**THE INLFUENCE OF INTERNAL AUDIT ON FRAUD PREVENTION AT PERUM BULOG (COMPANY LOGISTIC BUSINESS AGENCY) BANDUNG CITY**

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**Abstract :** This study aims to determine the effect of internal audit on fraud prevention at Perum Bulog Bandung. The factors tested in this study are the independent variable is internal audit, while the dependent variable is fraud prevention. The research method used is the verification method. The population in this study were employees of the Internal Supervisory Unit (SPI). The sampling technique used is a non-probability sampling technique with a total sampling technique so that the number of samples is 34 employees. The analytical method used is simple linear regression analysis using the SPSS Version 25.00 program. The results of the study indicate that internal audit and fraud prevention are included in the fairly good category. In addition, the results of hypothesis testing show that internal audit has an effect on preventing fraud at Perum Bulog, Bandung City. The magnitude of the influence of internal audit in contributing to fraud prevention is 31.5%.

**Keywords:** Internal Audit, Fraud Prevention.

**INTRODUCTION**

Basically every company aims to make a profit (profit oriented). However, the company in carrying out its activities will not be separated from the risk. Every organizational activity there must be uncertainty that is identical to risk, including the risk of fraud (Karyono, 2014:1). Fraud is defined as a deviation or unlawful act committed intentionally for a specific purpose. Cheating or giving the wrong thing for personal or group gain unfairly, either directly or indirectly harming other parties (Tugiman, 2014:3). Three factors for someone to commit fraud, known as the fraud triangle, include pressure, opportunity, and rationalization (Arens et al., 2014:340). In Indonesia, cases of fraud still often occur in various companies, both private companies and state/regional-owned companies. Research results from the Association of Certified Fraud Examiners (ACFE) Global show that every year an average of 5% of the income of organizations in Indonesia become victims of fraud (ACFE, 2017). Below will be presented the results of the last Indonesia Fraud Survey (SFI) in 2017 conducted by the ACFE Indonesian Chapter based on the following categories:

**Figure 1. Organizations/Institutions That Are Lost Due to Fraud in Indonesia**

Source: ACFE Indonesia Chapter (2017)

Based on Figure 1. above, the results of a survey conducted by the ACFE Indonesia Chapter show that the organizations/institutions that suffer the most losses in this study are the government at 81.2%, state-owned companies/BUMN at 8.1%, private companies at 7.2 %, others 2.2%, and non-profit organizations/institutions 1.3%. The results of a survey conducted by the ACFE Indonesia Chapter show that the parties most disadvantaged by corruption are the government and state-owned companies.

One of the state-owned companies that has been proven to have committed fraud is Perum Bulog. Bulog is a state-owned public company engaged in food logistics. The company's business scope includes logistics/warehousing, surveys and pest control, supply of plastic bags, transportation business, food commodity trading and retail business. As a company that continues to carry out public duties from the government, Bulog continues to carry out activities to maintain the basic purchase price for grain, stabilize prices, especially basic prices, distribute rice for the poor (Raskin) and manage food stocks. Perum Bulog carries out business activities with several activities, including managing rice, sugar, soybeans, meat, fish and other commodities.

Information quoted from the 2016 www.liputan6.com article stated that the member of Commission VI DPR RI, Endang Srikarti Handayani, urged the Public Company Logistics Affairs Agency (Perum Bulog) to evaluate the distribution of Raskin or Rastra. The reason is that after the recess, Endang received complaints from the community, that the Raskin distributed was of poor quality. Even Raskin recipients are reluctant to consume Raskin from Bulog. Endang Srikarti Handayani asked Bulog management to be evaluated. This is because Bulog-Bulog in the regions whose performance is less reliable. It can be seen from the quality of the rice is not good, the quality is decreasing. Endang Srikarti Handayani asked the President Director of Bulog and his staff to conduct an internal evaluation. The source of the problem in distributing poor quality rice lies within Bulog, not rice production by farmers. According to Endang's inspection results, the rice was damaged due to poor storage. In addition, according to Endang, there are fraudulent practices between Bulog and rice middlemen, these two parties are considered to mix good rice with bad rice (Ayuningtyas, 2016).

In addition, in 2019, there were still cases of fraud at Perum Bulog. Information quoted from the article www.inews.id stated that Perum Bulog had detected fraud in the distribution of non-cash food assistance (BPNT). One of the fraudulent modes carried out is to sell Bulog rice of medium quality, but it is faked into premium quality rice. Bulog's Managing Director, Budi Waseso, said that almost all poor people who are included in the Beneficiary Family (KPM) program have never received premium quality rice. In fact, they pay premium quality rice, but the rice they get is of medium quality. Budi Waseso explained that with the cheating mode, KPM gets rice with less volume while the price paid by KPM for medium rice is the same as premium rice. The fraud mode causes losses to the state of up to IDR 5 trillion per year, or the equivalent of 25 percent of the government's food aid budget this year, which is IDR 20.1 trillion. In addition to rice, Bulog also found fraud in the distribution of food aid packages. Buwas mentioned that many individuals had reduced the contents of the food aid package. Package costs IDR 110,000. In fact, the price that is sold is only IDR 70,000-76,000 per package (Ramli, 2019).

Based on some of the descriptions of the cases above, an activity is needed to prevent fraud. Fraud prevention is the most effective fraud fighting activity at a low cost, so it must be supported by all organizational actors (Karyono, 2014:87). Below are the results of the last 2017 Indonesian Fraud Survey (SFI) conducted by the ACFE Indonesian Chapter based on the following categories:

**Figure 2. Fraud Discovery Media**

Source: ACFE Indonesian Chapter (2017)

Based on Figure 2. above, the results of a survey conducted by the ACFE Indonesia Chapter show that internal audit is one of the most important media that companies can use to find fraudulent practices in the company. Therefore, to minimize the occurrence of fraud in the company, it is important for companies to increase the effectiveness of the implementation of internal audits. Basically internal audit is an independent, objective assurance, and consulting activity designed to add value and improve an organization's operations. This 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. Internal audit helps organizations achieve their goals by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Reding et al., 2013:2). The purpose of conducting an internal audit is to assist members of the organization so that they can carry out their responsibilities effectively. The objectives of internal auditing also include developing effective controls at a reasonable cost. The internal audit function is an independent assessment function within an organization to examine or study and assess company activities to provide suggestions to management so that their responsibilities can be carried out effectively (Tugiman, 2014:11).

Internal audit is an independent assessment function established within an organization to examine and evaluate as a service to the organization (IIA, 2017:2). Internal audit has a standard called the International Standards for the Professional Practice of Internal Auditing. International Standards for the Professional Practice of Internal Auditing consist of attribute standards, performance standards, and implementation standards. In this study, performance standards are used as a measurement of the extent to which internal auditing is carried out (IIA, 2017:5). According to The Institute of Internal Auditors (IIA) (2017:19) it states that internal audit indicators are based on performance standards, namely as follows:

1. Manage Internal Audit Activities
2. Nature of Work
3. Assignment Planning
4. Implementation of Assignments
5. Communication of Assignment Results
6. Progress Monitoring
7. Risk Acceptance Communication

Fraud prevention is eliminating opportunities or opportunities to commit fraud by building and implementing risk management (especially fraud risk management), internal control and honest corporate governance (Priantara, 2014:184). According to Priantara (2014:196) states that the indicators of fraud prevention are as follows:

1. Build a good internal control structure
2. Streamline control activities
3. Improve organizational culture
4. Streamline the internal audit function

One way to prevent and minimize fraud is to improve the implementation of internal audits. Internal audit aims to help organizations implement effective controls by evaluating effectiveness and efficiency and encouraging continuous improvement (Sawyer et al., 2012:55). Internal audit helps organizations achieve their goals by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal audit helps organizations achieve their goals by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Reding et al., 2013:2). The risks faced by the company include integrity risk, namely the risk of fraud by management or company employees, illegal actions, or other irregularities that can reduce the company's good name/reputation in the business world, or can reduce the company's ability to maintain internal audit is an independent activity. , objective assurance, and consulting designed to add value and improve the organization's operations. This internal audit helps organizations achieve their goals by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Reding et al., 2013:2).

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Ho: Internal audit has no effect on fraud prevention.

Ha: Internal audit has an effect on fraud prevention.

**METHODS**

The research methodology used in this research is verification. The population in this study were employees of the Internal Control Unit (SPI) at Perum Bulog, Bandung City. The sampling technique used is a non-probability sampling technique with a total sampling technique so that the number of samples is 34 employees. The types and sources of data used were primary data, while the data collection technique used a questionnaire. The independent variable is internal audit, while the dependent variable is fraud prevention. Analysis of the data used is simple linear regression analysis using SPSS Version 25.00 program.

**RESULTS AND DISCUSSION**

**Table 1. Recapitulation of Respondents' Responses Regarding Internal Audit Variables**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Number** | **Indicator** | **Actual Score** | **Ideal Score** | **%** | **Mean Score** | **Category** |
| 1 | Managing Internal Audit Activities | 815 | 1190 | 68,49 | 3,42 | Good |
| 2 | Nature of Work | 287 | 510 | 56,27 | 2,81 | Fairly Good |
| 3 | Assignment Planning | 477 | 680 | 70,15 | 3,51 | Baik |
| 4 | Assignment Execution | 394 | 680 | 57,94 | 2,89 | Fairly Good |
| 5 | Assignment Result Communication | 580 | 850 | 68,24 | 3,41 | Good |
| 6 | Progress Monitoring | 191 | 340 | 56,18 | 2,81 | Fairly Good |
| 7 | Risk Acceptance Communication | 252 | 342 | 74,12 | 3,71 | Good |
| **Total** | **2.996** | **4.590** | **65,27** | **3,26** | **Fairly Good** |

Source: Data processed

Based on table 1. above, the internal audit variable shows that the actual total score is 2.996, the ideal score is 4.590, the percentage value is 65,27%, and the mean score of 3.26 is included in the pretty good category. This shows that the implementation of the internal audit indicated by the Bandung City Logistics Agency (Bulog) is included in the fairly good category.

**Table 2. Recapitulation of Respondents' Responses Regarding Fraud Prevention Variables**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Number** | **Indicator** | **Actual Score** | **Ideal Score** | **%** | **Mean Score** | **Category** |
| 1 | Building a Good Internal Control Structure | 537 | 850 | 63,18 | 3,16 | Fairly Good |
| 2 | Streamlining Control Activities | 493 | 680 | 72,50 | 3,63 | Good |
| 3 | Improving Organizational Culture | 601 | 850 | 70,71 | 3,54 | Good |
| 4 | Streamlining the Internal Audit Function | 281 | 510 | 55,10 | 2,75 | Fairly Good |
| **Total** | **1.912** | **2.890** | **66,16** | **3,31** | **Fairly Good** |

Source: Data processed

Based on table 2. above, the fraud prevention variable shows that the actual total score is 1.912, the ideal score is 2.890, the percentage value is 66,16%, and the mean score of 3.31 is included in the pretty good category. This shows that the fraud prevention shown by the Bandung City Logistics Agency is included in the fairly good category.

**Table 3. Simple Linear Regression Analysis**

|  |  |
| --- | --- |
| **Variabel** | **Koefesien** |
| C | 1,017 |
| Internal Audit | 0,533 |

Source: SPSS Output Results

Based on table 3. above shows that the regression equation model formed is:

**Y = 1,017 + 0,533 X**

 Based on the regression equation above, it shows that the internal audit variable has a positive influence on the fraud prevention variable.

**Table 4. Hypothesis Testing**

| **Variable** | **t-Value** | **P-Value** | **Results** |
| --- | --- | --- | --- |
| Internal Audit | 3,839>2,037 | 0,001<0,05 | Ha Accepted |

Source: SPSS Output Results

 Based on table 4. above, it shows that the internal audit variable has an effect on the fraud prevention variable.

**Table 5. Testing the Coefficient of Determination**

|  |  |  |
| --- | --- | --- |
| **Description** | **Value** | **Percentage** |
| R-squared | 0,315 | 31,5% |

Source: SPSS Output Results

 Based on table 5. above, it shows that the magnitude of the influence of the internal audit variable on the fraud prevention variable is 31.5%.

**The Influence of Internal Audit on Fraud Prevention**

The results show that internal audit has an effect on fraud prevention. Internal audit is an independent assessment function established within an organization to examine and evaluate as a service to the organization (IIA, 2017:2). One way to prevent and minimize fraud is to improve the implementation of internal audits. Internal audit aims to help organizations implement effective controls by evaluating effectiveness and efficiency and encouraging continuous improvement (Sawyer et al., 2012:55). Internal audit helps organizations achieve their goals by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal audit helps organizations achieve their goals by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Reding et al., 2013:2).

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Internal auditors are the most appropriate agents to realize internal control, risk management and good corporate governance which will certainly add value to resources and the company (Kumaat, 2014:35). Internal auditors are responsible for helping prevent and minimizing fraud by testing the adequacy and effectiveness of the internal control system, by evaluating the extent to which potential risks are identified. The existence of these risks requires internal auditors to develop preventive actions that can minimize the occurrence of fraud (Amrizal, 2014:11). The results of this study are supported by research conducted by Festi et al., (2014), Maliawan et al., (2017) , Suginam (2017), Srimulyani & Ismatullah (2017), Marsandy & Rahmaita (2018). The results show that internal audit has an effect on fraud prevention.

**CONCLUSIONS**

 Based on the results of the study, it can be concluded that the implementation of internal audit and fraud prevention at Perum Bulog Bandung City has been running quite well. In addition, the results of the study show that internal audit has an effect on fraud prevention.

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