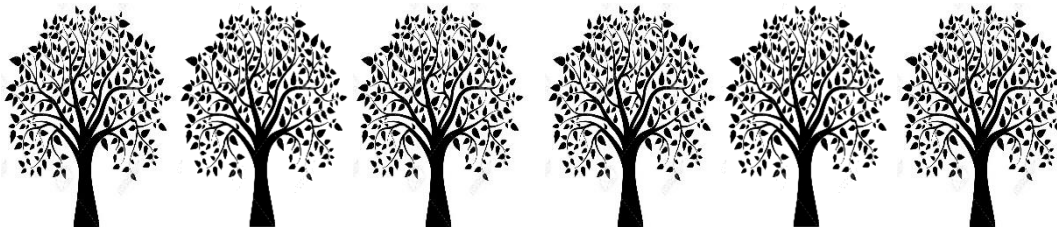




# Internal Auditors Role to Enhance Anti-Fraud Culture in Organization: Dos and Don'ts

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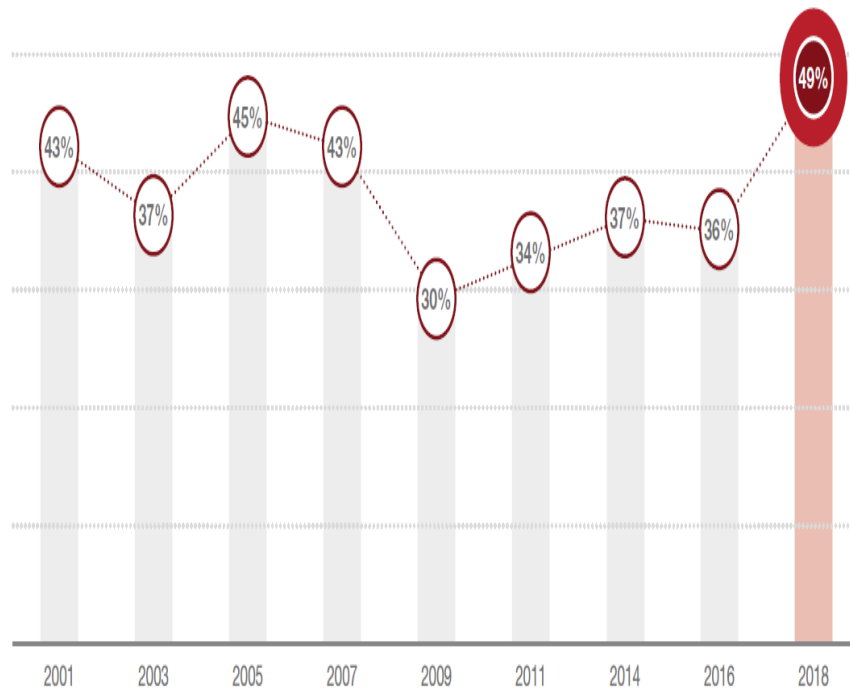
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# 2018 Fraud Survey (1/2)

Exhibit 1: The reported rate of economic crime is on the rise



Companies today face a perfect storm of fraud risk - internal, external, regulatory and reputational



- 11%** of companies have experienced a significant fraud in the last two years
- 11%** of respondents stated it is common practice to use bribery to win contracts in their sector
- 38%** of respondents stated bribery/corrupt practices occur widely in business in their country
- 13%** of respondents would justify cash payments to win/retain business when helping a business survive an economic downturn

Base: 15th Global Fraud Survey (2,550) Applies (%)

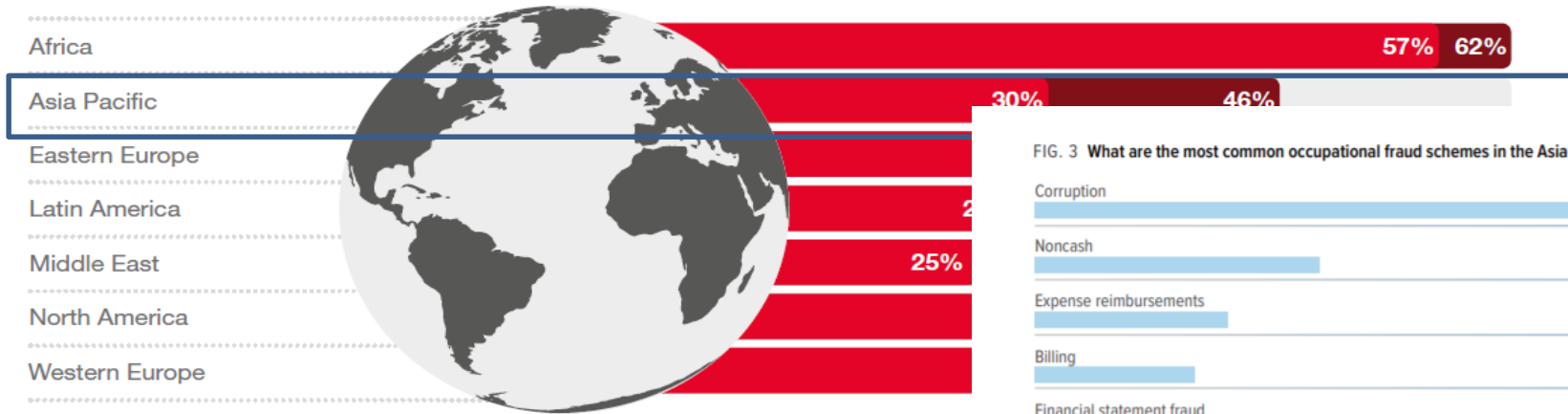
Q. Has your organisation experienced any fraud and/or economic crime within the last 24 months?

Source: PwC's 2018 Global Economic Crime and Fraud Survey

Source: EY 15<sup>th</sup> Global Fraud Survey

# 2018 Fraud Survey (2/2)

Exhibit 2: The reported rate of economic crime has increased across all territories

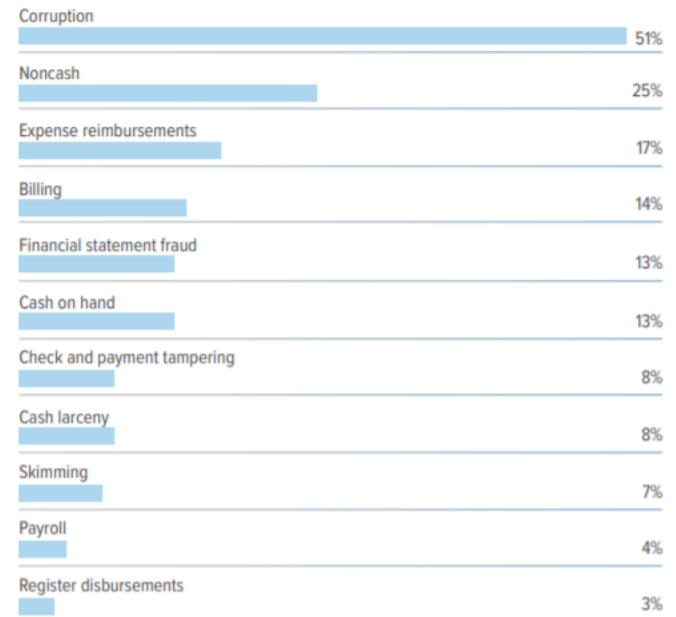


■ Reported economic crime in 2018 ■ Reported economic crime in 2016

Q. Has your organisation experienced any fraud and/or economic crime within the last 12 months?

Source: PwC's 2018 Global Economic Crime and Fraud Survey

FIG. 3 What are the most common occupational fraud schemes in the Asia-Pacific region?



Source: "2018 Report to the Nations. Copyright 2018 by the Association of Certified Fraud Examiners, Inc

# The Wells Fargo Fraud: Where Was Internal Audit?



By Norman Marks | Oct 28, 2016

CHANNEL: Information Management



Many parts of the Wells Fargo staff "scam" are mind-boggling.

It's not just that staff at Wells Fargo opened an estimated 2 million deposit accounts and applied for roughly 565,000 credit card accounts to meet sales goals.

It's not just that Wells Fargo was fined \$185 million (including the largest ever fine by the CFPB)

# Kasus Emirsyah Satar, KPK Panggil VP Internal Audit Garuda Indonesia

Kompas.com - 06/03/2018, 12:25 WIB

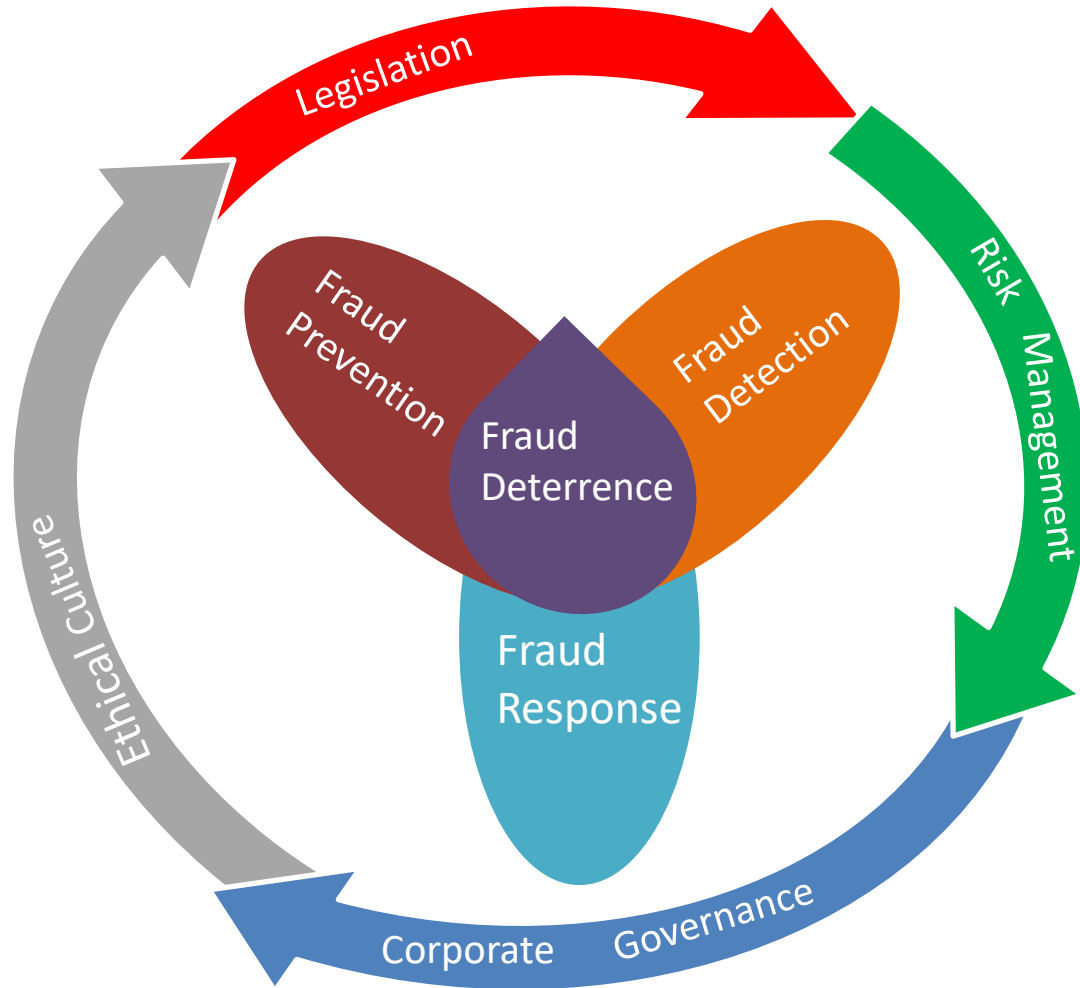
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# Anti Fraud Strategy





# What is Culture??

“Culture is a system of shared cognitions or a system of knowledge and beliefs.”

Rossi & O’Higgins (1980)

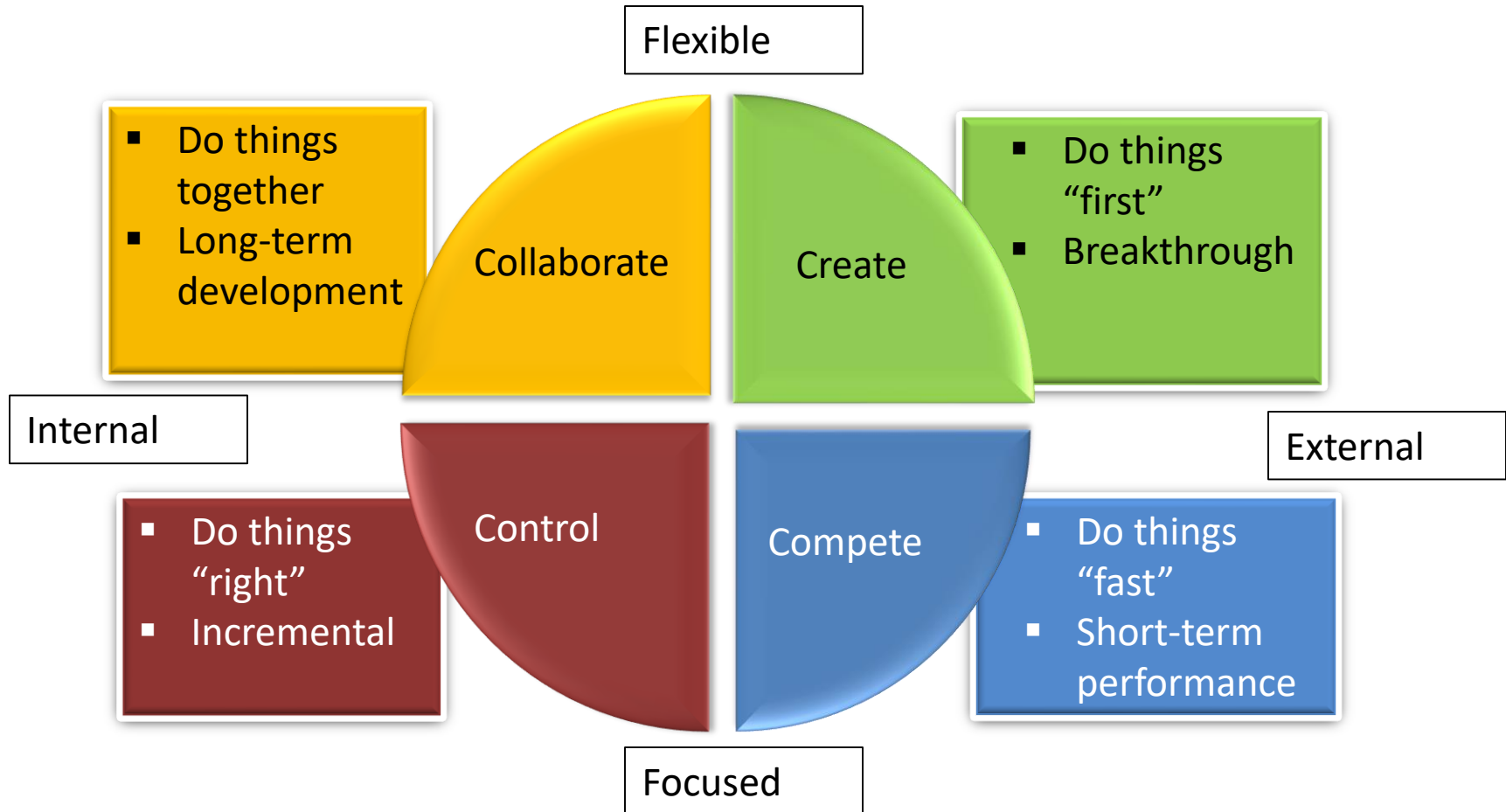


“Culture comprises **the beliefs and values, attitudes and behaviors** that are exhibited within an organization and its operations. It represents what an organization stands for and how it is seen from within and from without.

**Corporate culture** represents **the personality of an organization and its shared beliefs, values, behaviors, the way things are done and it’s explicit and implicit rules”**

Bouwman (2013)

# Types of Organizational Cultures



Source: Cameron, K. S., & Quinn, R. E. (1999). Diagnosing and changing organizational culture: Based on the competing values framework. Reading, MA: Addison-Wesley.

# Anti-Fraud Culture Prerequisites

A program to develop an anti-fraud culture needs to be well planned and solidly constructed from the **top down**. It is important certain fundamental issues are addressed first.

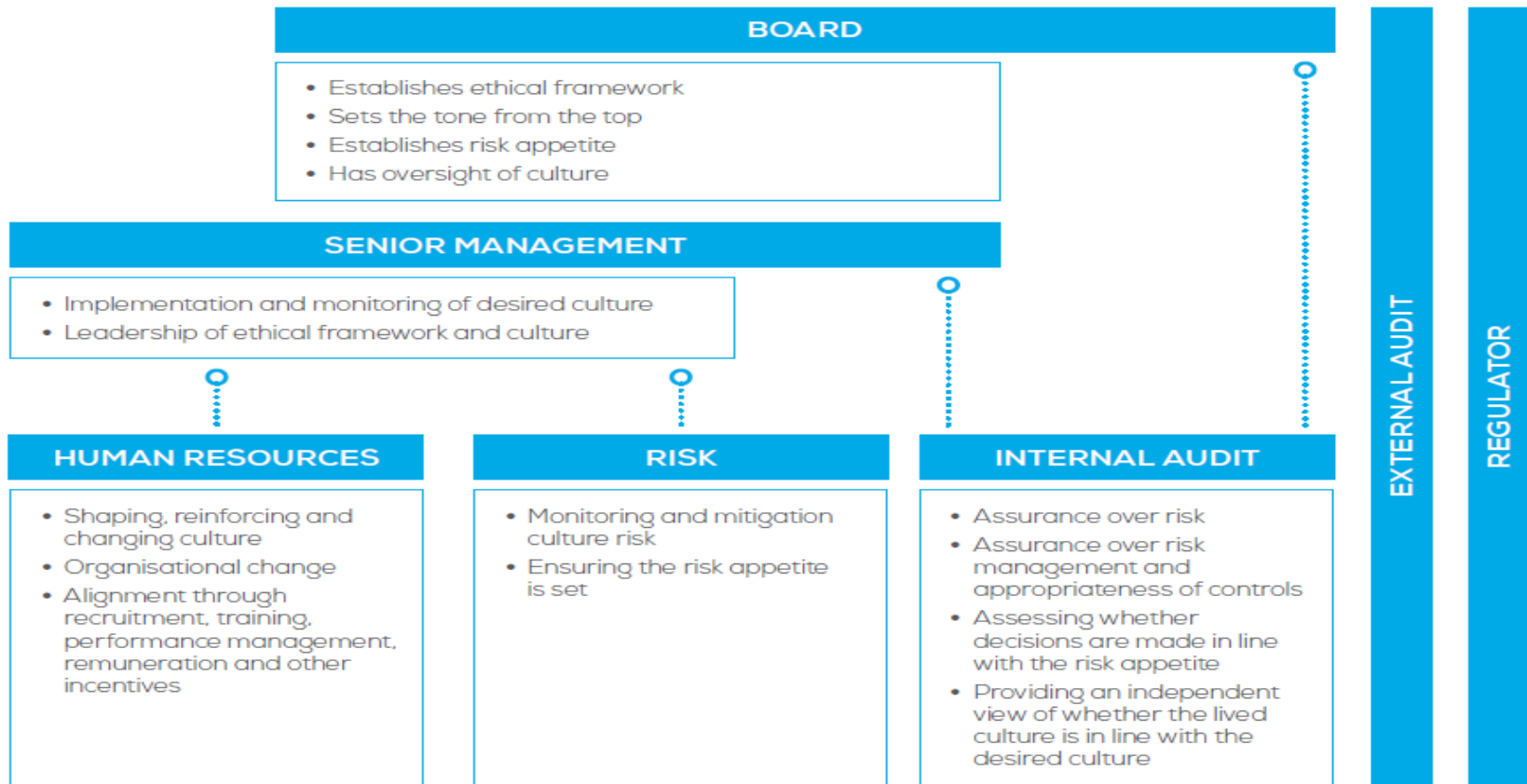
## These prerequisites are:

- 1 The Boards are committed to setting the right tone at the top and recognize that a fraud risk management strategy is an important way of adding value and effectively governing the organization.
- 2 The Board is keen to acquire an **understanding of the fraud risks** that are faced by the organization.
- 3 The organization **has policies covering business ethics and fraud**, which are known, **communicated** and, in general, **fully supported**
- 4 **Appropriate individuals** within the organization are assigned roles and responsibilities for implementing the fraud risk management strategy.



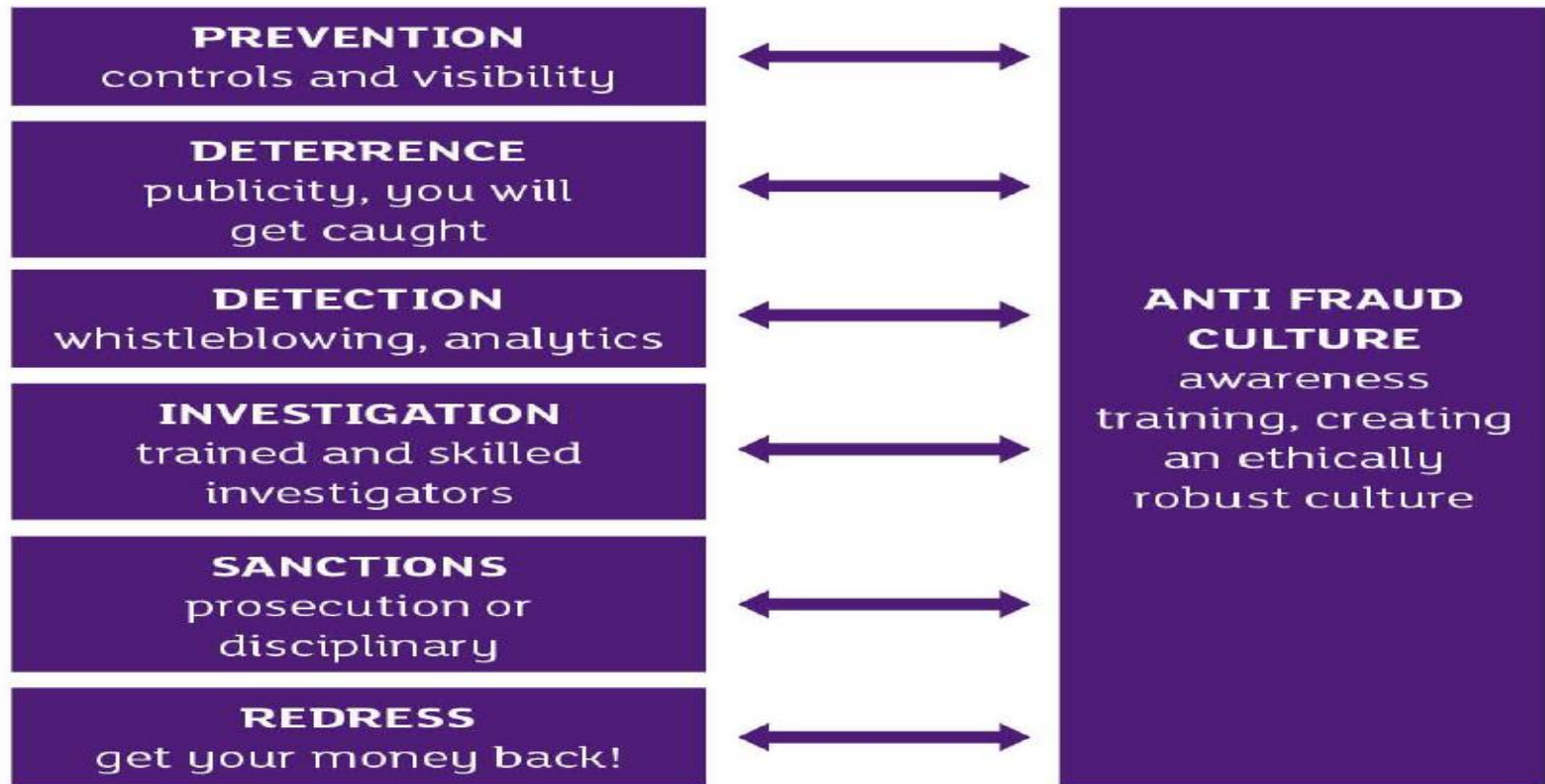
Source: A Short Guide to Fraud Risk, Gower

# Corporate Cultures and the Roles



Adapted from: Managing Cultures: a Good Practice Guide, IIA Australia 2017

# Anti- Fraud Culture Elements



Source: Chartered Institute of Public Finance & Accountancy

# Internal Audit and Anti-Fraud

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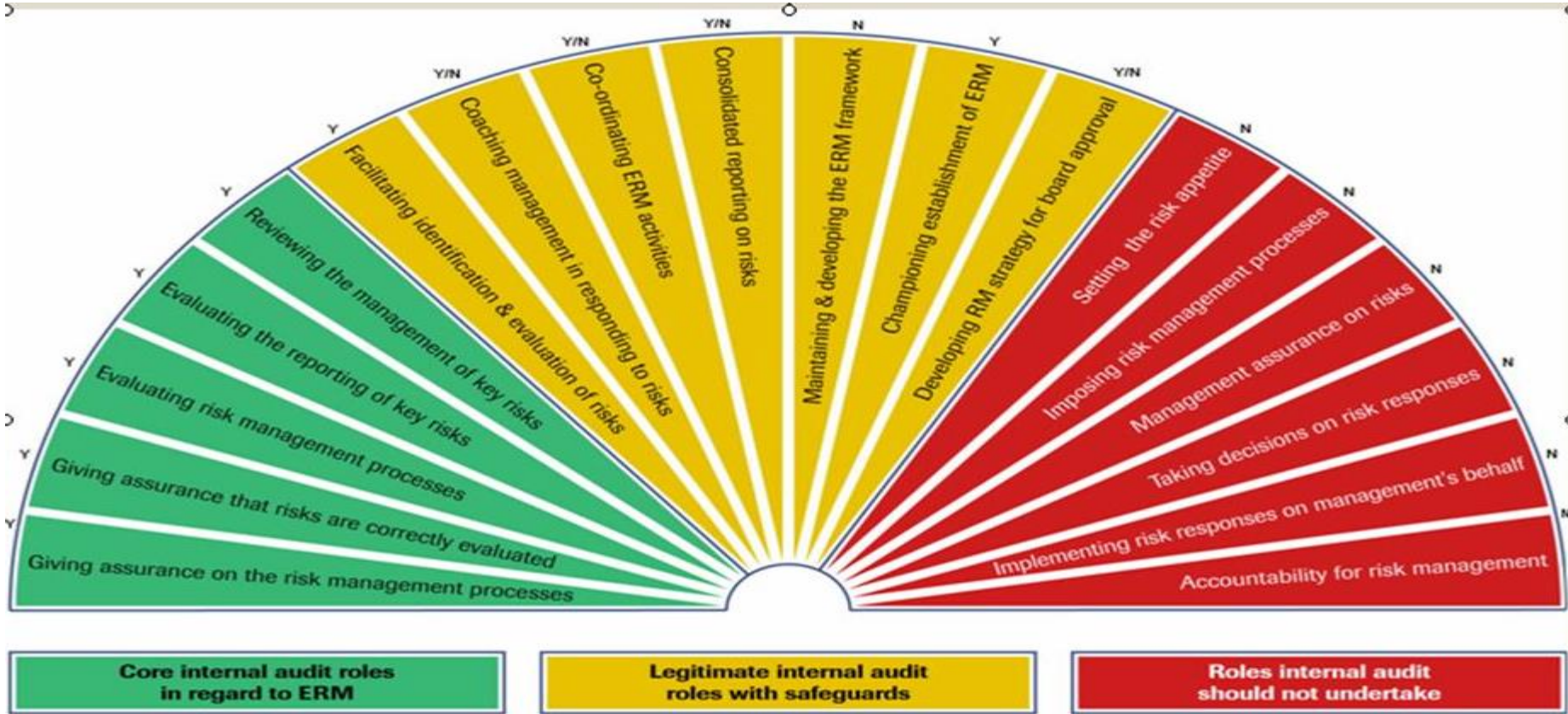


Assurance

Consulting

Internal Auditors role in enhancing anti-fraud culture can be done through *assurance* and *consulting* activities.

# Internal Audit Roles in Risk Management- adapted for Anti-Fraud



This diagram is taken from "Position Statement: The Role of Internal Audit in Enterprise-wide Risk Management", reproduced with the permission of the Institute of Internal Auditors - UK and Ireland. For the full Statement visit [www.iaa.org.uk](http://www.iaa.org.uk).

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# Fraud Risk Management Process



Source: COSO Fraud Risk Management



# Internal Audit- Assurance Roles

There are four key ways in which internal audit can provide assurance relating to the anti-fraud culture in an organization.

Identify desired culture:

\*has it been clearly articulated and communicated?

evaluate Embedment:

\*has the desired culture been embedded into every part of the organization?

Monitor and measure:

\*How is the Board and Senior management monitoring the culture?

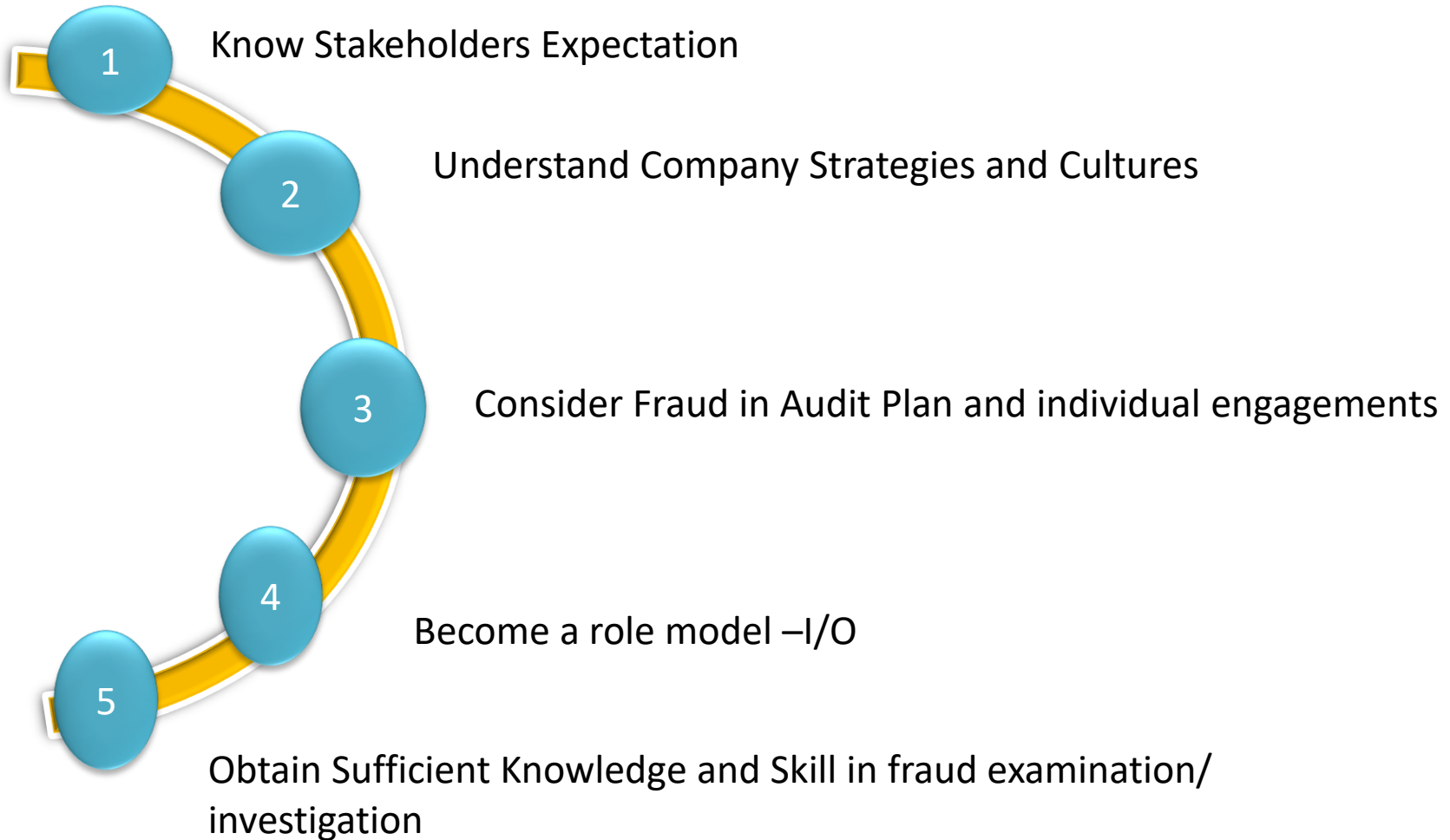
Actual culture vs desired state:

\* are behaviors in line with the desired culture, as articulated by the board and senior management?

Adapted from: Managing Cultures: a Good Practice Guide, IIA Australia 2017

# Internal Audit- Do

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# Internal Audit- Fraud Related Standards

Have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud. (Standard 1210.A2)

Exercise due professional care by considering the probability of significant errors, fraud, or noncompliance. (Standard 1220.A1)

(In its reporting), include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board. (Standard 2060)

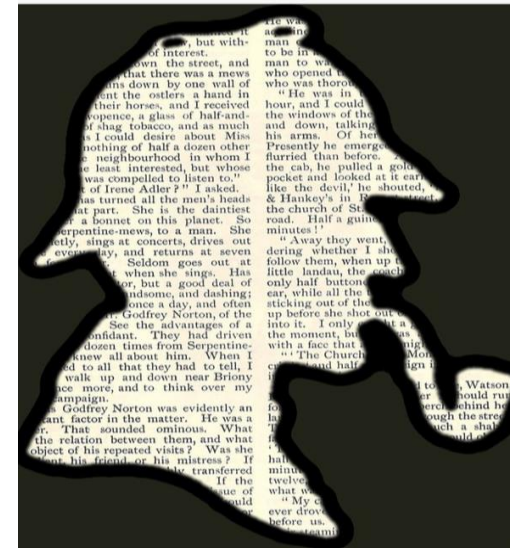
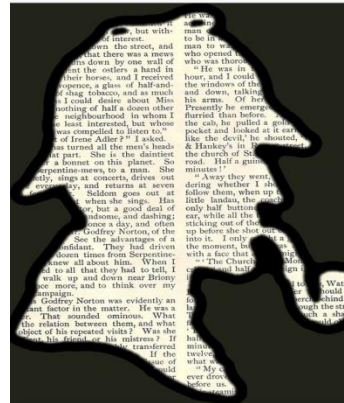
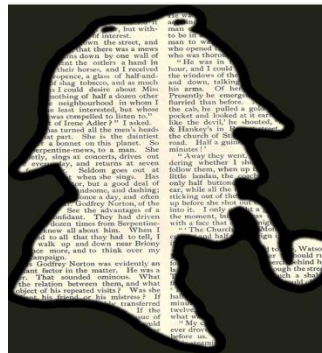
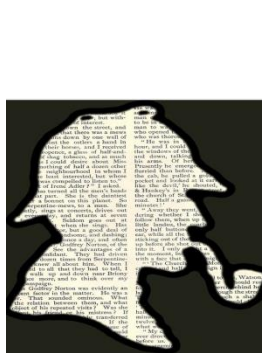
Evaluate the potential for the occurrence of fraud and how the organization manages fraud risk. (Standard 2120.A2)

Consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives. (Standard 2210.A2)



# Internal Audit- Don't

Organizations should not expect internal audit's skill set to include fraud investigation. Instead, internal audit should support the organization's anti-fraud management efforts by providing necessary assurance services over internal controls designed to detect and prevent fraud.



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AB article

01 April 2016

## Treating internal auditors as fraud detectives is a mistake



Corporate

Written by  
Steve Giles[Home](#) / [Members](#) / [CPD online](#)

Treating internal auditors as the company's fraud police is to set up an expectations gap that can have unfortunate consequences for the business, as Steve Giles

# Report: Nissan Head of Internal Audit Resigns in Frustration

📅 On September 12, 2019 👤 By IA360 Staff



**C**hristina Murray, chief internal audit and global compliance at Nissan Motor Corp., resigned abruptly last week, after leading an investigation into improper compensation practices and other wrongdoing at the automaker.

**Reports** indicate that Murray resigned in frustration when the results of the

investigation led to the ouster of only a few individuals at the company, including Nissan CEO Hiroto Saikawa who announced he would be resigning at a new conference Monday. The investigation found that Saikawa and others benefited inappropriately from a bonus plan at the automaker. Specifically, the audit found Saikawa was overpaid by more than \$450,000 in stock options in 2013 while he was an executive vice president.

# Reference

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Rasman, Tonny., IIA Australia, (2017), Managing Culture: A Good Practice Guide.

Ahmad, Mazar B., IIA Norway, (2017), Organizational Culture is Crucial to the Company Risk Management, but how it can be measured?.

# Subagio Tjahjono

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## Educational Background:

1. First Degree in Economics majoring in Accounting – Petra Christian University Surabaya
2. Magister Management majoring in Strategic Management - Tarumanagara University, Jakarta

## Publication:

1. Business Crimes and Ethics- Andi Publisher(2013)
2. Analysis of Enterprise Risk Management Maturity in Indonesia's Non-Financial Companies – Accredited National Journal, 2017.

## Professional Certifications:

1. Certified Internal Auditors – The Institute of Internal Auditors (2009)
2. Certified Fraud Examiners - ACFE (2008)
3. Certified Information Systems Auditor – ISACA (2012)
4. Certified in Risk and Information Systems Control – ISACA (2015)
5. Certified Public Accountant of Indonesia - IAPI (2017)
6. ASEAN Chartered Professional Accountant

## Working Experience:

1. Internal Audit Division Manager (PT Solusi Bangun Indonesia, Tbk- formerly Holcim Indonesia)
2. Head Internal Audit (PT Holcim Indonesia, Tbk)
3. TQM-Business Process Improvement Department Manager (PT Chandra Asri Petrochemical,Tbk)
4. Internal Audit Non T&O Department Manager (PT Chandra Asri Petrochemical, Tbk)
5. Assistant Manager-Internal Audit Services (Ernst and Young Indonesia)