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The Role of Risk Based Internal Audit and Risk Management in the Prevention and Detection of Fraud in Auction Companies (Study Case at PT JBA Indonesia)

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Abstract

The benchmarking report on Anti-Fraud Technology published by ACFE (2024) revealed that companies in the field of transportation are at significant risk of fraud, especially with the emergence of more sophisticated technology used by fraud perpetrators. Therefore, it can be determined that the purpose of this study is to determine and understand the role of risk-based audit internal and risk management in Detection and prevention of fraud in auction companies specifically at PT JBA Indonesia which is the subject of this study. This research was conducted using a qualitative method, with primary data collected in the form of interviews and secondary data collected in the form of journals, books that are relevant to the research topic, and previous research. The results of this study are that audit internal contributes through evaluating and strengthening internal controls, the adoption of a risk-based approach, increasing Anti-Fraud awareness, and utilizing technology such as WBS to receive reports of indications of fraud. On the other hand, risk management focuses on preparing and updating risk registers, collaborating with the Anti-Fraud team to develop recommendations and mitigation, collaborating with the audit internal team for preventive measures, and conducting in-depth analysis of fraud incidents to identify root causes. Based on the research that has been conducted, there are recommendations for future research such as expand the research subject, combine research methods into a mix method, develop a new fraud analysis theory, which is 5W + 5H, and use additional tools such as NVIVO, MAXQDA, SPSS, and others.

Introduction

Auction companies are entities in the auction service sector, where the company acts as a facilitator between sellers and buyers, ensuring that the sale and purchase transactions of auction results are fair, transparent, and in line with applicable regulations. According to Ashenafi, L.D. in the journal "Auction Mechanism and Their Applications" (2017), auction companies have an important role in organizing, managing, and running the auction process, including offers made to customers, setting auction terms and conditions, and ensuring compliance with regulations (Ashenafi, 2017).

Because auction companies have unique business operations, namely transactions involving assets that have high selling value, the transaction process must be transparent, making auction companies vulnerable to fraud risks from both internal and external sides. The

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Association of Certified Fraud Examiners (AFCE) (2020), an international organization that is an association of forensic accountants in the United States, defines fraud as the abuse of power for personal gain through deliberate misuse of company assets or wealth. Fraud in this case is different from error; what distinguishes it is the element of intent in fraud.

Based on the survey results published by ACFE in 2019, the most common type of fraud in Indonesia is corruption. PT JBA Indonesia is one of the auction companies in Indonesia that is faced with this fraud risk due to the significant and ever-growing problem of fraud in auction companies due to their unique characteristics and risks. Based on the investigative audit report of PT JBA Indonesia in 2022, there was a corruption fraud case that began with an internal company that offered 4 units of vehicles with complete documents for 200 million rupiah. The perpetrator convinces the victim that the vehicle registration certificate and the vehicle have been prepared; also, the money will be returned within 14 working days if the purchase does not occur. Then, the victim made a purchase transaction with the perpetrator, but after 14 working days, the car promised by the perpetrator did not exist.

Based on the decision of the Supreme Court (MA) number 477/Pid.B/2024/PN Pbr, the perpetrator violated Article 378 of the Criminal Code regarding fraud and was sentenced to imprisonment for 2 years. In addition, the perpetrator also violated Company Regulation Article 26 Paragraph 3 number 18, which reads, “seeking benefits for himself or others by using his position, so that the company is directly or indirectly harmed.”. This caused the perpetrator to suffer a loss to the company because he was required to return 200 million rupiah to the victim.

Regardless of the category and background of the occurrence, fraud has caused adverse effects and caused losses to the company. Reported based on the results of a survey conducted by ACFE in 2019 (SURVEY-FRAUD-INDONESIA-2019.pdf), it shows that the availability of internal audit and risk management in the company becomes an alternative for revealing indications of fraud. Internal audit and risk management have been effective evidence to prevent and detect fraud over the past few years with a contribution of 22.4%. The urgency of fraud disclosure media is becoming crucial in Indonesia due to the increase in fraud cases. It is in line with the theory that prevention is better than cure. The costs incurred by the company will be less if fraud has been prevented before it occurs by the assistance of internal audit and risk management. If prevention is not prepared by the company as early as possible, the costs incurred by the company during fraud are much higher, as the company has to suffer losses and costs for investigating fraud cases, which are certainly not small amounts.

In this case, fraud prevention can be assisted by the existence of internal audit because it fulfills a preventive role to prevent and detect fraud through an audit program that is conducted to identify fraud risks, evaluate compliance with rules and internal controls, and provide recommendations for improvement to prevent fraud in the future. By monitoring and assessing the effectiveness of internal controls, internal audit has attempted to prevent potential fraud before it occurs.

In addition, risk management makes an important contribution in the context of preventing and detecting fraud in the company through preventive, corrective, and corrective actions. Risk management is responsible for the process of identifying potential fraud in various lines of the company. After the risk is identified, an assessment will be made to determine the impact and probability of fraud. Based on this, risk management designs and implements internal controls to prevent fraud. If fraud is detected, risk management plays an active role in determining the root cause of the problem and taking corrective action to deal with the impact of fraud. After the corrective action is taken, risk management conducts a review to ensure that the processes detected as having weaknesses or potential red flags have been mitigated and there is no possibility of similar occurrences in the future.

Based on the description above, the purpose of this study is to determine the role of risk-based internal audit and risk management in detecting and preventing fraud in auction companies, specifically at PT JBA Indonesia. This is very important considering that auction

companies have unique risk characteristics that become the target of irresponsible people to commit fraud. This is in line with the benchmarking Anti-Fraud Technology report published by ACFE (2024), which reveals that companies engaged in transportation face significant fraud risks, especially with the emergence of more sophisticated technology used by fraud perpetrators. These findings indicate that fraud in the transportation sector is indeed high and continues to grow so that integrated and risk-based disclosure media are needed to prevent and detect fraud.

This research was conducted because there were cases of fraud that occurred at PT JBA Indonesia due to fraud and cases of fraud that were difficult to detect. Research that discusses the role of internal audit and risk management in disclosing fraud cases in various sectors is common. However, the researcher makes a difference, which is an added value to this research, namely that the researcher will examine more specifically and discuss the role of risk-based internal audit and risk management in companies engaged in transportation, especially auction companies. In addition, there are three additional theories that are more relevant to the research field such as the theory of Risk Based Internal Audit (RBIA), investigative audit, and forensic accounting and expand the problem formulation horizon which in previous studies there was only one problem formulation but in this study there are three problem formulations, generally the problem formulation to be studied has not been answered in previous studies and will be answered in this study. This reason is the basis for researchers to carry out research on the role of risk-based internal audit and risk management in preventing and detecting fraud in auction companies because of the knowledge gap in research that must be resolved.

The reason researchers chose the real case that occurred at PT JBA Indonesia as the object of research is that companies in the transportation sector, especially auctions, have a unique level of risk diversity in line with the complexity of business operations at auction companies. This research tries to analyze the role of risk-based internal audit and risk management in preventing and detecting fraud in auction companies, especially at PT JBA Indonesia.

This research is a qualitative type that aims to explain social phenomena by exploring and describing in detail the phenomena that occur. With qualitative study methods, researchers can face directly with data sources to understand the actual situation. Thus, the object under study can interpret the application of risk-based internal audit and risk management in fraud detection and prevention at PT JBA Indonesia. Sugiyono (2013) states that qualitative study techniques are based on the philosophy of postpositivism and are used to examine the state of natural objects. Qualitative studies intend to explain the phenomenon further by collecting as much data as possible.

Until currently, fraud continues to occur in line with the development of pre-existing theories. Such as the development of the fraud triangle continues to be carried out by various studies so as to produce a new theory, namely fraud hexagon theory, the development of the role and function of internal audit from being a watch dog to being a catalyst and provider of added value to organizational performance through the recommendations provided, and the development of audit methods from traditional to risk-based audits. This reason is the motivation for this research, by asking research questions about how the steps, roles, and contributions and how risk-based internal audit and risk management prevent and detect fraud at PT JBA Indonesia. With risk-based internal audit and risk management, it is expected to increase transparency in the company, improve company performance, and protect stakeholders from fraud that can cause losses. If the monitoring carried out by internal audit and risk management in the company runs effectively, it is expected to reduce the probability of fraud, and the company can provide good service to customers.

Based on the background above, the researcher combines knowledge gaps with theories relevant to the research to analyze the role of risk-based internal audit and risk management in preventing and detecting fraud in auction companies into a study with the title “The Role of

Risk-Based Internal Audit and Risk Management in Preventing and Detecting Fraud at Auction Companies (Case Study at PT JBA Indonesia)."

The research aims to know and understand the systematic steps taken by risk-based internal audit and risk management in responding to fraud at PT JBA Indonesia, analyze the role and contribution of the two functions in preventing and detecting potential fraud, and examine how risk-based internal audit and risk management ensure that the probability and impact caused by fraud can be minimized so that similar events do not recur in the future.

Literature Review

Fraud has become a widely talked about issue in Indonesia and around the world. Based on AFCE (2020) defines fraud as the abuse of power to obtain personal benefit through deliberate misuse of company assets. The Institute of Internal Auditors standard defines fraud as the abuse of position for personal gain by misusing resources. ACFE, an international organization that is an association of forensic accountants in the United States, describes fraud in the form of a fraud tree which projects branches of fraud on work relationships. As well as branches and twigs (Tuanakotta, 2012).

The fraud tree revealed by the ACFE is divided into three major types of groups, including: Corruption: corruption can be divided into several forms, including abuse of authority or conflict of interest, bribery, illegal gratuities, and economic extortion. Fraudulent Financial Statement: fraudulent financial statement is a form of fraud carried out by the management or manager of an institution or agency.

This occurs when the financial statements are prepared not in accordance with the facts. Some fraudulent acts in financial statement fraud include: a) Manipulation, falsification, and embezzlement of accounting data as well as supporting documents used as a source of information for the preparation of financial statements. b) Misrepresentation or omission of events, transactions, or important information. c) Intentional errors in the use of accounting principles, including the amount, classification, method of presentation, or disclosure, and the last type of fraud is asset misappropriation: Asset misappropriation is the use of assets belonging to the organization for personal gain without organizational permission. This form of fraud can be categorized into two, namely cash (cash) and non-cash. Cash misappropriation is the misuse of assets in the form of cash, for example: cash misappropriation, misappropriation of customer checks and late payments by other parties. Non-cash misappropriation is the misappropriation of non-cash assets, for example: the use of company/institution facilities for personal interests.

Forensic Accounting

Forensic accounting appears as a response to the need to prevent and reveal various scandals in the business world. In a business context, forensic accounting becomes a tool for early detection of various indications of fraud originating from internal and external companies. According to D. Larry Crumbley (editor-in-chief of the Journal of Forensic Accounting), forensic accounting is accounting that is accurate for legal purposes. In other words, this accounting can survive the dispute period throughout the court process or judicial or administrative review. Meanwhile, according to Theodorus Tuanakotta in his book entitled "Forensic Accounting and Investigative Auditing (2016)" forensic accounting is the implementation of accounting disciplines in a broad sense, including auditing, in legal issues for legal or out-of-court settlements, in the public or private sector."

Based on this understanding, it can be concluded that the science of forensic accounting does not just focus on the fields of accounting and auditing, but includes other sciences outside of this such as law, investigation, and ability in financial interpretation. So that later a forensic accountant not only provides testimony in court (litigation), but also contributes to the legal field outside the court (non-litigation).

Investigative Audit

According to G. Jack Bologna and Robert J. Lindquist, an investigative audit involves reviewing financial documentation for specific purposes related to litigation, insurance claims, and criminal matters. Methodologically, an investigative audit is an examination to find irregularities that indicate criminal behavior. In an investigative audit, there are 3 axioms of fraud. Axioms in this case are basic propositions that are considered valid without the requirement of evidence because they are considered to be sufficiently clear and logical. There are three axioms of fraud. First is fraud is hidden, In essence, fraud is hidden/undisclosed, so accountants or auditors must be able to reveal it. Because fraud is hidden by various modes, it requires unconventional examination techniques in line with the authority such as forensic computer, forensic intelligence, big data analysis, asset tracing, etc. Second, reverse proof means a forensic accountant or auditor must carry out two-sided evidence to prove that fraud has occurred and prove that fraud has not occurred. Forensic accountants must obtain information/data both incriminating and mitigating the perpetrators of fraud. This can be useful to anticipate if the perpetrators of fraud make various disclaimers during the audit process. Third is litigation process, the auditor's responsibility is to disclose the facts and the process of the event. Auditors are not allowed to express opinions regarding the wrongness or innocence of individuals or certain parties because the determination of whether or not a crime is committed is the absolute authority of the court.

Internal Audit

The Institute of Internal Auditors (1990) states that “Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes “. This definition explains that internal auditors carry out an independent activity that provides assurance and consultation to evaluate and recommend organizational operations in order to achieve organizational goals. Internal auditors have a major role in carrying out their duties to the organization as stated by The IIA (2017), including (1) internal auditors assist in identifying various risks that can prevent the organization from achieving its goals; (2) internal auditors proactively provide recommendations for improvements that can help minimize risks; (3) as a provider of insurance and perspectives related to the company's business practices, which is expected to increase the company's value; and (4) to provide suggestions and recommendations for improvements related to governance, risk management, and control processes in the organization.

Risk Management

Based on ISO 31000: 2018, risk is uncertainty which will affect the achievement of an organization's goals. According to ISO 31000:2018, the role of risk management in the company is to create value and protect the company from any uncertainties in achieving its objectives. ISO 31000:2018 includes three basic elements, namely: Principle: Describes the foundation of the implementation of risk management which is divided into eight principles including integrated, organized and comprehensive, adaptable, inclusive, dynamic, the best information provided, human and cultural factors, and continuous improvement. Framework: The framework is an element that contains a systematic and organized arrangement regarding the risk management practices of an organization/company. The framework includes planning, implementation, assessment, repair, and continuous improvement. Process: Refers to the actual activities in the risk management business. Starting from identification, implementation, to testing and assessment.

With the implementation of these pillars in the company, it aims to achieve established business objectives, ensure risk-aware goal setting and strategic planning, improve organizational culture, increase stakeholder trust, prepare and protect the organization, prevent,

detect, and mitigate adversity, motivate and inspire desired behavior, improve responsiveness and efficiency, and optimize economic returns and value.

Hypothesys Development

This study aims to understand and explore more deeply the role of risk-based internal audit and risk management in preventing and detecting fraud in auction companies, especially at PT JBA Indonesia. Based on the theoretical review and literature review, risk-based internal audit and risk management are expected not only to act as a control tool, but also as an integral part of the decision-making process related to fraud prevention and detection.

In the context of auction companies such as PT JBA Indonesia, an effective monitoring system is needed to identify gaps that allow fraud to occur, both internal and external. Risk-based internal audit plays a role in mapping areas with high risk levels and directing attention to fraud-prone business processes, while risk management is tasked with designing mitigation strategies to minimize the possibility of fraud and the impact of losses incurred. Based on this understanding, this study develops the following initial conjecture or hypothesis:

H1 : Risk-based internal audit has an important role in designing systematic steps that companies can implement to respond to fraud cases that occur.

H2: Risk-based internal audit and risk management actively contribute to identifying, preventing, and detecting potential fraud in auction companies.

H3: Collaboration between risk-based internal audit and risk management can reduce the probability and impact of fraud, and strengthen the internal control system to prevent similar events from recurring in the future.

This proposition will be tested through in-depth qualitative data collection, so as to obtain a comprehensive understanding of the effectiveness of the role of risk-based internal audit and risk management in preventing and detecting fraud at PT JBA Indonesia.

Conceptual Framework

The conceptual framework for this study can be illustrated as follows:

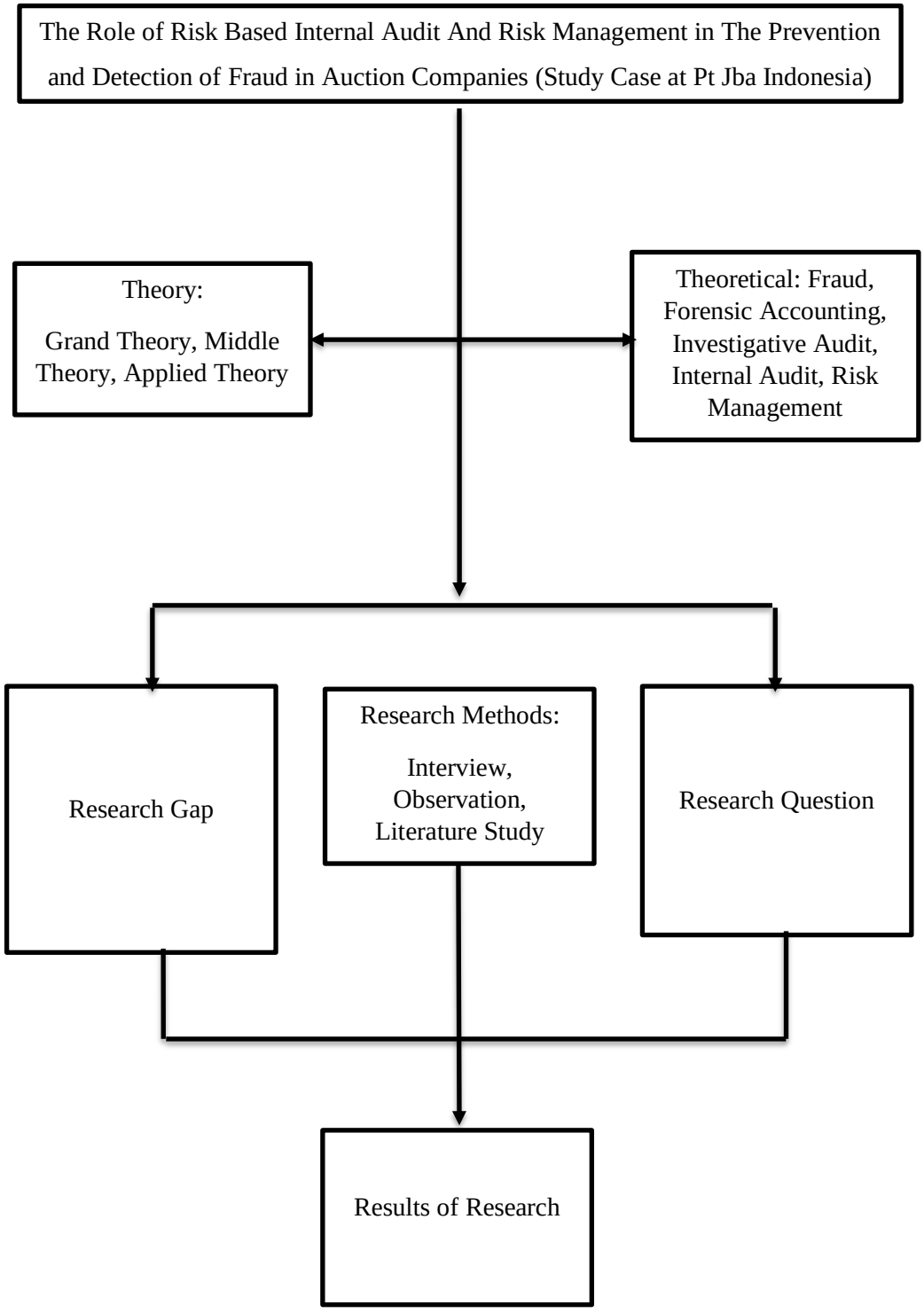

Figure 1: Research Model

Methodology

In this study, researchers applied qualitative study techniques in investigating problems and carrying out testing of data collected from natural environments in accordance with the problems studied. Sugiyono (2013) points out that qualitative study techniques are based on the philosophy of postpositivism and are used to examine the state of natural objects. Qualitative studies intend to explain the phenomenon further by collecting as much data as possible". This study falls into the type of qualitative descriptive study. The data collected is in the form of written information, observations of objects, behavior, actions, and activities of people in the study environment through interviews. This allows an accurate picture of the actual situation in the field. With qualitative study methods, researchers can be faced directly with data sources to understand the actual situation. Thus, employees can interpret the application of risk-based internal audit and risk management in fraud detection and prevention at PT JBA Indonesia.

This study applies a case study to examine the role of risk-based internal audit and risk management in detecting and preventing fraud at PT JBA Indonesia. The case study approach is used because it allows researchers to study further and thoroughly the existing violation disclosure system at PT JBA Indonesia. This case study is said to be relevant because fraud is a serious problem which can reduce the level of stakeholder trust in the company. It is hoped that the existence of risk-based internal audit and risk management can be a solution to prevent fraud.

This research focuses on PT JBA Indonesia as one of the industries operating in the transportation sector which turns out to face significant fraud risks, especially with the large number of vehicle units from sellers that will be included in the auction process as a result of the risk of the vehicle units being misused for personal gain. This finding shows that fraud in the transportation industry is high and continuously growing so it requires integrated and risk-based disclosure media to prevent and detect fraud.

Results and Discussion

a. Based on the results of interviews with informants related to indicators of fraud, it stated that there was a match between the fraud hexagon theory and its implementation in the field. In the fraud hexagon theory, the indicators of someone committing fraud include pressure, capability, opportunity due to lack of internal control (opportunity), rationalization, arrogance, and collusion. Based on this theory, the implementation at PT JBA Indonesia, which has the highest frequency, is the existence of pressure, especially in terms of the perpetrator's economy. The real implementation is in the fraud case that researchers raised as a problem in this study, it is stated that there is economic pressure experienced by the perpetrator when committing fraud. These economic actions such as urgent needs or a luxurious lifestyle that exceeds the financial capabilities of the perpetrator. This can be observed by changes in employee lifestyles becoming more consumptive. Apart from pressure, the indicators of fraud hexagon theory with the highest frequency are opportunity and rationalization. Opportunity has become the second indicator that has the highest frequency due to gaps in internal controls such as company SOPs that have not been updated and weak monitoring, so that this becomes an opportunity for perpetrators to commit fraud. In addition, the mistake of superiors who have excessive trust in their subordinates or employees resulting in reduced supervision is also an indicator of fraud regarding the opportunity to commit fraud due to lack of monitoring. Then the indicator of fraud that has the highest frequency in third place is rationalization. In this case, fraud perpetrators tend to justify their actions, such as considering fraud as a small thing or something that can be accepted in exchange for being dedicated to the company. For the type of fraud that has the highest frequency based on the fraud tree, ACFE is corruption and asset misappropriation fraud. This type of corruption fraud involves abuse of authority within the company to gain personal gain, real cases such as bribery and gratuities. Then asset misappropriation fraud is

ranked second in fraud which has the highest frequency due to frequent cases of theft of company assets or the use of company assets for personal gain.

The role of risk-based internal audit in handling fraud cases based on the results of interviews with informants includes several main aspects. PT JBA Indonesia has started to implement risk-based internal audits that focus on areas with high risk levels. These audits are conducted based on risk registers that have been identified and recorded by the risk management team, with audits conducted on medium to high risk categories. The main basis for developing the audit program is the risk register, which is updated by the internal audit team and risk management team every three months. This ensures that areas with high fraud potential are identified early and adjusted as new risks arise. In addition, a risk-based audit program is flexible and dynamic because the risk register is continually updated as risks to the organization change. The risk-based approach also strengthens fraud detection by enabling more comprehensive investigations than conventional methods. Fraud that often occurs outside of regulations or SOPs can be more easily uncovered because this approach considers the entire business process, not just the compliance aspect. Once a fraud case is identified, the investigative audit team will evaluate the relevant internal controls to determine the root cause. If internal controls are considered either weak or ineffective, then improvement recommendations are provided to update existing SOPs and controls. In addition, risk mitigation for fraud prevention is carried out with reference to risk register data. The investigative audit team coordinates with the risk management team to develop mitigation measures to reduce the potential for fraud recurrence in the future. Risk-based audit results are also used to analyze fraud patterns and potentials in various branches or departments within the organization. This process helps in identifying potential red-flags more broadly, thereby increasing the effectiveness of the overall fraud prevention system.

The role of risk management in preventing and detecting fraud risks based on the results of interviews is to prepare a risk register every year which includes identification and mitigation of fraud risks. This risk register is updated every three months (every quarter), including risk mitigation. This is to ensure the level of effectiveness and to collect data related to newly emerging risks. After that, the risk management team coordinates with the anti-fraud team to design risk mitigation related to fraud. When fraud occurs, the risk management team conducts an in-depth and comprehensive analysis of the case based on data and evidence provided by the investigative audit team. After analyzing, the risk management team provides mitigation for fraud cases so that similar risks do not recur in the future. In addition, the risk management team also identifies the root of the problem using the 5W+5H analysis. If the fraud comes from the company's internal parties, the team will identify weaknesses in business flow and related personnel, and provide corrective actions in accordance with the results of root cause identification. If the fraud involves external parties, the business process will be improved to minimize the potential for fraud to recur in the future.

b. Based on the results of researcher interviews with informants, internal audit contributes through evaluating and strengthening internal controls, implementing a risk-based approach, increasing Anti-Fraud awareness, and utilizing technology such as WBS to receive reports of fraud indications. Meanwhile, risk management focuses on preparing and updating risk registers, collaborating with the Anti-Fraud team to develop recommendations and mitigations, collaborating with the internal audit team for preventive measures, and conducting in-depth analysis of fraud cases that occur to identify root causes. Both teams work synergistically to ensure that the preventive measures provided remain relevant and can be implemented as new risks develop. The output of the audit results in the form of improvement recommendations aimed at closing gaps in internal control. One of the audit recommendations is the revision and updating of work procedures (SOPs) that have weaknesses or inconsistencies with factual conditions. After being updated, the SOPs are

expected to become clearer and more standardized which will reduce the risk of fraud by ensuring segregation of duties and adequate supervision. In addition, increasing employee awareness regarding zero tolerance for work politics and anti-fraud is also a key recommendation. With increased awareness of fraud risks, it is expected that a more transparent and proactive work culture in preventing fraud can be realized. Furthermore, the audit will use a risk-based approach to focus on areas of significant risk. Once fraud is detected, the audit program will be adjusted so that the audit methods used to detect fraud can be applied in other areas to identify and prevent similar cases in the future.

c. Based on the results of interviews with research informants, the most effective red flag symptoms to detect fraud are lifestyle changes. Changes in lifestyle that do not match income such as buying luxury goods are often clear early indicators because they indicate the potential for illegal sources of income. Apart from lifestyle changes, the existence of complaints or reports through the WBS has become the second most effective red flag symptoms to detect fraud. With complaints or anonymous reports from external and internal parties, it is possible to detect fraud as early as possible through direct information from parties who are aware of fraud events.

   The output of internal audit is in the form of recommendations for corrective actions that are expected to be implemented by related parties in order to make internal controls work effectively and eliminate gaps that can increase the probability of fraud. The internal audit team develops a monitoring plan for improvement recommendations based on the findings, with a particular focus on areas of significant risk. Steps taken include follow-up to review whether recommendations have been implemented by the relevant areas and holding meetings with the Business Process Owner (BPO) to evaluate the progress of improvement recommendations. Furthermore, the internal audit team evaluates the effectiveness of recommendations based on indicators of a decrease in the number of audit findings. In addition, they re-evaluate the risk mitigation actions to ensure that the recommendations have successfully reduced the level of risk and identify potential new gaps that may arise after the implementation of improvements. Finally, the internal audit team prepares a follow-up report that evaluates the effectiveness of the mitigation actions taken. This report aims to provide information to management and the anti-fraud committee on the progress of improvements and ensure transparency in the evaluation process.

   The risk management team ensures that the updated procedures and controls are effective through various strategic measures. The risk register is updated every three months to adjust risk identification with new business processes or fraud risks with different root causes. These updates include mitigations to address potential similar frauds and ensure preventive measures remain relevant and effective. In addition, root cause analysis is conducted to identify the main causes of fraud, both internal and external to the company. If the fraud originates internally, the risk management team will assess the causal factors, such as errors in work methods due to non-compliance with SOPs, errors in the flow of business processes, or human error.

   The results of this analysis are then used to improve business processes or sanction related individuals. If the fraud comes from an external party, the risk management team in collaboration with the anti-fraud team will conduct an in-depth evaluation and improve business processes to reduce gaps that can be exploited by irresponsible parties. Collaboration with the anti-fraud team is an important part of ensuring that the established risk mitigation is supported by investigative audit data. By collaborating, the risk management team, anti-fraud team, and investigative audit team can design more effective prevention strategies to avoid the recurrence of similar fraud cases in the future.

d. In investigative audits, there are fraud axioms, including Fraud is hidden, fraud is hidden, so accountants or auditors must be able to reveal it. Reverse proof, namely a forensic accountant or auditor must carry out two-sided proof to prove that fraud has taken place and

prove that fraud is not taking place. Forensic accountants must obtain information / data both incriminating and mitigating the perpetrators of fraud. This is useful to anticipate if fraudsters make various denials during the audit process. Litigation process, in an audit, the auditor's responsibility is to disclose the facts and the process of events. Auditors may not express opinions regarding the guilt or innocence of individuals or certain parties because the determination of whether or not there is a criminal offense is the absolute authority of the court.

Investigative audit results support the litigation process, which is an important element in handling fraud cases that are material to the company and enter the realm of law. Investigative audits are designed to reveal relevant facts supported by appropriate and sufficient evidence, and provide reports that are used as a basis for legal proceedings. The results of the investigative audit help the axioms of the fraud litigation process by providing strong evidence and data, namely the results of this investigative audit include examining documents, interviewing sanctions, and analyzing the evidence that has been collected which indicates the presence and absence of fraud. Then, the evidence is systematically organized to prove the act of fraud and its impact on the company. Based on strong facts obtained during the investigative audit process such as interviews with sanctions, providing a strong basis to support fraud claims in court, calculating the losses incurred due to fraud, the investigative audit report will be compiled systematically so that it can be used as valid evidence in legal proceedings. This report contains a 5W+2H analysis that is used to explore fraud cases more deeply.

The 5W + 2H analysis is one of the analyses used during investigative audits that helps to reveal, understand, and resolve fraud cases in depth. Based on its implementation at PT JBA Indonesia, this 5W + 2H analysis is expanded to 5W + 5H which consists of what, why, who, when, where, how, how much, how far, how often, how by.

With the 5W + 5H analysis, it can be ensured that all aspects of the fraud case have been examined so that no important information is missed. In addition, with the help of this analysis the auditor can identify the pattern or mode of fraud used. With the help of this 5W + 5H analysis, it can also help the focus of the investigative audit to aim at relevant aspects so that the investigation process is more efficient, the information collected from the results of this analysis can be used as evidence in the litigation process, and the results of this analysis provide a basis for improvement recommendations, one of which is to revise the SOP and improve internal control so that similar fraud does not recur.

Conclusion and Suggestion

Conclusions

Based on the research results, it can be concluded that First, the conclusion from the discussion of problem 1 states that risk-based internal audit and risk management at PT JBA Indonesia have an important role in detecting and preventing fraud through identifying early indicators, such as economic pressure, luxurious lifestyles, and internal control weaknesses that provide opportunities for fraud. Internal audit conducts systematic investigations by receiving reports through the Whistleblowing System (WBS) and conducting risk-based investigations for more thorough detection. Meanwhile, risk management contributes to prevention by updating the risk register and collaborating with Anti-Fraud for effective recommendations and mitigation. These steps reflect PT JBA Indonesia's commitment to strengthening corporate integrity through evaluation of internal controls and business processes. In addition, the improvement recommendations provided aim to update SOPs and reduce the potential for similar frauds in the future. Second, the conclusion from the discussion of problem 2 states that risk-based internal audit and risk management have an important role in preventing and detecting fraud at PT JBA Indonesia. Internal audit contributes through evaluating and strengthening internal controls, implementing a risk-based approach, and increasing Anti-Fraud

awareness, including the use of technology such as the Whistleblowing System (WBS) to detect indications of fraud. Meanwhile, risk management focuses on updating the risk register, collaborating with the Anti-Fraud team and internal audit in developing mitigation recommendations, as well as in-depth analysis of fraud cases to identify root causes. The synergy between these two teams ensures effective and adaptive preventive measures against new risk developments. Improvement recommendations from audit results, such as SOP revision and employee awareness raising, aim to close the gap of weak internal controls and build a more proactive work culture in preventing fraud, so that the company's integrity is maintained. Third, the conclusion from the discussion of problem 3 states that risk-based internal audit and risk management have a crucial role in preventing and detecting fraud at PT JBA Indonesia. Internal audit ensures fraud prevention through SOP revisions, increased employee awareness, and regular monitoring of updated controls, including the utilization of Whistleblowing Systems (WBS) to detect indications of fraud. Meanwhile, risk management focuses on updating risk registers, analyzing fraud root causes, and collaborating with the Anti-Fraud team to ensure effective risk mitigation. This risk-based approach enables the identification of fraud-prone areas and the implementation of appropriate preventive measures. Through this strategy, PT JBA Indonesia is committed to reducing the risk of fraud, building a transparent work culture, and ensuring stricter implementation of SOPs to prevent similar incidents in the future.

Suggestion

First, the next research can explore the research by expanding the research subject (not a case study for one company). This aims to compare how the role of risk-based internal audit and risk management in preventing and detecting fraud in auction companies and provide a broader perspective and generalization of research results. Second, the next research can combine research methods into a mix method. Qualitative is done with in-depth interviews with internal auditors and risk management for exploration and deepening of information, complemented by questionnaires or surveys to strengthen research results with quantitative data. Third, the next research can develop a new fraud analysis theory, namely 5W + 5H (what, why, who, when, where, how, how much, how far, how often, how by) so that the discussion is more comprehensive and no minor details are missed.

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