

THE URGENCY OF FORENSIC ACCOUNTING EXPERTISE IN EFFORTS TO PROVE FRAUD AND CORRUPTION

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Abstract

Efforts to eradicate corruption involve various steps including strict law enforcement, strengthening the integrity of state institutions, increasing public awareness, and improving the monitoring and transparency system. The term forensic accounting in Indonesia emerged after the success of Pricewaterhouse Coopers (PwC) in uncovering the Bank Bali case. The PwC office was able to show a complex flow of funds in the form of a diagram of light emerging from the sun (sunburst). This research is a normative research that studies the purpose of law, values of justice, validity of legal rules, legal concepts, and legal norms. Forensic accounting is a very effective tool in uncovering financial fraud in public companies. Not only operating on financial data analysis, forensic accountants are also trained to understand and apply relevant legal principles. They are able to identify suspicious patterns and compile evidence that is acceptable in court. This skill becomes very important, especially when fraud involves complex schemes hidden in layers of seemingly legitimate transactions. The role of Forensic Accountants is vital in efforts to prevent and reduce corruption. The better the implementation of forensic audits, the more optimal fraud prevention can be carried out. With a proactive and solution-oriented role, forensic accountants have the potential to contribute to the prevention and reduction of corruption at various levels, from the corporate level to the national level.

Keywords: *Accounting, Forensic Accounting, Criminal Evidence, Corruption Crime*

BACKGROUND

Corruption has now mushroomed and spread to various lines in this country, efforts have been made to prevent corruption through many strategies and policies carried out by the government, including the BPK, BPKP, Inspectorate, KPK and even to NGOs in the community, although they have not been realized optimally. (Arles and Anita, 2013). Referring to Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 in Article 2, Corruption is an act of a person enriching himself and/or others and/or corporations against the law, which as a result of the act causes losses to state finances and/or the state economy, both in terms of material and immaterial, which is considered contrary to the values of social justice.

Referring to KPK Data from 2017 to 2023, it shows that corruption often occurs at the district and/or city government level, followed by the ministry. Referring to Regional Autonomy, the regional government has responsibility for all aspects it manages, including finance to the public sector and including the management of national wealth, budget, procurement and taxation independently. These conditions provide loopholes and opportunities for anyone who has the opportunity, including being involved in corrupt practices, because the amount of budget managed by the regional government is also quite large. (Sommaliagustina, 2019).

Efforts to eradicate corruption involve various steps including strict law enforcement, strengthening the integrity of state institutions, increasing public awareness, and improving the monitoring and transparency system. Corruption cases are widespread throughout Indonesia, from small to large, involving both the Central Government and Regional Governments. Through Presidential Instruction (Inpres) Number 5 of 2004 concerning the Acceleration of Corruption Eradication, it contains government actions that order all officials in the center and regions to take any steps to eradicate corruption. These efforts include through a strict monitoring system in tax and immigration services, monitoring expenditures and income, improving public services in the center and regions, and bringing every corruption case to court.

As institutions that have the same goal of combating corruption, the Indonesian National Police, the Corruption Eradication Commission, the Prosecutor's Office, and the Court must prove their suspicions of someone about corruption. This investigation is very difficult to do because it relates to certain areas that are not regulated by law, such as state finances or the state economy. Strong evidence is needed to prove whether someone is corrupt. This evidence is used to prove misuse or fraud in corruption. In addition, to obtain evidence, the right and appropriate method is needed. Methods such as forensic accounting analysis services can be used. (Raharjo, 2020.)

Forensic accounting has become a crucial component in the modern financial world, especially in efforts to identify and uncover cases of financial fraud in public companies. Forensic accounting combines investigative skills with accounting knowledge to analyze financial records and reports in depth (Fanani & Gunawan, 2020). In public companies, where operational complexity and scale of work are very high, the role of forensic accounting becomes increasingly vital. Technology and analytical approaches in forensic accounting make it possible to identify anomalies and patterns that may point to fraudulent acts or financial irregularities.

The application of forensic accounting in public companies not only focuses on identifying fraud, but also on disclosing it in a structured and systematic manner (Arianto, 2021). Conducting a forensic investigation means having to involve in-depth analysis of existing financial data, interviews with related personnel, and testing and verification of evidence (Rani, 2020). This process greatly assists auditors in understanding how fraud occurs, who is involved, and how much impact it has on the organization. Forensic accounting also serves as a preventive tool that can reduce the risk of fraud in the future.

The term forensic accounting in Indonesia emerged after the success of Pricewaterhouse Coopers (PwC) in uncovering the Bank Bali case. The PwC office was able to show a complicated flow of funds in the form of a diagram of light protruding from the sun (sunburst). Then PwC summarized it into a flow of funds from certain people. Unfortunately, this success was not followed by the success of the court system.

The role of forensic accountants is very much needed in following up on corruption in order to uncover the many frauds that originate from corruption. The still high level of corruption is a strong driver for the development of forensic accounting practices in Indonesia, although forensic accounting has basically been practiced in Indonesia long before the economic crisis.

The success of eradicating corruption is highly dependent on investigation and evidence in court and does not ignore other processes such as investigation and prosecution. Investigation plays a role in collecting facts and evidence, while evidence in court is to prove that a defendant has legally and convincingly committed a corruption crime based on valid evidence. With the implementation of forensic accounting practices in Indonesia, it has not been possible to measure whether the application of forensic accounting has helped eradicate corruption or not. Therefore, further study is needed regarding the existence of forensic accounting in the investigation and evidence of corruption crimes.

RESEARCH METHODS

This research is a normative research that studies the objectives of law, values of justice, validity of legal rules, legal concepts, and legal norms. Normative legal research can also be said to be a process of finding legal rules, legal principles, and legal doctrines in order to answer the legal issues faced. It can also be said that legal research is carried out to produce arguments, theories, or concepts as prescriptions or answers to the problems faced. (Peter M. Marzuki, 2023)

DISCUSSION

Forensic accounting (Lestari & Kuntadi, 2022) is a specialized branch of accounting that combines investigative, auditing, and accounting skills to resolve legal disputes and financial fraud. Forensic accounting is primarily used to detect and investigate fraud, embezzlement, and other economic crimes that are often complex and involve significant amounts of money (Ramadhana et al., 2024). Forensic accountants work closely with law enforcement authorities, courts, and financial institutions to ensure transparency and integrity in the financial statements of companies and individuals.

Forensic accounting practitioners must have expertise in a variety of areas, including auditing, law, and investigative techniques. They are required to have a strong educational background in accounting and often have additional certifications (Ratih & Sisdyani, 2023) such as Certified Fraud Examiner (CFE) or Certified Forensic Accountant (Cr.FA). In carrying out their duties, they need to conduct in-depth analysis of financial data to identify anomalies that could potentially indicate fraud or irregularities. One of the methods commonly used in forensic accounting (Rachmi & Reskino, 2023) is comparative analysis between reported financial data and actual financial transactions. This technique allows forensic accountants to find unusual and suspicious patterns. The use of sophisticated accounting software is also an important tool in this process, as it can speed up the analysis of very

large and complex data. With the capabilities of modern technology, forensic accountants can do their jobs more efficiently and accurately.

Forensic accounting is also often used in resolving legal disputes, such as divorce cases, inheritance claims, or business contract disputes. In such situations, forensic accountants act as expert witnesses in court, providing testimony based on their financial findings (Ratih & Sisdyani, 2023). They must be able to present evidence clearly and logically to judges and juries, and explain complex financial and auditing concepts in a way that is understandable to the layperson. In addition to its role in court, forensic accounting is also used in assessing economic losses due to disasters, both natural and man-made disasters (Terssia, 2024). For example, in the case of a fire or theft, a forensic accountant can help determine the value of the losses that have occurred and help validate insurance claims that are filed. This role is critical in ensuring that the claims submitted truly reflect relevant and legitimate losses.

Forensic accounting not only focuses on detection and enforcement efforts, but also plays a preventive role. Financial risk analysis and internal compliance audits are important parts of forensic accounting. Through evaluation of internal control systems and periodic audits, forensic accountants can help organizations identify potential risks before they become bigger problems. This approach not only protects the company's assets but also maintains the organization's reputation and integrity. In conclusion, forensic accounting is a very important and complex field that combines accounting, investigative, and legal skills to handle a variety of financial issues. With the rapid development of technology, the role of forensic accountants is becoming increasingly crucial in maintaining transparency and honesty in the financial world. Professionals in this field are not only enforcers of justice, but also protectors of finance and business integrity in the future. (Claudiasuti, 2023)

Forensic accounting plays a crucial role in various stages of financial fraud investigations (Agustina et al., 2022). First of all, we talk about Fraud Identification (Belinda & Machmuddah, 2024). In this stage, audit techniques and data analysis are used to detect indications of fraud. These techniques can range from basic audits to more in-depth analysis using sophisticated software that can detect anomalies in a company's financial data. The next stage is Evidence Collection (Belinda & Machmuddah, 2024). In this step, evidence is collected using legally acceptable methods. It is important to ensure that any evidence collected is reliable and will not face legal challenges in court. This evidence is then used to substantiate claims that fraud is indeed taking place in the organization.

After the evidence is collected, the Analysis and Reporting process (Belinda & Machmuddah, 2024) becomes the next step. The forensic accountant will prepare a comprehensive investigation report. This report usually includes key findings, data analysis, and recommendations for further action. If necessary, the report can also be used as evidence in legal proceedings, assisting authorities in the litigation process.

The role of accounting and forensic accountants in developed countries in disclosing and resolving fraud cases including corruption is very large. Unfortunately, Indonesia does not yet have a legal institution for the profession and also a formal educational institution to produce competent forensic accountants. This condition certainly requires attention from the accounting profession in Indonesia, especially from the accounting educator compartment and other compartments. This attention can be in the form of empirical or conceptual study contributions regarding the ideal institutionalization of the forensic accounting profession in Indonesia and how the ideal education system and curriculum are to produce competent forensic accountants (Toeweh, 2022).

Forensic accounting plays an important and effective role in efforts to combat corruption. By applying sophisticated investigative techniques and data analysis, forensic accounting can play a role in uncovering corruption cases, collecting evidence, and compiling relevant expert reports for use in legal proceedings. However, to face the challenges of combating corruption, close cooperation between forensic accountants, law enforcement, and other related institutions is crucial. Through this synergy, it is hoped that efforts to eradicate corruption can be more effective and can uphold justice. Forensic accountants have two main areas of duty: investigation services, where forensic accountants are tasked with conducting fraud examinations, as well as identifying, preventing, and controlling fraudulent acts; and litigation services, where they are responsible for identifying evidence from fraud examinations and handling evaluation issues.

In an effort to overcome corruption, there are three prevention strategies, namely detective, repressive, and preventive. First, this detection process involves the development of a complaint channel system, namely through a whistleblowing system and follow-up steps to reports from the public. Furthermore, forensic accounting also supports the implementation of a repressive strategy, which aims to process acts of bribery corruption in accordance with applicable laws. In this case, forensic accounting is used to collect the necessary evidence through an investigative audit process. Finally, a preventive strategy is an effort to prevent bribery corruption from occurring by systematically and quickly identifying and handling potential corrupt practices. In this context, forensic accounting can play a role in early detection of bribery corruption practices and taking appropriate preventive measures. A combination of these three strategies is often needed to create an environment that does not allow or at least limits the occurrence of

corruption. With a holistic and diverse approach, it is hoped that acts of corruption can be minimized and eventually eliminated.

CONCLUSION

Forensic accounting is a highly effective tool in uncovering financial fraud in public companies. Not only do forensic accountants operate on the analysis of financial data, they are also trained to understand and apply relevant legal principles. They are able to identify suspicious patterns and compile evidence that is admissible in court. This skill becomes very important, especially when the fraud involves complex schemes hidden in layers of seemingly legitimate transactions. In addition, the use of advanced technology allows them to analyze large amounts of data with high accuracy, thus uncovering fraud more quickly and efficiently. In a world where the financial integrity of a company is highly dependent on public trust, forensic accounting has a critical role that cannot be ignored. The role of Forensic Accountants is vital in efforts to prevent and reduce corruption. The better the implementation of forensic audits, the more optimal fraud prevention can be carried out. With a proactive and solution-oriented role, forensic accountants have the potential to prevent and reduce corruption at various levels, from the company level to the national level.

Forensic accountants have two main tasks: investigation services, where forensic accountants are responsible for conducting fraud examinations and identifying, preventing, and controlling fraudulent acts; and litigation services, where they are tasked with identifying evidence from fraud examinations and handling evaluation issues. In an effort to overcome corruption, there are three prevention strategies, namely detective, repressive, and preventive. The corruption detection process is carried out by building a reporting system through whistleblowing and following up on complaints from the public. In addition, forensic accounting supports the process of implementing repressive strategies by processing bribery corruption acts in accordance with applicable regulations. Preventive strategies aim to reduce the causes of bribery corruption practices. By applying sophisticated investigation and data analysis techniques, forensic accounting can play a role in uncovering corruption cases, collecting evidence, and compiling relevant expert reports for use in legal proceedings. However, to face the challenges in fighting corruption, close cooperation between forensic accountants, law enforcement, and other related institutions is crucial. Through this synergy, it is hoped that efforts to eradicate corruption can be more effective and can uphold justice.

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