

“The Influence Of Internal Audit Toward Fraud Prevention In One Of Banks In Bandung”

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Abstract: This study aims to determine how the influence of internal audit against fraud in one of Banks in Bandung. Supporting factors in this study are Internal Audit as an independent variable and Prevention of Fraud as the dependent variable. The research method used in this research is a descriptive research method with case study studies. Data collection techniques used in this study is to use a questionnaire. The sampling technique used in this study uses non-probability sampling techniques. This study uses a simple linear regression analysis method. The results showed that the Internal Audit and the Prevention of Fraud (Fraud) showed in good condition. And it can be concluded that the internal audit has a significant effect on the increase in fraud.

Keywords : Internal Audit, Internal Control System, Fraud Prevention

1. Introduction

The rise of fraud cases that have occurred in Indonesia recently has become a special concern of the government and society (Chairun Nisak, 2013: 15). Fraud is a form of fraud that is deliberately carried out so that it can cause losses without realizing it by the aggrieved party and provide benefits for the perpetrators of fraud (Alison, 2006 in Rahmawati, 2012: 1). Fraud generally occurs due to pressure for fraud or an urge to take advantage of existing opportunities or opportunities (Rahmawati, 2012: 1).

Forms of fraud that often occur include management fraud and employee fraud. Management fraud that occurs in the form of embezzlement of company assets, for example embezzlement of company money that is supported by manipulation of financial statements, where accounting data and information presented in financial statements are deliberately altered. Meanwhile, employee fraud that occurs includes falsification of salary lists, namely by creating fake employees, and then cashing out the salaries (Eka Komaruzzaman, 2015: 2; Merve, 2019).

Usually this fraud is not easy to find. Cheating is usually found because of an accident or on purpose. Thus, management needs to be careful about the possibility of fraud that occurs in the companies it manages. To overcome the occurrence of fraud, internal audit is required to exist within the company, which is tasked with evaluating a system and procedures that have been properly and systematically arranged and whether they have been implemented correctly, through observation, research, and examination of the implementation of tasks that have been delegated in each. company work units (Amrizal, 2004: 1-3 in Ridhwan Nugraha, 2016: 1-2).

As was done by one of the Operational and Service Assistant Managers of the BRI Branch Office in Tambun, Bekasi Regency, who misused company money during the period August 2018 to January 2019. He was suspected of committing fraud of Rp. worth IDR8.83 billion, three deposit accounts belonging to customers worth IDR3.5 billion and money from money changers worth IDR54 million. However, the suspect has already returned the state loss of more than IDR 1.72 billion to the company (Tribun Jabar, 2019).

And what was also done by an unscrupulous BRI Teller Bank Toddopuli, Makassar, who committed fraud worth IDR 2.3 billion. He is suspected of stealing customers' money by using two deposit slips. One slip is used between the perpetrator and the customer, and another slip is deposited with the Bank from 47 customers and from 50 account books (Covesia.com, 2019).

Finally, there was also corruption committed by an unscrupulous BRI employee in Payakumbuh, West Sumatra, who committed fraud of up to Rp. 1 billion more. The perpetrators embezzled BRI customers' money in three ways. First, he persuaded customers to take credit at BRI, but after the funds were disbursed, the loan amount was reduced by making fake documents. Second, embezzling customer deposits that are not put into BRI's cash. Then the last mode is by taking the customer loan guarantee without the knowledge of the bank manager. Then make it a loan to a bank without the customer's knowledge (Suara.com, 2019).

Many factors can minimize the occurrence of fraud, one of which is internal audit, internal audit can detect an error in activities that occur in the company by evaluating whether the activity is running according to applicable

rules or not, through observation, research, and examination of activities. The main role of the internal auditor in accordance with its function in fraud prevention is to try to eliminate or eliminate the causes of the fraud. Because prevention against the occurrence of a fraudulent act will be easier than overcoming when such fraud occurs (Amrizal, 2004: 4).

The relationship between internal audit and fraud prevention according to the International Professional Practices Framework (IPPF) (Standard 1210.A2) states that internal auditors must have sufficient knowledge to be able to evaluate the risk of fraud, and how the organization manages these risks, but is not expected to have the expertise of someone whose main responsibility is to detect and investigate fraud (IPPF, 2017: 5). Internal audit will help prevent fraud by examining and evaluating internal controls that reduce the risk of fraud. They will help prevent fraud by implementing audit procedures that can reveal fraudulent financial reporting and misuse of assets. Internal auditors are responsible for preventing and detecting fraud that may have occurred as early as possible, before it has a worse impact on the organization. This detection can be done when carrying out internal auditing activities. At that time, internal auditors can focus on areas that have a high risk of fraud such as cash transactions, bank reconciliation, procurement processes, sales and others (Soejono Karni, 2000: 20 in Abdillah Nur Muhammad, 2018: 5).

Previous research conducted by Suginam (2016: 30) entitled "The Influence of the Role of Internal Audit and Internal Control on Fraud Prevention (Case Study at PT. Tolan Tiga Indonesia)" has proven in his research that Internal Audit has an influence on Fraud Prevention. Thus, this condition shows that the company's Internal Audit has a very big role in the company to control and evaluate the activities of the company's activities, especially in fraud prevention. The results of this study are supported by research by Dwika Maliawan (2017: 10) which shows that partially internal audit has a significant effect on fraud prevention.

Based on the descriptions that have been described in the background, problems can be identified as follows:

1. The results of internal audits have not been effect to fraud prevention in a bank in the city of Bandung

2. Literature review

Theoretical basis

Definition of Internal Audit

Internal audit has a very important role in an organization, its position in the organization must be objective and independent, as stated by Urton I. Anderson et al (2017) Internal Audit is as follows:

“Internal audit is an independent, objective confidence and consulting activity designed to add value and improve an organization's operations. Internal audit helps the organization achieve its objectives by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

Based on the above definition, it can be concluded that internal audit is very much needed by the company because it can help the company achieve its goals by adding value to the company through the process of evaluating the effectiveness of the risk management process, control process, and governance process, where the roles are as follows:

- a. Risk Management is a process carried out by a company to manage a threat that is estimated to occur in the company by analyzing, assessing, controlling, and as much as possible to avoid this risk so that it does not occur in the company. The role of Internal Audit here is to ensure that the effectiveness of the company's risk management has been carried out correctly or not.

- b. Control / Internal Control is a process whose system is regulated by management, namely the internal control system. The role of internal audit here is to control and ensure that every activity carried out by the organization has gone according to established procedures and does not deviate from its requirements.

- c. Governance is an activity carried out by the board of directors to monitor management activities, whether the objectives of the activity.

Fraud Prevention

Definition of Fraud

In achieving organizational goals, there are several risks that will hinder or even prevent the achievement of organizational goals, one of which is the risk of fraud. Fraud is an act of data manipulation, asset theft, or other deliberate actions that harm the organization and can be done by everyone involved in the organization.

According to G. Jack and Ribert Lindquist in Forensic Fraud "Fraud is deliberate fraud, generally described as lying, plagiarism and theft. Fraud can be committed against customers, creditors, suppliers, bankers, investors, insurers and the government. "

Meanwhile, according to The Institute of Internal Auditors (IIA) in Reding et al (2013: 8-7) fraud is:

"Any illegal act characterized by deception, concealment, or breach of trust does not depend on threats of violence or physical force. Fraud is committed by parties and organizations to get money, assets or services; To avoid payment or loss of services, or to secure personal or business gain. "

Jenis Kecurangan

There are several types of fraud in a company depending on the source who brought it up, such as according to the 2006 Examination Manual from the Association of Certified Fraud Examiners in Karyono (2013: 17-25), fraud consists of four major groups, namely:

1. Fraudulent Statement

Consists of Financial Statement Fraud (Financial Statement) and Other Report Fraud (Non-Financial Statement), namely fraud by changing the contents of the report to hide its actions that are detrimental to the organization.

2. Misappropriation of Assets (Asset Misappropriation)

Consists of Cash Fraud (Cash) and Inventory and Other Assets (Inventory and Other Assets) fraud, namely illegal acts committed by stealing company assets / assets in the form of cash, inventories, and other assets owned by the company.

3. Corruption (Corruption)

Consists of Conflict of Interest, Bribery, Illegal Gratuities and Economic Exortion, namely the abuse of position / trust committed by people / groups in organizations only for their personal benefit by does not care about the interests of the company.

4. Computer-related fraud

Namely fraud by illegally changing, destroying, or retrieving company data / information on a computer.

As for Karyono (2013: 100), the types of perpetrators of fraud are divided into two types, namely White Collar Crime and Blue Collar Crime:

1. White Collar Crime (Perpetrators at the top management level).
2. Blue Collar Crime / Blue Collar Crime (Fraudist at the lower level).

Internal Audit Relationship with Fraud Prevention

The relationship between internal audit and fraud prevention according to the International Professional Practices Framework (IPPF, 2017) (Standard 1210.A2) states that internal auditors must have sufficient knowledge to be able to evaluate the risk of fraud, and how the organization manages these risks, but is not expected to have the expertise they deserve. someone whose primary responsibility is to detect and investigate fraud. Internal audit will help prevent fraud by examining and evaluating internal controls that reduce the risk of fraud. They will help prevent fraud by implementing audit procedures that can reveal fraudulent financial reporting and misuse of assets. Internal auditors are responsible for preventing and detecting fraud that may have occurred as early as possible, before it has a worse impact on the organization. This detection can be done when carrying out internal auditing activities. At that time, internal auditors can focus on areas that have a high risk of fraud such as cash transactions, bank reconciliation, procurement processes, sales and others (Soejono Karni, 2000: 20 in Abdillah Nur Muhammad, 2018: 5).

Research Hypothesis

The hypotheses to be tested based on the above framework are:

Ho: Internal Audit has no effect on Fraud Prevention

Ha: Internal Audit affects the Prevention of Fraud (Fraud)

3. Research method

Based on the research objectives, the type of this research is causal explanatory. Causal is a variable that affects other variables (Ghozali , 2018). Explanatory research aims to explain the relationship between variables and

research phenomena (Ghozali , 2018). This is to determine the influence of internal audit toward fraud prevention. Researchers use a quantitative approach. Data analysis in this research will be carried out using multiple regression analysis (MRA). In addition, hypothesis testing was carried out by using the F test) t test.

4. Results and discussion

After the classical assumption test is carried out, to answer the hypothesis that has been previously stated, the hypothesis is tested as follows:

Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
1 (Constant)	7,685		1,827	,078
Audit Internal (X)	,533	,080	6,621	,000

a. Dependent Variable: Pencegahan Kecurangan (Fraud) (Y)

Based on the table above, it can be seen that the constant value $\alpha = 7.685$ and $\beta_1 = 0.533$ regression coefficient so that a simple regression equation can be formed as follows:

$$Y = 7,685 + 0,533X + e$$

The equation above can be interpreted as follows:

$a = 7,685$ meaning that if Internal Audit (X) is zero (0), Fraud Prevention (Y) will be worth 7,685 units;

$b = 0,533$ means that if Internal Audit (X) increases by one unit and the other variables are constant, Fraud Prevention (Y) will increase by 0.533 units.

Pengujian Hipotesis (Uji t)

Hypothesis testing is the last step of statistical testing after knowing the results of the simple regression analysis value, correlation coefficient, and determination coefficient. This test aims to determine whether or not there is a significant influence by the independent variable on the dependent variable, which is calculated using the t test (partial), which is as follows:

Ho: Internal Audit has no effect on Fraud Prevention

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to find out the significant value from the calculation results, if the sig value is obtained. $t < 0.05$ (significant level (α) of 5%), then the independent variables individually have an effect on the dependent variable. If there is the opposite result, the value of sig. $t > 0.05$ (significant level (α) of 5%), then the independent variables individually have no effect on the dependent variable. For the calculation of the degrees of freedom obtained ($v = (n - (k + 1)) = 30 - (1 + 1) = 28$) where n = number of samples and k = number of independent variables, the t table value is 1.701.

5. Conclusion

Based on the results of the analysis and discussion carried out in the previous chapter regarding "The Effect of Internal Audit on Fraud Prevention in one of Banks in Bandung, it can be concluded that:

1. Internal Audit has an effect on Fraud Prevention

Benefits of this research

Based on the conclusions that have been taken, the benefits of this research are:

1. Fraud prevention is very important in a business organization
2. With the prevention of job fraud from Internal Audit it becomes more effective
3. Fraud prevention can also be said to be a fence so that people cannot or it is more difficult to commit Fraud.

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