

# THE ROLE OF INTERNAL AUDIT IN INVESTIGATING FRAUD AGAINST THE ISSUANCE OF FAKE SEAFARER CERTIFICATES (CASE STUDY OF THE INSPECTORATE GENERAL OF THE MINISTRY OF TRANSPORTATION)

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## ABSTRACT

The research aims to identify and obtain physical evidence about the role of internal audit in investigation to deal with fraud against the issuance of fake seafarers skill certificate against inspectorate general of ministry of transportation, especially in inspectorate IV of sea sector. This research method using qualitative descriptive, that is by describing or telling result of search obtained by researcher. This research was conducted by conducting interviews and direct observation to the inspectorate general of the ministry of transportation. The researchers also received evidence of seafarers certification certificates that were not in accordance with established procedures one of the examples of fraudulent actions detected by internal auditing in the investigation audit process. The discovery of a fake skill certificate was made by researchers to draw research conclusions. Based on the research, it can be concluded that (1) internal audit in this organization has a very important role in every investigation audit activity; (2) The procedure used by the internal audit in the investigation finds that the indication of fraud has been in accordance with the quality audit implementation procedure established by the inspectorate general of the ministry of transportation; (3) Implementation of internal audit at inspectorate general of ministry of transportation has not enough in accordance with government internal audit standard because in audit internal there is no audit committee yet. Auditors are handed over to the on-duty audit team leader.

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## 1. INTRODUCTION

The rapid growth and change in the global environment and the lack of internal control in the government sector has made the practice of corruption, collusion and nepotism (KKN) increasingly widespread and has become a trend. Based on [1] the issue of counterfeit seaman's certificates which are claimed to be issued by the Government of Indonesia and used by seafarers from India, Pakistan and several other countries is rife. To overcome this issue, the Ministry of Transportation (KEMENHUB) will develop a new system using the latest technology [2]. There were indications of the issuance of fake seafarer's certificates which were also uncovered in previous years, as reported in [3] President Jokowi was arrested directly at the Ministry of Transportation to strictly follow up on the phenomenon of illegal levies (PUNGLI) [4]. PUNGLI is used to streamline a number of licensing processes related to seafarer identity documents (SID). In the PUNGLI case, officers were on the sixth and twelfth floors, the place for obtaining ship permits and seamen's books [5]. The findings in the OTT PUNGLI are facilitation payments with a nominal value of tens of millions of rupiah, not to mention the nominal money contained in the holding account containing a nominal value of one billion rupiah. In the OTT case, it not only involved civil servants who were in the Accounts Receivable (AR) section, but also involved KEMENHUB officials. Fraud perpetrators can be committed by employees with executor status to agency officials. The rise of coverage in print and electronic media adds to the evidence that the problem of corruption often proliferates in government agencies, corrupt actors apply this corruption as a trend that often has to be done if you want to get a service without going through a predetermined procedure [6], [7]. Acts of corruption are indeed not easy to eliminate, but must continue to be prevented and minimized, ways to prevent and minimize acts of corruption by increasing and implementing internal controls within government agencies [8]. Internal audit has an important role in supervision, by forming an investigative audit team in handling

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fraud or detecting fraud in the institution or agency where they take shelter[9], [10]. Improvement of internal audit control is also carried out by KEMENHUB through the Inspectorate General which has the authority to carry out internal supervision within KEMENHUB on performance through audits, evaluations, monitoring, and other supervisory activities. The Inspectorate General is led by the Inspector General who is responsible to KEMENHUB. One of the policies in carrying out its functions is the Inspectorate General make guidelines for the Internal Control System by establishing a professional organization of internal auditors who are members of the Association of Internal Auditors of the Government of the Republic of Indonesia (AAIPI)[11], [12]. AAIPI designed Internal Audit Standards that regulate government internal audit activities referring to internal audit standards that have been established in accordance with Decree Number: Kep-005/AAPI/DPN/2014 Concerning the Enforcement of the Indonesian Government's Code of Ethics for Internal Auditors, Indonesian Government Auditing Standards, and Review Guidelines Indonesian Government Internal Auditor Associate and in accordance with Republic of Indonesia Government Regulation Number 60 of 2008 concerning Government Internal Control Systems[13], [14].

## 2. METHODS

The data in this study were obtained from various sources with various data (technical triangulation) and were carried out continuously and in depth. "Technical triangulation is a technique used to test the credibility of data which is done by checking data from the same source using different techniques.[15]. In this study the researchers also used the time triangulation technique, because time can affect the credibility of the data. The data used in this study are primary data and secondary data. Primary data is a source of data obtained directly providing data to data collectors[16]. Primary data were obtained from direct interviews by asking five informants from the Inspectorate General of KEMENHUB in the morning in a separate room and carried out in the morning before the informants started their activities. Data collected using interview techniques in the morning is more credible, because the informants are not saturated and tired, so the data provided is more valid. Researchers also add supporting data from journals read with the age of the last five years. This is done to add secondary data sources that can assist researchers in conducting research. At the data collection stage, the researcher also relates to theories that have to do with themes, samples, and populations that are used as research objects,[17], journals and websites so that there is a relationship between the background of the problem and the research objectives can be successfully answered according to the formulation of the problem that the researcher has set.

### Analysis Method

Researchers used a descriptive qualitative strategy by means of observation, namely to explain problems that are useful for solving problems that collect data from various data sources. According to[15]Qualitative research methods are often called naturalistic research methods because the research is carried out in natural conditions. The qualitative research method was chosen by the researcher because in this method it functions to find findings after the researcher has conducted the research by going directly to the object of research. Researchers also intend to understand social situations in depth, find patterns, and theories. The results of these findings are then used as a discussion with the intention of further clarifying and strengthening by means of direct interaction with data sources. The results of the researchers' findings were documented directly, both from findings that were openly and even done in a disguised manner so as to add to the evidence that the researchers were actually conducting research at the KEMENHUB Inspectorate. This research was conducted within an estimated period of eight months. During this research period the researcher interacted directly with the research object from observing, discussing with the internal audit team who even saw internal findings, although not all of them could be taken by researchers to document this object confidentiality, because it involves the confidentiality of the object's internal data.

## 3. RESULTS AND DISCUSSION

### The Role of Internal Auditing Fraud Handling Investigations

In carrying out their roles and functions as internal audit, it is important to understand well the role they are carrying out in order to meet the demands of not only being limited to on-site inspections but also participating in investigations dealing with fraud. The expansion of the role of internal auditors, which was originally only as a controller of financial transactions, has now expanded to take part in investigations to handle indications of fraud or fraud[18], [19]. When the researcher was given the opportunity to conduct research to see the inspection process carried out by the internal audit team in carrying out its role in investigating fraud, the researcher paid attention to the way the internal audit team did everything in order

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to uncover indications of fraud, especially in one of the seaman's documents, namely the seaman's skills certificate which is used as one of the conditions that must be owned by sailors who will sail. Before the internal audit team performs or carries out procedures in handling indications of fraud received from public complaints that enter the Minister of Transportation via email, the auditor must carry out an analysis to look for points in areas suspected of having the potential to carry out sale and purchase of skills certificates that do not use proper procedures or obtain seafarers' skills certificates in an illegal way. In conducting an internal audit analysis, a camera must be installed to capture or record the face of the fraud perpetrator.[20], [21]. Finding evidence of indications of fraud occurring in the seafarer's skills certificate is really proven to exist, so the findings will be reported to the Inspectorate General of the Ministry of Transportation to form a team to follow up, this team is included in the type of Audit with a Specific Purpose. An Audit with a Specific Purpose at the Inspectorate General of the Ministry of Transportation was formed to uncover acts of corruption, and investigative audits. Division of tasks for the investigative audit team according to the skills possessed by each individual after the assignment letter is received;

1. Selection of the person in charge in the investigative audit team to handle fraud;
2. The audit team installed camera recorders at the points where the investigation would be targeted so that the collection of evidence for fraud perpetrators was clearly visible during the buying and selling transactions of fake seafarer skills certificates;
3. The audit team conducted a preliminary survey in the field under the guise of being cadets who wanted to have a skills certificate without going through education;
4. When a transaction occurs between cadets and brokers, the investigative audit team which includes the role of a law enforcement officer immediately arrests the perpetrators of fraud;
5. The seaman skills certificate obtained from the broker is then taken by the investigative audit team to re-evaluate the truth and accuracy of the evidence that the seaman skills certificate is invalid or fake;
6. To prove whether the seaman's skills certificate is fake or not, the internal audit team asks for IT assistance to see (<https://pelaut.dephub.go.id>) to verify it, then check the uploaded certificate number database;
7. The seaman's skills certificate is proven to be fake, so the audit team conducts interviews with the perpetrators of fraud to find out which parties were involved in the fraudulent issuance of the seaman's skill certificate and determine the motivation behind the fraud;
8. Internal Audit calculated the losses incurred from the sale of these counterfeit seaman skills certificates;
9. All physical evidence as well as results from interviews with perpetrators are stored and recorded to be used as accurate evidence in legal proceedings but it is not the authority of the audit team to process fraud perpetrators to be given sanctions;
10. The results of the investigation are reported to the Inspector Inspectorate IV for further processing but all evidence is kept in a copy by the investigative audit team to serve as an archive of their findings.



Figure 1. Example of a Fake Seaman's Skills Certificate  
Source: Author Documents



Figure 2. Sample Certificate of Indigenous Seafaring Skills  
Source: Author Documents

### Internal Audit Procedures in Fraud Investigations

In the involvement of the internal audit to identify indications of deficiencies in seafarers' certificates that have found relevant evidence which is followed up with investigations handling fraud against seafarers' skills certificates, it is clear that the role of the audit in carrying out the procedures or stages carried out by the auditor is very important in carrying out the duties[22]. Finding sufficiently strong and relevant evidence is not easy, the audit team must predict, analyze and follow up on fraud against seaman skills certificates. The stages of the internal audit in collecting evidence to reveal the perpetrators of fraud against fake seaman certificates at the Inspectorate General of the Ministry of Transportation are as follows:

1. Receiving assignments after receiving an Operation Order (SPO) from Inspectorate IV;
2. Hold a joint meeting with the investigation team to discuss each task of the team assigned to the investigation team to deal with fraud in the issuance of fake seafarer skills certificates;
3. The internal audit team forms a division of tasks according to the skills possessed by each member of the internal audit team on duty;
4. Analyzing audit findings that predict indications of fraudulent practices by verifying the database of seafarers' skills certificates, starting from internal data to Pruri's data as a printer that issues official seaman skills certificates, then verifying the data base also to shipping schools, verifying the database on the website ;
5. Installing cameras in places where there is suspicion of buying and selling seafarers' certificates so that recordings from perpetrators of fraud and parties involved in this fraud can be followed up and evidence from camera recordings is the most authentic evidence;
6. Deepen the audit evidence by going deeper so that the findings can make the auditor believe that there is fraud, for example, by deepening the evidence, namely by 3R activities such as security in finance and can also prove the skills of seafarers by looking at the form of serial numbered paper or not and by looking at it using paper that has been given the number of the order of printing, officially a certificate of shipper skills;
7. Interviewing perpetrators of fraud to find out this form of fraud can occur for quite a long time;
8. Discuss the findings that have been evaluated and are believed to have occurred fraud in written form to Inspectorate IV;
9. Keep all copies of each finding evidence along with supporting documents that have been obtained from the ongoing investigation process to a database that will be stored systematically.

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The internal audit stages described above are proof that the indications of fraud proven by the internal auditors are effective in uncovering fraud perpetrators.[23].which is very detrimental to the country.The procedures carried out by internal auditors at the Inspectorate General of the Ministry of Transportation, especially the auditors who are at Inspectorate IV which are included in the type of Audit with a Specific Purpose, have carried out the procedure very well and are in accordance with the Audit Implementation Quality Procedures that apply at the Inspectorate General of the Ministry of Transportation and always maintain communication good relationship between one employee and another. In terms of procedures, the internal audit team also adheres to its independence because the procedures carried out are complied with by all team personnel in accordance with the Quality Audit Implementation Procedures and directions from Inspectorate IV currently held by Mr. Imam Hambali. The success of the investigative audit team is supported by the ways they design well from the beginning to the end of the investigation period,

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This was revealed in the confession of an employee who witnessed the arrest of a person involved in issuing illegal levies of funds from collecting fraudulent acts[12]The issue of fake seaman skills certificates can occur due to the interference of officials within the Ministry of Transportation and funds from the proceeds of this fraud are deliberately collected to finance events organized by the Ministry of Transportation. This was explained directly by one of the One Roof Service officers. And what is even more concerning about the discovery of fraudulent sailor skills certificates is that there is an element of cooperation from top officials, this was also stated by internal parties from the One-Stop Service at the Inspectorate General of the Ministry of Transportation, especially in the maritime sector. From the evidence of the discovery of fraudulent acts that occurred, this is where the presence of an internal audit is urgently needed in the Ministry of Transportation institutions to assist the duties and functions of the Inspectorate in supervising and examining all routines under the auspices of the Ministry of Transportation which include land transportation, air sector transportation, sea sector transportation and rail transportation. The success of the investigative audit team chaired by Ms. Nihayatul Muna in dealing with fraud against seaman skills certificate fraud is one of the proofs that the audit procedures and roles that the auditor applies are in accordance with established standards. maritime sector transportation and rail transportation. The success of the investigative audit team chaired by Ms. Nihayatul Muna in dealing with fraud against seaman skills certificate fraud is one of the proofs that the audit procedures and roles that the auditor applies are in accordance with established standards. maritime sector transportation and rail transportation. The success of the investigative audit team chaired by Ms. Nihayatul Muna in dealing with fraud against seaman skills certificate fraud is one of the proofs that the audit procedures and roles that the auditor applies are in accordance with established standards.[24], but there are still deficiencies due to the absence of an Audit Committee, in Internal Audit at Inspectorate IV of the Ministry of Transportation. The responsibility of the internal audit team is held by the audit team leader and the report on audit results is also signed by the auditor team leader who is involved in the investigative audit process[25]. Not all of the audit results reported to the Inspector were followed up on. This is a fact that happened at the Inspectorate General of the Ministry of Transportation. If this is not followed up, major fraud against seafarer skills certificates will not be minimized or can even lead to other forms of fraud which does not rule out the possibility that there will be greater losses. there is no implementation of internal audit work that is in accordance with the standards, then this fraud will continue continuously and will have an impact on the loss of public trust in the vision, mission and objectives of the Ministry of Transportation of the Republic of Indonesia[9].

#### **4. CONCLUSION**

The conclusions of the research are (1) the role of internal audit is very important in the investigation of dealing with fraud in the issuance of seaman skills certificates. This is evident from the finding of a seafarer's skills certificate that is not in accordance with the established procedures at the Inspectorate General of the Ministry of Transportation. The investigative audit team is a type of Audit with a Specific Purpose. The involvement of internal audit in investigations of dealing with fraud is very influential in uncovering proven indications of fraud actually occurring in seaman skills certificates. (2) The procedures carried out by the internal audit in discovering fraud are from identifying indications of fraud in the seaman skills certificate, looking for relevant evidence, predicting, analyze the fraud by conducting an investigative audit. The stages carried out in the investigative audit process are carried out after receiving an assignment letter that has been approved by Inspectorate IV, then holding a meeting regarding

indications of fraud, dividing work according to the skills possessed by each team member, re-analyzing the audit findings and reporting the findings audit that has been evaluated and is believed to have occurred fraud to Inspectorate IV in written form. (3) The implementation of internal audit is not in accordance with the Government's Internal Audit Standards because in the internal audit at the Inspectorate General of the Ministry of Transportation there is no audit committee, the audit committee is accountable to the Inspectorate.

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