementation, performance, and administration. Auditors must master the ins and outs of potential fraud at every stage. In the pretender stage, there are two fraud schemes: determining needs and specifications. Fraud schemes in the bidding and negotiation stages generally involve collusion between the buyer, the superior contractor, and the co-contractor or performer, enlivening the bidding process. Meanwhile, in the implementation and administrative settlement stages, the fraud schemes were product substitution or replacement and errors in calculating charges.
- e) Using computer forensics. Computer forensics is an analytical and investigative technique to identify, collect, examine, and protect digital evidence or information. This technique consists of three main steps: taking the image, processing the image, and analyzing the image.
- f) Using interrogation techniques. Interrogation differs from interviews, where interviews are neutral or not accusatory, while interrogations are accusatory. An interview preceded the interrogation. The interrogation was carried out with active persuasion. The interrogation was carried out because the investigator believed the person was lying in a previous interview. The purpose of the interrogation is to find out the truth, namely what happened, who did it, what the actual amount or value of the fraud was, and so on. Interrogation is not carried out to obtain a confession.
- g) Using undercover operations. Undercover operations are activities that seek to develop evidence directly from criminals by using disguises and deception. An

undercover operation occurs when an investigator or fraud examiner leaves his identity as an investigator and uses a new identity to obtain information from people who do not know his new identity. In general, undercover operations are aimed at investigating and preventing or reducing certain crimes.

- h) Utilizing whistleblowers. A whistleblower is a person who knows a danger or threat and tries to attract the crowd's attention by blowing his whistle. A whistleblower does not need to hear, see, and experience the violation himself, but he blows a warning whistle indicating a danger or threat of his own volition.

### **3. The 2020 Report to the Nations**

Report to the Nation (RTTN) was first published in 1996 by the founder of ACFE, Dr. Joseph T. Wells, CFE, CPA. He realized that there was a glaring lack of information regarding occupational fraud. He also realized that ACFE is a unique location for dealing with fraud problems because ACFE is the world's largest source of fraud information with the collective knowledge and experience of certified fraud examiners who form the association.

Report to the Nation (RTTN) is a biennial report produced by ACFE on a survey on Occupational Fraud and Abuse that describes fraud worldwide. The Report to the Nation (RTTN) 2020 Global Study on Occupational Fraud and Abuse reports that out of 125 countries in the world, 2,504 cases were investigated between January 2018 and September 2019, with a total loss of more than \$3.6 billion. If calculated, the average loss per case is \$1,509,000. The average fraud occurred during the 14 months before being detected, and each month resulted in a loss of \$ 8,300. ACFE also estimates that every year the organization loses 5% of its revenue due to fraud.

Asset misappropriation is the most common fraud, 86% of the total fraud with an average loss of \$100,000. Followed by financial statement fraud by 10% with an average loss of \$ 954,000. Then 43% of fraud schemes were detected by tips, and half of those tips came from employees. Whistleblowers widely use the hotline, telephone, and email to report fraud, with 33% of fraud cases.

As many as 70% of frauds occur in profit-oriented organizations, of which 44% are private organizations, and the remaining 26% are public organizations. Private and public organizations suffered losses with an average of USD 150,000 due to the fraud. Non-profit organizations only accounted for 9% of reported fraud cases, with an average loss of USD 75,000. In addition, the industries most common victims of fraud are banking and financial services, government and legal administration, and manufacturing.

In the RTTN, it is also stated that 72% of frauds that occur are carried out by men, where men cause more significant losses compared to fraud losses committed by women with the age of the perpetrators of fraud mostly between 31-45 years. The owners also only

achieved 20% of occupational fraud, but they caused the most losses, with losses of up to \$600,000. In addition, more than half of fraud acts come from four departments: operations by 15%, accounting by 14%, executives by 12%, and sales by 11%. As many as 42% of fraud perpetrators live beyond their means, while another 26% experience financial difficulties (Association of Certified Fraud Examiners (ACFE)).

#### **4. Indonesia Fraud Survey 2019**

According to the ACFE Indonesia Chapter, the survey results presented in the Report to the Nation (RTTN) do not fully reflect the fraud that occurred in Indonesia. Therefore, the ACFE Indonesia Chapter specifically conducts the Indonesian Fraud Survey (SFI) while still being guided by the methodology developed by ACFE Global with adjustments to several relevant matters in Indonesia.

The 2019 Indonesia Fraud Survey showed that there were losses of IDR 873.430 million due to fraud. The majority of the time required for fraud detection is 12 months. Corruption is the most common fraud in Indonesia and the most detrimental, with a total loss of IDR 373,650,000,000. Of course, this fact is not surprising considering that Indonesia is one of the countries that have the worst corruption ranking in the world. The second level of fraud is the misuse of state & company assets/wealth, resulting in a total loss of IDR 257,520,000,000. Fraud that ranks third is fraud on financial statements with a total loss of Rp 242,260,000,000.

The facility/channel for reporting complaints from employees of the company where the corruption occurred is a media that plays a significant role in detecting fraud. Then followed by internal audit, other media, external audit, observation and monitoring, document checking, account reconciliation, coincidence, recognition, IT supervision, law enforcement, and review by management as media that play a significant role in detecting fraud. From the survey, it is also known that the majority of the perpetrators are 36-45 years old, where at that age, they tend to occupy and have the opportunity to manage a company or institutional finances. Most of them are male employees who have worked for 6-10 years and have an undergraduate education background.

As a result of this fraud, the government is the institution that suffers the most. This is supported by the many reports by the Indonesian media about corruption in the government. Then the most disadvantaged institutions are state-owned enterprises, private companies, non-profit organizations, and others. Meanwhile, the industries that suffer the most from fraud are the financial and banking industries. The hotline/whistleblower system method is considered the most effective means of preventing fraud, accompanied by consistently implementing anti-fraud policies in the organization.

These two elements must go hand in hand to give confidence to the whistleblowers about the occurrence of fraud.

Most of the frauds are resolved through criminal law processes with a percentage of 60.3%, civil law ranks second with a percentage of 20.9%, and not follow up is in third place with a percentage reaching 18.8%. Unfortunately, most or 58.2% of the perpetrators of fraud were sentenced to less than the demands by the public prosecutor, 32.6% of the fraud perpetrators were punished according to the demands of the public prosecutor, and those who the court acquitted reached 9.2% of the total fraud perpetrators.

## CONCLUSION

Fraud continues to be a severe threat to the world economy. Various ways have been carried out as an effort to prevent and disclose, as well as to minimize the existence of more significant losses. Audit techniques, taxation techniques, follow the money, computer forensics, and disguise techniques can be used to reveal fraud that has occurred. Meanwhile, fraud prevention can be done by effective internal control, either passive or active internal control. From these efforts, it is clear how vital the role of forensic accounting and investigative auditing is in today's modern economy. Forensic accounting is the application of accounting, law, and auditing knowledge in settlement of cases both inside and outside the court. At the same time, the investigative audit aims to prove fault following applicable law. In short, the fraud fought by forensic accounting will later be confirmed using an investigative audit. The roles of various parties are also important and very helpful in eradicating fraud, for example, the KPK, BPK, PPATK, BPKP, Independent auditors, ICW, and the wider community who can participate as whistleblowers for cases that occur in their surroundings

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