

## THE ROLE OF INTERNAL AUDITORS IN PREVENTING AND DETECTING FRAUD AT PTPN IV

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**Abstract:** This study aims to analyze the role of internal auditors in preventing and detecting fraud in PTPN IV. The type of approach in this research is descriptive qualitative with data collection using documentation studies and secondary data in the form of reports on the use of fees at PT Perkebunan. The research population is a number of plant division staff at the head office. The sampling technique with saturated sampling obtained a sample of 5 staff respondents. The data analysis technique used in this study uses the NVIVO application which processes qualitative data to organize and track multiple records or files of raw data from interviews. The results of this study indicate that the internal auditor's role in preventing and detecting fraud has been very effective and good, evaluating and analyzing according to the auditor's recording procedures.

**Keywords:** Internal Auditor, fraud prevention and fraud detection

### Introduction

Currently, the plantation sector requires efforts to increase the effectiveness and efficiency of plantation operations, as well as good management of all assets owned to achieve optimal plantation results. Effective and efficient planting encourages plants to produce optimal results needed to maintain and enhance their role.

In Indonesia, the role of internal audit plays an important role because internal audit can increase the effectiveness and efficiency of the company. Internal audit is an independent and objective activity that provides adequate assurance and advice to add value to an organization's operations. The internal audit function is expected to assist management in fulfilling its responsibilities by providing analysis, evaluation, suggestions and comments on the operations it audits.

Fraud is actually any unlawful act carried out by people from inside or outside the organization, with the intention of gaining personal or group benefit which directly harms other parties. In simpler language, fraud is intentional deception. Fraud can occur in large companies such as PT. Nusantara Plantation. Possible fraud includes management fraud and employee fraud. Management fraud is in the form of embezzlement of company assets, while employee fraud is in the form of falsifying information on cost usage. Fraud must be anticipated so as not to hinder the development of the company itself, by conducting an internal audit which acts as a monitoring tool on the use of immature plantation costs in 2022, from there we can see how the budget spent by PTPN is written in the RKAP and the realization issued in the garden whether there is misuse in using the budget or not. To check and detect the use of immature plantation costs, we can detect it through the application used by the company. Fraud can pose a serious threat to business growth. The cost usage data is as follows:

Uraian	periode I		periode II		periode III	
	Biaya	realisasi	Biaya	realisasi	Biaya	realisasi
Upah dan Gaji	814,193	-	811,322	-	255,851	12,239,112
Konsolidasi	144,399	165,664	98,084	9,964	-	-
Memupuk	2,124,447	1,637,897	1,480,632	2,267,952	426,736	528,801
Pasang titi panen	17,366	380,672	22,389	589,745	-	-
Bibit sisipan & Pengangkutan	32,144	-	11,330	-	17,755	30,902
Menyisip	17,040	-	6,474	4,647	5,000	23,476
Pemberantasan Hama	3,224,937	1,489,032	1,327,153	1,158,612	332,143	847,034
Pupuk & Pengangkutan	2,266,394	420,463	2,154,614	576,838	250,806	524,149

Researchers found that the costs that had been determined and the costs that were realized were very far apart in comparison. When using fees, there are fees that exceed the limit and even this figure is far from the fees that have been set. This illustrates that the use of costs for immature plants was detected as an indication of fraud because the costs used were far from the predetermined limits. Moreover, with this phenomenon, a person's tendency is to overestimate their ability to predict a situation when the outcome of the situation is already known (hindsight bias) which can be detrimental to the accounting profession or a company auditor.

The position of internal auditors in the organizational structure greatly influences their success in carrying out their duties, so that this position enables internal auditors to carry out their functions well and work flexibly in the sense of being independent and objective.

This is in line with research conducted by Sugiman (2016) which shows that the role of internal audit in preventing fraud is very influential, whereas research conducted by Hani Fitria Rahmani & Nenisa Rahayu (2022) states that internal audit control has no effect on preventing fraud.

## Literature Review

### Fraud

Fraud is a general term, and does not cover all kinds of methods that can be used with certain skills, chosen by an individual, to gain benefits from other parties by making false representations (Albrecht, 2017).

Zimbelman defines fraud as a general term, and does not cover all kinds of methods that can be used with certain skills, chosen by an individual, to gain benefits from other parties by making false representations. There are no standard and fixed rules that can be issued as a general proposition in defining fraud, including surprise, deception, or cunning and unnatural methods used to commit fraud. The only limitations in defining fraud are those that limit human dishonesty. (Zimbelman, 2014)

### Fraud Indicators

According to Willopo (2006) there are five indicators of accounting fraud tendencies, namely:

1. Tendency to manipulate, falsify or change accounting records or supporting documents.
2. The tendency to misrepresent or omit significant events, transactions or information from financial reports.
3. The tendency to intentionally misapply accounting principles.
4. The tendency to misrepresent financial statements due to theft (misuse/embezzlement) of assets that make the entity pay for goods/services that it does not receive, and

5. The tendency to misrepresent financial statements due to improper treatment of assets and accompanied by false notes or documents and can involve one or more individuals among management, employees or third parties.

## **Fraud Prevention and Detection**

### **Fraud Prevention**

Various conditions and methods for a person or group to commit fraud must be prevented so that it does not occur or at least can be reduced. Preventing fraud is all efforts to ward off potential perpetrators, narrow the space for movement, and identify activities that have a high risk of fraud.

According to Diaz (2013, p. 183) fraud prevention aims to:

- 1) Prevention: preventing fraud from occurring
- 2) Deterrence: deterring potential perpetrators
- 3) Destruction: makes it difficult for fraud perpetrators to move
- 4) Identification: identifying high-risk activities and internal control weaknesses.
- 5) Civil action prosecution: demands against the perpetrator

### **Fraud Detection**

Fraud detection is an action to find out that fraud has occurred, who is the perpetrator, who is the victim and what is the cause. The key to fraud detection is to be able to see errors. Fraud is essentially hidden and the perpetrators will generally hide their tracks (Karyono, 2013:91). Therefore, fraud detection cannot be done directly by looking at the traces it leaves behind.

Fraud detection is carried out by identifying signs or symptoms of its occurrence, then analyzing whether these signs can indicate initial identification of fraud. Even though there are signs or symptoms it is not certain that fraud has occurred, every time fraud occurs, it is always followed by signs or symptoms of fraud. Therefore, by recognizing symptoms you can recognize signals or recognize indications of fraud.

### **Internal Audit**

According to OJK Regulation no. 56 of 2015, internal audit is an independent and objective assurance and consulting activity, with the aim of increasing value and improving company operations, through a systematic approach, by evaluating and improving the effectiveness of risk management, controls and processes. corporate governance.

Internal audit is a systematic and objective assessment carried out by internal auditors of different operations and controls within an organization to determine whether (1) financial and operational information is accurate and reliable, (2) risks facing the company have been identified and minimized. , (3) external regulations and acceptable internal policies and procedures have been implemented well. (Sawyer' 2005:10)

Internal auditors according to Sukrisno Agoes (2004: 221) are: Internal audit (internal audit) is an examination carried out by the company's internal audit department, both on the company's financial reports and accounting records, as well as compliance with existing top management policies and compliance with regulations. government and applicable regulations. Government regulations, for example regulations in the fields of capital markets, environment, banking, industry, investment, etc.

Internal Audit Function and Internal Auditor's Position in the Organizational Structure  
The function of internal audit is to investigate and assess internal control and the efficiency of implementing the functions of various organizational units. Thus, the internal audit function is a form of control whose function is to measure and assess the effectiveness of other internal control elements. The internal audit function in detail shows that internal audit activities must be

applied comprehensively to all company activities, so that they are not only limited to auditing accounting records.

Internal Audit Indicators According to the Internal Audit Professional Standards (SPAI), there are nine indicators of internal auditor effectiveness, including:

1. The appropriateness and significance of the audit findings and recommendations. This indicator is used to see whether internal auditors can provide added value to management and whether they can be used by management as valuable information.
2. Response from the object being examined. Can these findings or recommendations be accepted and operationalized by the auditor?
3. Auditor professionalism. The criteria for the auditor himself are independence, integrity of all audit personnel, carefulness, thoroughness of the audit team's review, appearance of attitude.
4. Early warning. Auditors can provide early warning reports regarding weaknesses or problems in company operations as well as weaknesses in management control.
5. Cost savings for inspections. If the inspection carried out is able to minimize costs without reducing the added value produced, then the inspection is effective in terms of this indicator.
6. Personnel development. The lead auditor will use his time in coaching for the placement and development of his staff.
7. Feedback from other management. Feedback from other management is subjective and is greatly influenced by the auditor's profession itself.
8. Increase in the number of inspections. The number of inspections will continue to increase along with developments.
9. Achievement of the inspection program. Includes evaluation of the risks of the object being inspected as well as ensuring that high risk areas have been placed as a top priority in inspection planning

### **The Role of Internal Auditors in Preventing and Detecting Fraud**

The role of an internal auditor is to ascertain whether something actually exists or not, assess or evaluate an activity based on appropriate criteria and recommend a series of actions to management. The role of internal audit must be carried out from an independent position within the organization.

The role of internal audit is a profession that has a certain role that upholds high standards of work quality and adheres to a code of ethics. To become a professional internal auditor, a person must understand the generally accepted body of knowledge in the field of internal control which is considered important so that the internal auditor can carry out activities in a fairly wide area with satisfactory work results.

The role of internal audit is to assist the company in performing in the interests of management, solving several obstacles within an organization and supporting management efforts to build a culture that includes ethics, honesty and integrity. (Ety & Istiyawati 2015, p. 81.)

### **Method**

This type of research is descriptive qualitative research. Where descriptive research is aimed at analyzing, describing and understanding the data that has been collected and then after reviewing it, conclusions can be drawn from the research.

Descriptive research according to (Dahrani and Fauziah 2021) is a technique of collecting, classifying, analyzing and interpreting data related to the problem being faced and comparing technical knowledge (primary data) with the actual situation.

**Population and Sample**

Population is a generalized area consisting of objects or subjects that have certain qualities and characteristics determined by the researcher to be studied and then drawn conclusions (Sugiyono, 2012, p. 115). Based on this, the number of samples in this study was 5 respondents, including sub-division heads, plantation managers and staff.

**Data collection technique**

In this research, the data sources used are primary and secondary data. Primary data collected or directly related to research such as documents recorded directly from the source. Meanwhile, secondary data is supporting data for primary data obtained through library studies and reviewing books or references related to the research title.

This research carried out data collection using interviews and documentation. Interviews are a way to find facts by remembering and reconstructing an event, citing the opinions and opinions of sources. Documentation is a method of collecting secondary data as supporting data for primary data. Data in the form of documents can be used to dig up information in the past.

The data analysis technique in this research uses the NVIVO application which is very relevant to the type of research in the researcher's title. NVIVO has every step in the process carried out to obtain the validity of the data by reviewing all existing data from various sources that have been obtained from the field and personal documents, official documents, images, photos and so on through interview methods supported by documentation studies.

**Result and Discussion**

Based on the analysis carried out by the author at PT. Perkebunan Nusantara IV Researchers analyzed several aspects in calculating the M-Score, looking at the problems in the report on the use of immature plant costs in the plantation unit. There are several costs used in 2022 that exceed the predetermined costs, which will be presented in the following table:

No.	URAIAN	Biaya periode	Terealisasi	Presentase
1	Upah dan Gaji	1,881,366	12,239,112	650.54
2	Memupuk	4,031,815	4,434,650	109.99
3	Pasang titi panen	39,755	970,417	2,440.99
4	Konsolidasi	242,481	175,628	(72.43)
5	Bibit sisipan & Pengangkutan	61,229	30,902	(50.47)
6	Menyisip	28,514	28,123	(98.63)
7	Pemberantasan Hama	4,884,233	3,494,678	(71.55)
8	Pupuk & Pengangkutan	4,671,814	1,521,450	(32.57)

Based on the results of the data above, if you look at the M-Score value of a cost that is greater than -2.22, this means that the cost is indicated to be fraudulent or fraudulent. Meanwhile, costs that have an M-Score value of less than -2.22 mean that the costs are not indicated to be fraudulent or non-fraudulent.

The results of this research show that there are no costs that indicate fraud in the use of costs in consolidation -72.43, seed inserts -50.47, inserts -98.63, pest eradication -71.55 and fertilizer & transportation -32.57 because the ratio is less than -2.22. In the description of salaries

& wages at 650.54, cultivating 109.99 and installing harvest points 2,440.99 from the calculated figures, these costs are indicated as fraud because they exceed the M-Score calculation value by more than -2.22.

It can be seen from the results above when using the M-Score method that there are still indications of fraud. We can check the numbers that indicate fraud through procedures carried out by PTPN auditors. The procedure for carrying out audits at PT Perkebunan Nusantara IV is that Internal Audit in carrying out its functions refers to audit guidelines which include procedures for carrying out Internal audit tasks, namely:

1. Identifying information
2. Analysis and Evaluation
3. Information documentation
4. Supervise assignments
5. Report on assignment results

### Conclusion

1. The role of internal auditors in preventing PT fraud. Perkebunan Nusantara IV is seen from planning, programs and audit procedures, because by compiling these three things it will be easier for auditors to evaluate and analyze audit results. One way is if the company can implement good internal controls.
2. The role of internal audit in detecting PT fraud. Perkebunan Nusantara IV has been running well and effectively according to its good position in the recording process. Fraud that may occur in company activities can be detected, with internal audit, it can function effectively and adequately by carrying out inspections of all divisions both periodically and suddenly.

### Suggestion

1. It is best for the auditor team to be able to develop a good and detailed recording program so that it can improve the quality of auditors in the company.
2. Internal audit must continue to increase knowledge and gain additional expertise through training or continuing education, be sensitive and observant in recognizing signs of fraud and be able to formulate appropriate plans, policies and decisions to prevent and detect fraud correctly.

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