

LITERATURE REVIEW OF AUDIT INVESTIGATION ROLE AND WHISTLEBLOWING SYSTEM IN EFFORTS TO FRAUD DISCLOSURE

Amin Makhmuro¹, Yulida Army Nurcahya^{2*}

^{1,2}Department of Accounting, Universitas Tidar

E-mail: ¹⁾ aminmakhmuro12@gmail.com, ²⁾ yulidaarmy@untidar.ac.id

Abstract

Economic developments have a good impact on society but also lead to the development of acts of fraud committed by some people which can pose a threat to an institution or a country. This shows that something needs to be done to combat this type of fraud. This study aims to determine the role of investigative audits and whistleblowing systems in efforts to disclose fraud. The method in this study uses a qualitative approach and this type of research is included in the literature review. There are several steps taken by researchers during the research process, such as selecting data, presenting data, and drawing conclusions. The results of the study show that investigative audits and whistleblowing systems have an important role in efforts to identify and disclose fraud.

Keywords: *Audit Investigation, Fraud, Whistleblowing System*

1. INTRODUCTION

Acts of fraud are increasing and varied, surprisingly this is done by someone who has a degree, rank and knowledge that is not low, such as managers, directors and even the accountants themselves. The term fraud may still be rarely heard and used by some people, but the term fraud has long been used by audit executives. Fraud is an act of fraud committed by an individual, company or institution with the aim of benefiting and harming other parties, usually this fraud is committed in a particular organization, both in government and the private sector. Economic developments have had a good impact on society but have also led to the development of acts of fraud committed by some members of the public. The existence of acts of fraud is one of the things that can pose a threat to an agency, country, or the world. Like the case of Enron in America, which manipulated their financial statements, from experiencing a loss to obtaining a profit of US \$ 600 million. Then there were also similar cases where the company went bankrupt due to fraud committed by someone, the fraud took the form of asset theft, computer crime, corruption and manipulating a financial report (Suryani et al., 2021). In addition, in Indonesia there is also a similar case, namely the case of PT Garuda Indonesia which manipulated its financial statements from what should have suffered a loss, but in its financial statements the company made a profit of US \$ 809,846 in 2018.

According to the Indonesia Procurement Watch (IPW), the Corruption Eradication Commission (KPK) has handled 385 cases and most of them were cases involving activities to obtain goods and services. These activities carried out by the government with conventional procedures are considered to still have three drawbacks, namely: lack of openness, waste, and not in accordance with existing functions (LKPP, 2010:19). This

proves that an effort is needed to deal with acts of fraud like this. Efforts needed to review and disclose acts of fraud are to use an investigative audit and a whistleblowing system.

An investigative audit is an audit that only focuses on indications of violations or fraud committed by a person or an authorized institution. In carrying out an investigative audit, an investigative auditor is required to have the expertise to find and provide evidence related to fraud that has occurred. The search for and providing the necessary evidence must be carried out in detail and all parties who may be involved must also be investigated. In searching for this evidence, an auditor must remain vigilant and have skepticism towards various parties, after which the auditor can make a report and submit it to the authorities. The mechanism used for investigative audits must comply with existing regulations. The role and obligations of the auditor are the priorities that determine the implementation of an investigative audit (Astuti et al., 2022). The effectiveness of this investigation can be achieved if an auditor can carry out each of the existing stages in accordance with audit provisions (Chatriane, 2017). Apart from using investigative audits, a whistleblowing system is also very necessary so that performance is maximized. Besides, the existence of a whistleblowing system can also shape the disclosure of fraud and is expected to be able to minimize fraud that might occur.

Whistleblowing system is a series of submitting complaints of alleged fraud or violations from various related parties that have been committed or will occur. In implementing the whistleblowing system, a company is required to have a commitment to all of its employees so that the system can be implemented properly (Libramawan, 2014). Companies must also provide guarantees so that the confidentiality and security of reports of fraud or fraud are maintained. Even though the whistleblowing system has a policy that is still relatively new to be implemented in Indonesia, agencies and organizations have increasing awareness regarding the whistleblowing system policy. This is in line with private institutions and state-owned enterprises which have implemented a whistleblowing system, such as Bank BRI and PT Telkom.

Based on the background above, this research was conducted with the aim of knowing the role of investigative audits and whistleblowing systems in efforts to uncover fraud.

2. THEORETICAL BASIS

2.1. Fraud

Fraud is an unlawful act committed by a person or a group of people to deceive their victims (Akenbor & Oghoghomeh, 2013). It was explained in depth by Chatriane (2017) who wrote that fraud is an illegal act that requires the perpetrator to have certain abilities for the benefit of the victim.

2.2. Investigative Audits

Wiralestari (2017) simply defines “investigative audit as an effort to prove an error in accordance with applicable legal provisions”. Because the purpose of an investigative audit is to identify and disclose fraud or crime, the approaches, procedures and techniques used in investigative audits are relatively different from the approaches, procedures and techniques used in financial audits, performance audits or audits with other specific objectives.

2.3. Whistleblowing System

According to the Witness and Victim Protection Agency (LPSK, 2011) in Fauziyyah et al. (2019), “Whistleblowing is defined as the activity of disclosing or disclosing a criminal act or illegal action in the institution where he works, in an organization or to the public such as the mass media or a public monitoring institution”. Disclosure is not only because of the good intentions of the whistleblower (reporter), but the aim is to uncover crimes or fraud that he knows. In this case, the person who says fraud or fraud is said to be a whistleblower.

3. RESEARCH METHODS

The method in this study uses a qualitative approach and this research is classified as a literature review. Sources of data from this study were obtained from journals related to the topic of this research. There were 22 journals published from 2016 to 2022 which researchers read to serve as references, but only 10 journals met the criteria to be used as references. The reference used in this study is to use previous research which is still in accordance with the role of investigative audits and whistleblowing systems in efforts to disclose fraud. There were several steps taken by researchers during the research process, such as selecting data, presenting data, and drawing conclusions.

4. RESULTS AND DISCUSSION

4.1. Investigative Audits

According to Anggraini et al. (2019), “An investigative audit is a form of audit or examination that aims to identify and uncover fraud or crime by using approaches, procedures or techniques that are generally used in an investigation or investigation of a crime”. Investigative Audit is an attempt to prove an act of fraud or violation in accordance with existing rules.

Investigative audit is a form of action to provide handling of acts of fraud. This action has the aim that the perpetrator receives the appropriate consequences related to the act of fraud precisely and quickly. Thus, the process for handling fraud from start to finish must be reviewed again so that the process for dealing with fraud runs well (Wiralestari, 2017).

This investigation can be carried out on condition that there is a strong basis for carrying out an investigation and this can be said to be an estimate. An estimate is an assumption that can be used to start an investigation. The Fraud Examiners Manual explains that an estimate is a conclusion of all matters related to existing fraud. And an examination cannot be carried out without a strong and precise basis or estimate.

There are investigative audit standards in conducting fraud investigations according to KH Spencer Pickett and Jennifer Pickett (2002), namely:

- a) All inspections are carried out based on applicable standards.
- b) All inspection results must be collected according to existing regulations.
- c) All files must be ensured security.
- d) Need to make sure that you comply with the existing regulations.
- e) There is strong evidence (at least 2 pieces of evidence).
- f) Must have the ability related to the inspection carried out.
- g) Must document all activities carried out.

4.2. Whistleblowing System

Musmulyadi & Sari (2020) explain The Whistleblowing system as “an activity of disclosing information by someone in the organization to certain parties due to violations or crimes”. In reporting acts of fraud, it is better to maintain confidentiality, this is done to protect the reporter from things that are not desirable. With this idea in mind, complaints can be disclosed anonymously. Thus, an agency that gives permission to the reporter not to reveal his identity, the agency is the same as providing support for the implementation of the whistleblowing system and this can provide an increase in the disclosure of fraud (Ramadhany, 2017).

A person who reports to the authorities regarding suspected fraud occurring in government or private agencies is called a whistleblower (Bagustianto & Nurkholis, 2015). The existence of the whistleblower has an important role in disclosing acts of fraud in a related agency. The information obtained from the whistleblower must get the attention of the authorities and the perpetrators of the fraud must also be given appropriate punishment in accordance with existing rules so that the perpetrators do not repeat it. Because if there is no law enforcement against the perpetrators, then the reports that have been given by the whistleblowers will be in vain. In the whistleblowing system, a whistleblower is prohibited from notifying other people or parties regarding alleged violations that have occurred when the whistleblower has already reported the matter to an authorized institution or party. This is with the aim that the institution or authorized party can provide protection to whistleblowers who have reported suspected fraud that has occurred or related agencies.

Whistleblowing system is a system that can be used to report violations or fraud. According to Libramawan (2014) there are benefits in implementing a whistleblowing system, namely:

- a) Can provide important information for parties who want to report suspected violations or fraud safely.
- b) It can cause a person to be reluctant to commit violations or fraud because with a whistleblowing system and whistleblower, reporting suspected fraud or violations is easier to do.
- c) Can provide a way to detect early on the possibility of fraud or violations.
- d) Can provide opportunities for relevant agencies to deal with fraud or violations internally before it becomes a public problem.
- e) Can Reduce the risks that must be faced by an agency or organization from fraud or violations that can cause financial, operational, legal, work safety, or reputational problems for the agency or organization.
- f) Can reduce costs that must be incurred in dealing with fraud or violations that occur.
- g) Can increase the reputation of the institution.

One example of an agency that has implemented a whistleblowing system is the Bank Indonesia Whistleblowing System (WBS-BI). WBS-BI is a system that is implemented for parties to provide reports regarding acts of fraud that exist within the agency.

There are procedures for reporting fraud in the WBS-SI, namely:

- a) The complainant must state the name of the complainant and convey the violations committed, the perpetrators of the violations, the time and place of the violations, and how the violations occurred.

- b) After that WBS-SI receives the report, validates the report, recommends follow-up and compiles periodic reports to GBI (twice a month).
- c) Then GBI gave a follow-up decision.
- d) WBS-SI accepts GBI's disposition, deletes the name of the reporter, and forwards it to another work unit or DAI examiner according to GBI's disposition.
- e) Examination by DAI or other work unit in accordance with the provisions.
- f) WBS-BI monitors progress, compiles periodic reports to GBI (twice a month) regarding follow-up progress, and updates violation statistics and follow-ups on the WBS-BI website.
- g) Reporters can view statistics on violations and their follow-up in aggregate on the WBS-BI website.

4.3. Fraud Disclosure

In the world of business and economics there are terms of error and fraud. What makes these two things different is that there is no intentional error, while fraud has an intentional element. According to Rahmatika (2020), "fraud will not be easy to identify and reveal, this is because the fraud usually hides something that exists". The fraud usually hides related files and there is a tendency to deceive, manipulate, provide false information, and incomplete information when the auditor requests the files needed to carry out inspections or disclosures. Detection and disclosure of fraud requires a judgment that is not easy and there must be adequate tools to assist the auditor. Fraud audit is part of the action to prevent fraud which has an active nature and is included in investigative activities to detect and uncover fraud. To examine a fraud, one must pay attention to the following: document examiners, third parties as witnesses, anyone involved as perpetrators, and what is the purpose of the fraud.

5. CONCLUSION

Fraud is increasing and varying day by day, this can threaten the world economy. Various efforts can be made to detect and reveal acts of fraud such as auditing techniques, whistleblowers, document examiners, third parties as witnesses, anyone involved as perpetrators, and what the purpose of the fraud is. This proves that investigative audits and whistleblowing systems are important efforts to identify and disclose fraud. An investigative audit is an attempt to prove a fraud or violation in accordance with applicable legal provisions. While the whistleblowing system itself is the behavior of someone who reports an activity that indicates fraud or fraud to certain parties or the authorities. By conducting investigative audits and whistleblowing systems, facts regarding an act of fraud such as the type, perpetrator, impact, and explanation of the act can be disclosed.

Further researchers can use the results of direct interviews with auditors or practitioners and with agencies related to investigative audits and whistleblowing systems so that the data obtained is more valid and complete. Then, for practitioners and academics to show high commitment so that they can encourage the disclosure of fraud that has occurred and encourage institutions and authorities to uphold fair laws so that perpetrators do not repeat it (fraud).

**CURRENT ADVANCED RESEARCH ON SHARIA FINANCE AND
ECONOMIC WORLDWIDE
(CASHFLOW)**

REFERENCES

- Akenbor, C. O., & Oghoghomeh, T. (2013). Forensic auditing and financial crime in Nigerian banks A proactive approach. *The Business & Management Review*, 4(2), 48–61.
- Anggraini, D., Triharyati, E., & Novita, H. A. (2019). Akuntansi Forensik dan Audit Investigatif dalam Pengungkapan Fraud. *COSTING: Journal of Economic, Business and Accounting*, 2(2), 372–380.
- Astuti, D. S. P., Pratama, K. I., & Kristianto, D. (2022). The Influence Of Implementation Alternative Audit Procedures On The Audit Quality Results In The Covid-19 Pandemic:(Study at Auditors on Public Accounting Firm Auditors in Central Java). *Journal Of Management, Accounting, General Finance And International Economic Issues (Marginal)*, 2(1), 394–402.
- Bagustianto, R., & Nurkholis, N. (2015). Faktor-Faktor Yang Mempengaruhi Minat Pegawai Negeri Sipil (Pns) Untuk Melakukan Tindakan Whistle-Blowing (Studi Pada Pns Bpk Ri). *EKUITAS (Jurnal Ekonomi Dan Keuangan)*, 19(2), 276–295.
- Chatriane, A. R. (2017). *Pengaruh Kemampuan Auditor Investigatif Terhadap Efektivitas Pelaksanaan Prosedur Audit Dalam Pembuktian Kecurangan (Fraud)*. Universitas Widyatama.
- Fauziyyah, F., Ida Suraida, S. E., CA, Ms. A. K., & AK, B. S. S. E. M. (2019). *Pengaruh Risk Based Internal Auditing Dan Whistleblowing System Terhadap Pencegahan Kecurangan (Fraud)(Survey Pada Pt. Kereta Api Indonesia (Persero) Kota Bandung)*. Perpustakaan Fakultas Ekonomi dan Bisnis Unpas.
- Libramawan, I. P. (2014). *Pengaruh Penerapan Whistleblowing System terhadap Pencegahan Kecurangan (Studi Survey pada PT Coca-Cola Amatil Indonesia So Bandung)*. Universitas Widyatama.
- Musmulyadi, M., & Sari, F. I. (2020). Whistleblowing System Dalam Memutus Rantai Fraud Untuk Mewujudkan Economic Growth (Studi Pada Direktorat Jenderal Pajak Indonesia). *Jesya (Jurnal Ekonomi Dan Ekonomi Syariah)*, 3(2), 292–303.
- Pickett, K. H. S., & Pickett, J. M. (2002). *Financial crime investigation and control*. John Wiley & Sons.
- Rahmatika, D. N. (2020). *Fraud Auditing Kajian Teoretis dan Empiris*. Deepublish.
- Ramadhany, S. N. F. (2017). *Personal Costdan Efektivitas Whistleblowing Systems terhadap Pendeteksian Fraud dengan Self Efficacy sebagai Pemoderasi (Studi pada KPP Pratama Makassar Selatan)*. Universitas Islam Negeri Alauddin Makassar.
- Suryani, I. D. R., Kurniawati, E., Wulan, G. A. N., & Dinniah, H. C. (2021). Konseptualisasi Peran Teknologi Informasi dalam Praktik Audit untuk Membantu Pengungkapan Fraud di Indonesia. *EL MUHASABA: Jurnal Akuntansi (e-Journal)*, 12(2), 138–156.
- Wiralestari, W. (2017). Fraud: Akuntansi Forensik Dan Audit Investigatif. *Media Riset Akuntansi*, 6(1), Hal-43.