

The Influence of Internal Auditor Skills on Fraud Detection (Survey at Pt. Bank Mandiri Cabang Soekarno-Hatta Bandung, Bandung, Indonesia)

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Fraud has become a phenomenon throughout the country, occurring in almost all government sectors and the private sector. In Indonesia, fraud is proven by the existence of a number of cases related to the liquidation of several banks, tax manipulation, banking crimes, corruption committed by government officials and other cases based on personal and group greed. Facing the increasing number of frauds, fraud detection efforts for the prevention of embezzlement and other crimes is needed as an accountability function. According to the "2002 Report to Nation on Occupational Fraud and Abuses", internal auditor activities can reduce 35% of fraud. Therefore the role of competent internal auditors is very important in detecting and preventing fraud. This type of research is a descriptive causal analysis measuring a conclusion by using a regression analysis and, for hypothesis testing, a t-test. The results of this research indicate that internal auditor skill has an influence on fraud detection.

Key words: *Fraud; Fraud Detection; Internal Auditor; Internal Auditor Skill; PT. Bank Mandiri, Bandung, Indonesia.*

Introduction

Fraud includes any illegal actions characterized by fraud, concealment, or misuse of trust. Such actions are not limited to threats or violations in the form of physical strength. Fraud can be committed by parties and organizations to get money, assets, or services; to avoid payment or loss for services, or to obtain personal or business benefits (The Institute of Internal Auditor, 2017).

Based on Bank Indonesia regulations Number 11/23 / PBI / 2009 and Surat Edaran Bank Indonesia Number 13/28 / DPNP concerning Anti-Fraud Policy, fraud is an act of deviation or omission that is deliberately carried out to trick, cheat, or manipulate the Bank, customers, or other parties, which occur within the Bank, or use the Bank's facilities so as to cause the Bank, customers or other parties to suffer losses, and from this activity, fraud perpetrators obtain financial benefits both directly and indirectly.

Cases of fraud occurred in the BUMN banks, PT. At Bank Mandiri Tbk, there is a phenomenon revealed the Director of PT Tirta Amarta Bottling Company of the Financial Audit Agency where the state suffered losses related to a burglary case. I Nyoman Wara (Main Auditor of BPK Investigative) states that the amount of state losses was around Rp 1.83 trillion. The BPK found irregularities in granting credit by the Bank Mandiri Commercial Banking Center (CBC) in Bandung. The deviation is seen in the process of applying, analyzing, approving, using and repaying credit (Tirto, 2018; Sedhu et al, 2017).

In this case PT Bank Mandiri's employees took part, namely Surya Beruna (*Commercial Banking Manager* of PT. Bank Mandiri Bandung), Teguh Kartika Wibowo (*Senior Credit Risk Manager* of PT. Bank Mandiri Bandung) and Frans Eduard Zandstra (*Senior Relation Manager* of PT. Bank Mandiri Bandung), the three employees were sued by the attorney general's office because it neglected not to verify credit with fantastic value. The young attorney general for special crimes at the Attorney General's Office, Adi Toegarisman, said the three Bank Mandiri officials were allegedly abusing their authority. "The precautionary principle in granting credit is ignored by suspects", with the two new suspects identified as employees of PT. Bank Mandiri: Sugiharto (*Head of Commercial Banking*) and Purwito Wahyono (*Head of Wholesale Credit*). The two suspects acted as parties to analyze the feasibility of giving credit to PT. Tirta Amarta Bottling (Tirto.Id, 2018). Loss on fraud at PT. Bank Mandiri has an improved track record from 2015-2017, as demonstrated in the table below:

Table 1.1: Total Loss from fraud cases at Bank Mandiri 2015-2017

Years	Total Loss
2015	Rp 5,000,000,000
2016	Rp 3,700,000,000
2017	Rp 1,500,000,000,000

Source: (Tim Riset Tirto.id)

Wilopo (2006) explained that in facing the increasing number of frauds, fraud detection efforts to prevent embezzlement or other crime are necessary as an accountability function. Fraud is something that must be determined by internal or external auditors so that it does not occur. Internal auditors play an important role in evaluating control activities and providing input for

improvement. Moreover, because of the organization's position and authority in the entity, the audit function often has a significant role in overseeing the company's operations.

According to Amrizal (2004), internal audits aim to help the company leader (management) in carrying out their responsibilities by providing analysis, assessment, advice and comments on audited activities and finding irregularities, both as a result of intentional misstatement (fraud) or not. According to the report "2002 Report to Nation on Occupational Fraud and Abuses" internal auditor activities can reduce 35% of fraud. Therefore the role of competent internal auditors is very important in detecting and preventing fraud.

Based on the background above, a problem statement can be posed as: to determine whether the skills of internal auditors have an influence on fraud detection.

Literature Review

Fraud includes any illegal actions characterized by fraud, concealment or misuse of trust. Such actions are not limited to threats or violations in the form of physical strength. Fraud can be committed by parties and organizations to get money, assets, or services; to avoid payment or loss for services, or to obtain personal or business benefits (The Institute of Internal Auditor, 2017). Fraud Detection is an action to find out when fraud occurs, who is the perpetrator, who is the victim and what is the key cause of fraud detection and is possible through analysis of errors and irregularities (Karyono, 2013).

According to Karyono (2013) in the Forensic Fraud book citing Steve Albrecht's W books for detecting fraud, managers, auditors, employees and examiners must recognize these indicators or symptoms of fraud and investigate whether these symptoms originate from actual fraud or are caused by other factors of cheating symptoms which are divided into 6 groups (Abdul Hadi et al., 2018):

1. Accounting Anomalies

Accounting anomalies or accounting irregularities due to the manipulating of the perpetrators so that the deviations that occur cannot be detected from the accounting such as irregularities in the source of documents and incorrect journal entries.

2. Internal Control Weaknesses

Internal control weaknesses such as weaknesses in segregation of duties, weaknesses in transaction approval activities, weaknesses in documentation and recording, weaknesses

in physical control of assets and recording and weaknesses in independent checking of the implementation of tasks.

3. Analytical Anomalies

Analytical anomalies such as: vertical analysis (analysis of the relationship between items in the financial statements of the past year and this year described in percentages), horizontal analysis (analysis of percentage changes in items of financial statements for several reporting periods), ratio analysis (comparison of items in financial statements such as cash ratio, quick ratio, current ratio, and yield analysis (comparison between the results of finished goods and their raw materials).

4. Extravagant Lifestyle

Economic pressure is one of the causes of the intention to commit fraud. After fraud is successful, the lifestyle of the perpetrator changes. It can be seen from the results of the research that the perpetrators found that their lives became very wasteful and consumptive.

5. Unusual Behavior

Unusual behavior or deviant behavior is a result of guilt and fear, so this unusual behavior is a symptom of fraud. These deviant behaviors include: drug or alcohol addiction as an escape by eliminating fear, anxiety or inability to relax due to guilt and fear, inability to look at the faces of others due to fear and demonstration of defensive attitude or arguing to find justification or reason when invited to talk about fraud,

6. Tips and Complaints

Complaints on activities or services by organizations or employees are only considered as symptoms because they are not necessarily true. The third party complains to obtain individual benefits, while employees complain about jealousy or personal problems.

According to The Institute of Internal Auditor (2017) the skills of internal auditors are seen from the perspective of Attribute Standard (1200), that is, assignments must be carried out with due regard to professional expertise and precision (Saudi et al., 2019).

1. Skill (Attribute Standard - 1210)

Internal auditors must have the knowledge, skills, and other competencies needed in carrying out their duties and responsibilities. This includes current activities, trends, and

developing problems to produce relevant recommendations and recommendations. Internal auditors are encouraged to show their expertise / skills through the acquisition of certification and appropriate professional qualifications, such as the CIA (Certified Internal Auditor) or other certifications offered by The IIA and other suitable professional organizations.

2. Due Profesional Care (Attribute Standard - 1220)

Internal auditors are expected to exercise carefulness and expertise competently. Careful professionalism does not mean there will be no mistakes. An internal auditor as well as other experts, has responsibilities related to the development of his own career. This can be achieved by the method of "self study". Self study is an effort to increase ability carefully in terms of expressing an opinion verbally or in writing. This is very important if a job is to be completed well and bring benefits to the company and for the person who provides the assistance (Tunggal, 2012).

3. Sustainable Professional Development (Attribute Standard - 1230)

Internal auditors must improve their knowledge, skills and other competencies through continuous professional development. Quality improvement is designed to evaluate the overall internal audit activities against the definition of internal and standard audits and evaluate the implementation of the Code of Ethics by internal auditors. The program also assesses the efficiency and effectiveness of internal audit activities and identifies opportunities for improvement.

Methods

This study uses a descriptive type of research with quantitative approaches and research with survey methods and tests with a simple linear regression analysis method. Descriptive research is a formulation of a problem relating to the question of the existence of an independent variable, both on one or more variables. This research does not make comparisons of these variables in other samples, and looks for the relationship of the variable with other variables (Sugiyono, 2014, p. 54).

Quantitative research method according to Sugiyono (2014, p. 14) is a study based on the philosophy of positivism, used in examining the sample population of this research. Sampling techniques were generally carried out by random sampling, while data collection was made by using research instruments and analysis of the data is quantitative / can be measured with the aim of testing the hypothesis set previously (Sinaga et al., 2019).

Population is a generalization area consisting of objects / subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2014: 115). The population in this research comprised employees and internal supervisory units at PT Bank Mandiri (Persero) Tbk. Soekarno-Hatta Bandung Branch, which numbered a total of 33 people. The sampling technique used is saturated sampling as a technique of determining the sample to see if all members of the population will be used as samples (Sugiyono, 2014).

Results and Discussion

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Table 1: Results of Linear Regression Calculation of Variable X to Y

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.272 ^a	.074	.044	2.81297	.074	2.486	1	31	.125

a. Predictors: (Constant), VARX

b. Dependent Variable: VARY

The linear regression results above show that the internal auditor's skills have an influence of 7.4% on fraud detection but this is not considered significant. This indicates that auditor skills are needed, namely knowledge, precision and continuous professional development to support fraud detection. An auditor in improving his skills in fraud detection, is required not only to have hard skills in audit techniques but also to have soft skills such as raising awareness or being alert to fraud risks through rigorous checks, updating rules and investigated new issues to build working experience in the field. Further, not only the auditor's skills are needed but also an internal control system, risk management and the application of the principles of good corporate governance.

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