

THESIS PROPOSAL

**“THE ROLE OF INTERNAL AUDITOR IN FRAUD
PREVENTION”**

(CASE STUDY: BANK NAGARI PADANG)



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CHAPTER I

INTRODUCTION

1.1 Background

Bank as a financial intermediary is generally established with the authority to accept deposits, lend money, and issue promissory notes or what is known as a banknote (Hoggson 1926). As mentioned above the bank provides services to depository and lending money.

In general, the bank is a business entity that has the authority and functions to the general public to raise funds for distribution to the needed funds. Here below are all kinds and types of banks and the meaning of the definition / meaning of each bank. There are central bank as have a duty to regulate the circulation of money, regulate the mobilization of funds, arrange banking, manage credit, maintain currency stability, filed printing / additions rupiah currency, etc. Commercial Banks, its like bank are we know that give saving and crediting service (organisasi dan perpustakaan online 2008).

In the process of providing storage services and borrowing the money needed internal audit function as the control of any activity undertaken by the bank. Here, the internal auditors perform their duties as a means to achieve the objectives of the firm and internal auditors to detect fraud in order to protect company property and providing consulting services to management in assessing the quality of performance in accordance with the expected goals. As said by Amrizal (2004, 2) that although the internal auditor can not guarantee that fraud will not occur, but he must use finesse his position carefully. So hopefully be able

to detect the occurrence of fraud and can provide useful suggestions to management to prevent fraud.

G. Jack Bologna, Robert J. Lindquist, and Joseph T. Wells defines fraud is criminal deception intended to financially benefit the deceiver (1993, 3). That fraud is a criminal deception intended to provide financial benefit to the fraudster. Crime here means any act of serious errors committed with malicious intent. (Amrizal 2004)

Bank fraud is any falsification, theft, misinformation or otherwise illegal method used to obtain money through or from a federally regulated banking system. While the specific elements of a particular banking fraud vary between law jurisdictions, the term bank fraud applies to actions that employ a scheme or artifice, as opposed to bank fraud or theft. For this reason, bank fraud is sometimes considered a white collar crime (A. W Berry n.d).

Viewed from the perpetrators of fraud, the fraud can be broadly grouped into two types. By the company, namely management for the enterprise, namely misstatements are arising from fraudulent financial reporting, and Employees to benefit individuals, namely misstatements arising from misappropriation of assets. By parties outside the company, the customers, business partners, and foreign parties can incur losses (Fraud (kecurangan): Apa dan Mengapa 2010).

Perpetrator of fraud has some reason to commit a fraud, like employee and management or someone like white collar commit the fraud were has some reason. Based on Hemanson and Dana R in the article "The Fraud Diamond" (2004); considering four fraud elements stated there are four element to attract someone do the fraud are incentive or pressure, opportunity, rationalization, and

CHAPTER VI

CONCLUSION AND RECOMMENDATION

6.1 Conclusions

Internal auditors provide an adequate role in fraud prevention efforts. They give opinions and recommendations on each activity to be undertaken by the Bank Nagari after review. Opinions and recommendations in the form of analysis of risk management and internal control. In the audit activity, they do so with a professional with a reliable place people in it. In the event they are supervised by BI and the commissioner. Then in communicating the final results of their audits provide a report with the condition, criteria, references, risk, suspected causes, auditee responses, and recommendations that lead to internal control, risk management and governance which leads to corporate objectives. If the results of the audit and review activities of Bank Nagari there is a big problem just as fraud. Internal auditors report the matter to the commissioner and the commissioner to report to BI. Thus, internal auditors help Bank Nagari to prevent the fraud. And it is done by maintaining an internal control, governance, and risk management continues to run well.

This research shows that generally Bank Nagari has well enough implementation of internal auditors and it help to prevent the fraud occurring in Bank Nagari. The author describes it in three aspects: there are professional standards of internal auditors, internal control and the role of internal auditors towards fraud prevention.

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