

## The Role of Forensic Accounting in Fraud Prevention efforts in Indonesia

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### ABSTRACT

This study aims to analyze the role of forensic accounting in efforts to prevent fraud in Indonesia. The research method used is qualitative research with data collection techniques through in-depth interviews with five sources who are experts in the field of forensic accounting. The results of the study show that there are four factors that encourage fraud, namely greed, opportunity, need, and disclosure or fikenel with the term GONE. Forensic accounting has a very important role in efforts to prevent fraud in Indonesia. The role of forensic accounting in fraud prevention based on these factors can be done for Greed by developing ethical policies and investigative analysis on suspicious transactions. Opportunity to develop an effective financial reporting system. Needs, in ensuring transparency and accountability in the company's financial management. Exposure is done by strengthening and developing internal audit.

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### INTRODUCTION

Although current developments in the world of accounting provide many benefits to society and generate large material and non-material benefits, increasingly fierce business competition encourages organizations to seek as much profit as possible and avoid losses (Wiguna & Dharmadiaksa, 2016). This highly competitive competition can trigger unhealthy and fraudulent business behavior, which can eventually lead to economic crimes such as fraud, manipulation of financial reports, and misuse of organizational assets, which is better known in the world as fraud. This is very complex and difficult to detect by ordinary financial audit processes, and if left unchecked can be detrimental to many parties (Dewi, 2017).

Although the term "fraud" may not be well known by the general public, economic practitioners and academics have long known the dangers posed by this fraudulent act. Fraud is a serious threat to the survival of organizations, countries and even the whole world. According to neuralt.com, fraud causes more than US\$ 5 trillion in global economic losses every year. Organizations also lose 5% of their revenue annually due to fraud, as disclosed in the ACFE Report to the Nation 2020 (ACFE, 2020). This phenomenon is a big challenge for the modern economy, especially because fraud can occur anytime and anywhere without being detected beforehand. Significant economic losses were only revealed when the fraud was uncovered. In fact, acts of fraud can influence the formation of new rules in the business and economic world (Anggraini et al, 2019).

In Indonesia, the corruption case involving Juliari Batubara, the Minister of Social Affairs, who allegedly received a total of IDR 17 billion from two packages of social assistance in the form of groceries, is one of the most discussed cases of fraud recently (Solihah & Triono, 2020). The corruption case of PT Asuransi Berarm Republik Indonesia (Asabri) Tbk with an estimated state loss of IDR 23.7 trillion has also caught the attention of the wider community (Merdeka, 2021). Some of the fraud cases that occurred before the two cases included the polishing of financial

statements by Garuda Indonesia, bribes for the procurement of goods and equipment at Krakatau Steel, corruption at PT Jiwasraya, fraudulent financial statements by PT Aqua, and so on.

For this reason, acts of fraud cannot be allowed to continue to increase and increasingly harm many parties. The increasing number of fraud cases that occur indicates a stronger need for a better research approach to be used by auditors and investigators in preventing and detecting fraud. This shows the ineffectiveness of the methods used to prevent and detect fraud. Many entities are trying to implement new and different steps to eradicate fraud (Maulidastuti & Yusuf 2018).

One way to overcome the problem of fraud is through the use of forensic accounting. Forensic accounting is a field of expertise that combines accounting and law to detect, prevent and deal with fraud. The use of forensic accounting can assist organizations and organizations in reducing the risk of fraud and providing security and protection for stakeholders (Sayid, 2013).

Although forensic accounting has the potential to overcome the problem of fraud, not many organizations in Indonesia use forensic accounting services. This is caused by a lack of understanding and awareness of the importance of forensic accounting in efforts to prevent fraud, and the lack of forensic accounting experts in Indonesia (Isgiyataa & Budiyonic, 2018).

Therefore, this study aims to examine the role of forensic accounting in efforts to prevent fraud in Indonesia. It is hoped that the results of this study can provide an overview of the importance of using forensic accounting in fraud prevention efforts, and can provide input for organizations and organizations to improve fraud prevention efforts. In addition, this research can also be a scientific contribution to the development of the field of forensic accounting in Indonesia.

## METHODS

This study in terms of analysis and design methods is a type of qualitative research, and when viewed from the level of explanation it is a type of descriptive research. Descriptive qualitative methods are considered appropriate, because research must be carried out carefully, in depth and thoroughly to obtain an overview of generally accepted principles or patterns with respect to the symptoms that exist in the object of research. This type of descriptive qualitative research was also chosen so that the results achieved from this research can become good, clear, and balanced recommendations for decision makers in organizations related to research topics. In this qualitative research, the determination of data sources (informants/informants/participants) was carried out purposively, namely selected with certain considerations and objectives. The results of qualitative method research only apply to cases of social situations, which can be transferred or applied to social situations (other places), if these social situations have similarities or similarities with the social situations studied (Sugiyono, 2011).

### Forensic Accounting

The fact that accounting fraud causes large economic losses has led to an increase in efforts to prevent such losses as well as developments and changes in the field of auditing and forensic accounting. In this context, the notion of forensic accounting has been discussed first, followed by the development of the forensic accounting profession. Integrating auditing and investigative techniques into the field of accounting has given rise to a skill known as "forensic accounting," which focuses on preventing and determining accounting fraud (Arboleda et al, 2018).

Forensic accounting is the act of determining, recording, analyzing, classifying, reporting and confirming to historical financial data or other accounting activities for the resolution of current or future legal disputes. This historical data is also used to evaluate financial data in the settlement of legal disputes in the future ( Dhar & Sarkar, 2010). The definition of forensics in the accounting profession relates to the linkage and application of financial facts to legal issues. Forensic accounting consists of auditing accounting records to look for evidence of fraud (fraud and forgery). Forensic accounting is an area of intuition that uses investigative and auditing techniques, integrates them with accounting and commercial skills, gives testimony in court

through expert witnesses, solves complex financial problems, carries out fraud investigations. Forensic accounting obtains an in-depth examination of the business and helps for a better understanding of the accounting system held by the business (Singleton & Singleton, 2010).

### **Fraud**

According to Hall (2008), fraud refers to the presentation of material facts that are wrongly carried out by one party to another party, with the aim of deceiving and influencing other parties to depend on these facts. Furthermore, Amin Widjaja (2012) revealed that fraud is intentional deception, generally explained as lies, plagiarism and theft.

Bologna & Lindquist (1995) explain the factors that encourage fraud include:

- a) greed (greed), related to the existence of greedy behavior that potentially exists in every person.
- b) opportunity (opportunity), related to the state of an organization or community institution in such a way that an opportunity is opened for someone to commit fraud against them.
- c) needs (needs), related to the factors needed by the individual to support his life which according to him is reasonable.
- d) exposure (disclosure), related to the actions or consequences that will be faced by perpetrators of fraud if the perpetrators are found to have committed fraud.

Schematically, accounting fraud or fraud is divided into three types, namely (Tuanakotta, 2012):

- a) Corruption. This corruption includes several things such as conflicts of interest of colleagues or family in projects, bribery, forced withdrawal of funds, playing in tenders and covert graftification.
- b) Illegal taking of assets Illegal taking of assets means taking assets illegally or against the law. colleagues or family in the project, bribery, forced withdrawal of funds, playing in tenders and covert graft
- c) Financial statement fraud This is fraud in the form of material misstatements and false financial data. Material misstatements are miscounts and figures in the financial statements.

## **RESULTS AND DISCUSSION**

### **1. Factors that cause fraud in Indonesia**

Fraud or cheating in the world of business and accounting is a problem that often occurs and causes huge losses to organizations, investors and the public. In Indonesia, fraud cases are still a serious problem and occur in many business sectors. Fraud prevention efforts need to be carried out seriously and systematically in order to reduce the negative impacts that arise. According to Bologna & Lindquist (1995) there are 4 factors that encourage the occurrence of fraud known as GONE:

#### **a) Greed**

Greed is one of the factors that can encourage fraud. This term refers to human nature to always want more, even if it was obtained in an unethical or illegal way. In a business context, greed can occur when a person or group of individuals tries to gain greater profits in ways that violate applicable rules and norms.

Greed is one of the main factors that encourage fraud because it is unlimited and difficult to control. When someone feels too greedy in seeking profit, he may choose to commit acts of fraud to achieve his goals. This can happen because acts of fraud are often seen as an easier and faster way to gain profit than working hard legally and honestly. For example, a financial manager who has access to organizational funds may be tempted to use the funds for his personal gain if he feels that he is too greedy. He may manipulate financial reports, divert funds to personal accounts, or take other illegal actions to obtain greater profits. Such actions can be detrimental to the organization and other stakeholders.

### **b) Opportunity**

Opportunity is one of the factors that can encourage fraud. This term refers to the existence of loopholes or opportunities available for fraud perpetrators to commit unethical or illegal actions. In a business context, opportunities can be created when there are weaknesses in the internal control system, ineffective business processes, or an organization's inability to detect and prevent fraud.

Opportunity is one of the main factors that encourage the occurrence of fraud because fraudulent actions often require sufficient time and opportunity to be planned and carried out. When the fraud perpetrator feels that there is a gap or opportunity available, he may choose to commit fraud. For example, an employee who has access to an organization's financial system may be tempted to manipulate financial reports if he or she feels that the organization's internal control system is ineffective or inadequate. He may take advantage of available loopholes or opportunities to manipulate financial reports and avoid detection from other parties.

### **c) Needs**

Need is one of the factors that can encourage fraud. This term refers to the need or pressure felt by perpetrators of fraud to fulfill personal needs or desires that are difficult to achieve through legal or ethical means. In a business context, needs can be created when someone has financial problems, urgent needs, or pressure from superiors or other parties.

Needs are one of the main factors that encourage fraud because fraud is often triggered by a need that must be met. When a fraud perpetrator feels pressured or needs something that is difficult to achieve in a legal way, he may choose to commit fraud to fulfill that need. For example, an employee who has financial problems may be tempted to commit fraud by manipulating financial reports or using the organization's money for personal gain if he feels that there is no other way to meet his needs. Fraud perpetrators can also be triggered by pressure from superiors or other parties who request or pressure to take unethical or illegal actions.

### **d) exposure**

Disclosure is one of the factors that can encourage fraud. This term refers to a situation in which a fraud perpetrator feels that his actions will not be uncovered or detected by another party. In a business context, disclosure can be created when there are weaknesses in the monitoring or control system, or an organization's inability to detect and deal with fraud.

Disclosure is one of the main factors that encourage the occurrence of fraud because acts of fraud often occur when perpetrators of fraud feel that the risk of exposure to these actions is very small. When a fraud perpetrator feels that his actions will not be detected or will not be subject to strict sanctions, he may choose to commit fraud. For example, an employee may commit fraud if he feels that the monitoring system implemented by the organization is not effective enough or sufficient to detect his actions. He may take advantage of weaknesses in the control system and manipulate organizational data or documents without fear of being detected.

## **2. The Role of Forensic Accounting in Fraud Prevention in Indonesia**

Fraud is one of the main objects in forensic accounting. Fraud is a general term, which has various meanings regarding ingenuity, machinations, human tricks that are used by someone to gain an advantage in the form of material assets or wealth over other people through misrepresentation or breaking the rules. There are no standard and definite rules that can be used as a more precise description to give another meaning to fraud, except for how to commit fraud, unreasonably and cleverly, so that other people become victims of fraud. The only thing that can be a limitation of fraud is that it is usually done by those who are dishonest or full of deception (Sulastri & Simanjuntak, 2014). Fraud is a fraud that is deliberately intended to be able to take other people's assets or rights (Wang, 2016). Fraud is committed to gain profits in the form of money or assets that can avoid paying or losing services, taxes or securing personal or business interests (Sayyid, 2004). Thus, it can be concluded that fraud is an ingenuity carried out by humans, which is planned and carried out individually or in groups to be able to get benefits

and profits from other parties in a way that can harm many people so that it can cause losses to other people or agencies. .

Forensic Accountants can significantly reduce fraud in the public sector. Research by Mulyadi & Nawawi (2020) also reveals that forensic audits have a positive effect on fraud prevention. If the implementation of the forensic audit is carried out better, it will be even better and more optimal fraud prevention can be carried out. Forensic accountants also have expertise in planning preventive efforts before acts of corruption occur. A preventive strategy must be made and implemented by directing it to the things that cause corruption to arise. Every cause of corruption identified by the Forensic Accountant previously must be made a preventive effort, so as to minimize the causes of corruption. Besides that, efforts need to be made to minimize opportunities or opportunities for corruption (Tuasikal, 2017).

Based on the four factors that cause fraud previously mentioned above, fraud prevention efforts can be made through forensic accounting. For the first Greed factor, one of the forensic accounting efforts to prevent fraud as a result of greed is to conduct a forensic audit. Forensic audit is a process of collecting, analyzing, and interpreting evidence related to suspected fraud in order to identify and resolve fraud cases. Forensic audits are conducted to detect fraud or manipulation of financial statements, as well as identify suspected fraud related to the management of the organization's finances and assets.

In addition, forensic accounting practices can also help organizations to develop internal control systems that are more effective in reducing the risk of fraud due to greed. This can be done through the application of forensic accounting principles such as risk analysis and internal control, as well as increased monitoring of the actions of employees and management. Thus, the application of forensic accounting practices can help organizations to prevent fraud as a result of greed. Organizations need to understand the importance of implementing forensic accounting practices as an effort to prevent fraud and ensure that the internal control system implemented is adequate in reducing the risk of fraud resulting from greed.

Second Opportunity, one of the forensic accounting efforts to prevent fraud as a result of the opportunity factor is to conduct an audit of the organization's internal controls. This audit is conducted to evaluate the effectiveness of the organization's internal controls in preventing fraud, as well as finding weaknesses in the internal control system that fraud perpetrators can take advantage of. An audit of an organization's internal control can also help an organization to improve an internal control system that is less effective in preventing fraud.

In addition, forensic accounting practices can also help organizations identify suspicious events that may indicate suspected fraud. This can be done through monitoring and analysis of the organization's transaction data, as well as analyzing trends and suspicious patterns in the organization's financial transactions. By identifying suspected fraud early on, organizations can take appropriate countermeasures to prevent greater losses. Forensic accounting practices can also help organizations to develop policies and procedures that are more effective in managing fraud risk. These policies and procedures may include monitoring the actions of employees and management, as well as establishing an internal control committee whose job is to monitor the policies and procedures that have been established.

Third, Needs. One of the forensic accounting efforts to prevent fraud due to the need factor is to supervise and analyze the financial activities of employees and company management. In this case, forensic accounting practices can assist companies in detecting signs of fraud, such as unauthorized financial transactions or improper transfer of funds. Forensic accounting practices can also help companies to identify conflicts of interest that can trigger fraud. Conflicts of interest can arise if there are employees or company management who take advantage of their position for personal gain. Forensic accounting practices can assist companies in detecting and resolving these conflicts of interest before fraud occurs.

In addition, forensic accounting practices can also assist companies in implementing an effective whistleblowing system. Whistleblowing is a system that allows employees or other parties who are aware of fraud or fraud within the company to report it to the authorities. By





implementing an effective whistleblowing system, companies can minimize the risk of fraud due to necessity.

Fourth, Exposure. One of the forensic accounting efforts to prevent fraud due to disclosure factors is to implement strict internal audit practices. Internal audit is a mechanism that can help companies to ensure that all financial activities that occur within the company are carried out transparently and in accordance with applicable accounting principles. In forensic accounting practices, internal audit can also assist companies in detecting early signs of fraud or fraud occurring. Forensic accounting practices can also assist companies in developing an effective and efficient financial reporting system. An effective financial reporting system can assist companies in ensuring that all financial activities that occur within the company are reported accurately and in a timely manner. This can assist companies in avoiding the risk of fraud resulting from disclosing inaccurate or imprecise information.

Finally, the company also needs to ensure that all financial activities that occur within the company are carried out in accordance with applicable regulations and accounting standards. In this case, forensic accounting practices can assist companies in understanding applicable accounting regulations and standards and ensure that all financial activities that occur are in accordance with these principles.

### CONCLUSION

Forensic Accountants have a very important role in preventing or minimizing fraud. The better the implementation of the forensic audit, the better and more optimal the prevention of fraud can be carried out. Forensic accountants also have expertise in planning preventive efforts before fraud occurs. A preventive strategy must be created and implemented by directing it to the things that cause fraud to arise. There are four factors that encourage fraud, namely greed, opportunity, need, and disclosure. Fraud prevention efforts can be carried out by implementing effective forensic accounting practices. To overcome the greed factor, forensic accounting practices can assist companies in developing ethics and integrity policies, as well as conducting analyzes and investigations on suspicious transactions. Meanwhile, to overcome the opportunity factor, forensic accounting practices can assist companies in strengthening internal controls, conducting strict internal audits, and developing effective financial reporting systems. To overcome the factor of need, forensic accounting practices can assist companies in ensuring transparency and accountability in the management of company finances, as well as ensuring that all financial activities have been carried out in accordance with applicable regulations and accounting standards. Finally, to address disclosure factors, forensic accounting practices can assist companies in strengthening internal audits, developing an effective financial reporting system, and ensuring that all financial activities comply with applicable regulations and accounting standards.

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