

The Role of the Internal Audit Unit in Detecting and Preventing Fraud at Public Universities in West Java, Indonesia

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Abstract—This study aims to identify the extent of the role of the Satuan Pengawas Intern (Internal Audit Unit) in detecting and preventing fraud in public universities in West Java under the Ministry of Research, Technology and Higher Education. The research method applied was a qualitative case study approach, while the unit of analysis for this study is the Internal Audit Unit at each public university. Results of this study indicate that the Internal Audit Unit is able to detect and prevent fraud within a public university environment by means of red flags to mark accounting anomalies. These stem from inaccurate budget planning that prompts inappropriate use of funds, exacerbated by late disbursements of funds, which potentially lead to fictitious transactions, and discrepancies in recording state-owned assets into a state property management system (SIMAK BMN), which, if not conducted properly, potentially causes loss to the state.

Keywords—Internal Audit Unit, efficiency, fraud, public university.

I. INTRODUCTION

ANY Indonesian university, as an educational entity with the duty to implement the Tridharma Perguruan Tinggi (Three Principles of Higher Education) comprising education, research, and community service, has to act as an institution which produces quality human resources who are capable of participating actively in national development activities and are highly globally competitive in science, technology, and arts. In order to realize its role in national development, such university needs to be managed well.

The management of a university is the operations of pathways, levels, and types of universities which involve university autonomy, management patterns, administration, and operational accountability of the university. The administrative autonomy of a university comprises academic and non-academic operations based on the principles of accountability, transparency, nonprofit-ness, quality assurance, and effectiveness and efficiency.

In order to reinforce the administration and accountability of the university, the Ministry of National Education or Kementerian Pendidikan Nasional (Kemendiknas) has mandated the formation of Internal Audit Units or Satuan Pengawas Intern (SPI) at university level. The ubiquitous presence of SPI at every work unit of Kemendiknas is

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designated by the Regulation of the Minister of National Education of the Republic of Indonesia (Permendiknas) Number 47 Year 2011 concerning Internal Education. [1] The tasks of SPI in a public university or Perguruan Tinggi Negeri (PTN) cover all processes of audits, reviews, evaluations, monitoring and other control of the duties and functions of the organization, with the purpose of controlling activities, securing property and assets, procuring accountable financial statements, increasing effectiveness and efficiency, and providing early detection of deviance and defiance against laws and regulations.

In reality, the establishment of SPI in PTN has not functioned well. The less optimal controlling role and function carried out by SPI can be observed in the ongoing abundance of fraud cases faced by PTN. In August 2013, the Public Service Monitoring Division of Indonesia Corruption Watch (ICW) reported that until 2013 there were 296 fraud cases in the education sector, accounting for an indicated 619 billion rupiahs of loss to the state. Among them, there were 9 cases of fraud in universities, generating loss to the state of more than 57 billion rupiahs, the third highest in the sector [2].

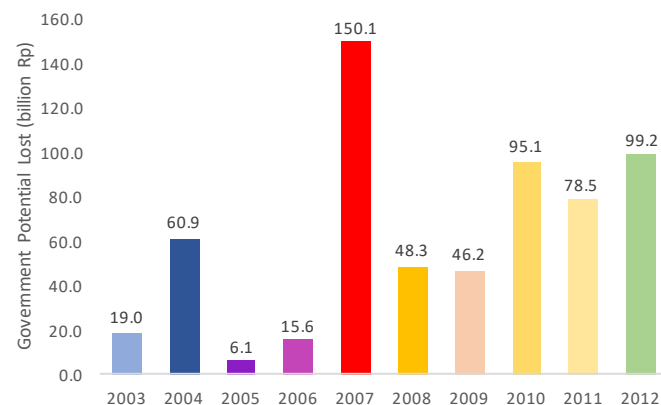


Fig. 1 Loss to the State from Corruption in Education from 2003 to 2013

II. LITERATURE REVIEW

A. Definition of Internal Control

Internal control in this respect is defined in Government Regulation Number 60 Year 2008 Article 1 Item 3 concerning the Government Internal Control System or Sistem Pengendalian Intern Pemerintahan (SPIP) as [3]:

“Internal control denotes all processes of audit, review, evaluation, monitoring and other control activities on the duties and functions of an organization in order to give adequate reassurance that activities have been carried out according to established standards effectively and efficiently to the interest of the leadership in realizing good governance.”

Explanation in Article 48 Section (2): Audit, review, evaluation, and monitoring activities are activities that directly relates to quality assurance.

One form of the application of internal control in an organization is the presence of internal audit. The Institute of Internal Audit (2009) defines internal auditing as a form of independent internal inspection conducted consistently in order to examine and evaluate the activities of an organization [4].

B. Roles and Functions of Internal Audit

A shift in the philosophy of internal auditing towards a new paradigm has been marked by a change in orientation of the role of the internal auditor profession as watchdog, consultant and partner to the management [5]. This paradigm shift in the role of internal audit has consequently brought up a more proactive auditing approach with an increasing focus on risk-based audit, to the extent that an internal auditor plays a role in identifying and analyzing activity risks for the organization. The roles of internal audit for the management [6] are:

- (1) To monitor activities: Internal audit helps monitor management activities by preparing work programs and the auditing schedule of the internal auditor.
- (2) To assess and control risks: An internal auditor has to ensure that risk control of management activities runs optimally. Risk control is an effort to improve the effectiveness and efficiency of management activities.
- (3) To validate management reports: An internal auditor has to review management reports to certify and assure accuracy, precision and presentation of reports according to current standards.
- (4) To assist decision-making processes: An internal auditor assists the management in making an operational decision by evaluating the impact and risks that would result from taking that decision.
- (5) To review activities: Reviewing management activities is a role that internal auditors perform in fulfilling their duties and functions.
- (6) To offer advice and recommendations to the executives: Recommendations from internal auditors in terms of management improvement include processes of planning, organizing, budgeting, operating, accountability reporting as well as evaluation and control.

The specific role and function of SPI in PTN in reference to Permendiknas No. 47 Year 2011 are to conduct non-academic audit comprising: a) Arrangement of audit programs; b) Audit of policies and programs; c) Audit of personnel, financial, and state property management; d) Monitoring and coordination of follow-ups to internal and external inspection results; e) Accompaniment and review of financial statements; f)

Provision of advice and recommendations; g) Composition of audit result reports; h) Evaluation of audit results [5].

Aside from referring to concepts issued by YPIA, SPI in PTN refer to SPIP in conducting their main duties and functions as delineated in Government Regulation Number 60 Year 2008.

C. Government Internal Control System (SPIP)

SPIP declares that the regulator and organizer of the government internal control system in order to manage financial transparency of the state is the head of government.

Internal control complements external control enforced by the government, such as through the police institution, attorney, corruption eradicators, audit board and other judiciary institutions. What distinguishes the internal control system is a control mechanism that warrants greater comprehensive quality and performance of the government, particularly if successfully applied to all central and local government institutions. This precondition would avert state administrators from administrative, civil and criminal law charges. SPIP is an internal control system thoroughly administered in the environment of central and local governments. Government Regulation Number 60 Year 2008, concerning SPIP requires ministers/heads of institutions, governors and regents/mayors to control the administration of their governmental activities. Acts of control are necessary to provide reasonable assurance towards the attainment of effectiveness and efficiency in reaching the goals of state administration. Internal control would yield financial reporting reliability, state asset security and compliance with current laws. The end goal of this internal control system is to achieve effectiveness, efficiency, transparency and accountability of state financial administration. The internal control system is an integral process overseeing constant actions and activities undertaken by executives and all government employees. This action aims to provide reasonable assurance on the optimal achievement of government organizational goals. Such optimality will occur if the organization operates effectively and efficiently, ensures financial reporting reliability, maintains state asset security, and complies with laws and regulations. SPIP is adopted from a concept that attempts to connect gradual change to the internal control system. This concept has been refined by experience in implementing and studying the internal control system. SPIP tries to abandon the conception of an internal control system that used to be based solely on accounting control and administrative control which could then be combined with the element of control environment. Even so, SPIP continues to relate audit responsibility to financial statements. The concept of SPIP is adopted from a study group, the Committee of Sponsoring Organization of the Treadway Commission (COSO) [7]. According to COSO, management control consists of five interconnected principal components which originate from the way the management or leadership carries out its duties. If the organization leaders perform well, all those main components will be built in and permeated into the management process. COSO formulates the five components of an internal control

system as: a) control environment; b) risk assessment; c) control activities d) information and communication; and e) monitoring. With this conception, an internal control system is defined as a set of activities, procedures, processes, and other aspects related to the attainment of the internal control establishment goals. In its development, the nature of control has then evolved to not only encompass a set of activities and procedures but to become an integral process influenced by every person in the organization. The involvement of all its human resources becomes a strategy for the organization's management to anticipate uncertainty that may be experienced in pursuing the goals of the organization. As a result, the character of internal control has shifted from hard control towards soft control. This situation is indicated by rising productivity, efficiency and effectiveness in the performance of the organization. This is accomplished not only through control procedures and mechanisms but also by developing competence, confidence, ethical values, and a unified perspective on the vision, mission, and strategies of the organization. COSO asserts that the characteristic most central to the effectiveness of control lies on process. This brings a consequence that awareness of the importance and benefit of control cannot simply be the responsibility of the top management, but must extend to every organization member, not only to the smallest unit and part of the organization but also to individual level. Hence, all organization members should see control as a tool for achieving goals, and the responsibility for its application becomes a collective duty. However, to ensure effective implementation, COSO's concept still recognizes the "tone at the top." Therefore, heads of government agencies are still urged to assume a highly important role in undertaking this internal control. Consequently, SPIP holds a comprehension that control is designed to help an organization to achieve its goals. The applied control design is adjusted to the form, width, and depth of the goals and size of the organization, nature and environment in which the organization's operations take place. With this concept, there is no generic control that can be directly copied and applied to another organization, and thus control needs to be designed in accordance with respective characteristics of activities and their enclosing environment.

D. Definition of Fraud

In general, fraud is an offence against the law committed by people from within and/or outside an organization for personal and/or collective gain which directly disserves other parties [8]. Nevertheless, several institutions or individuals have tried to define fraud according to their respective points of view. For instance, Black's Law Dictionary [9], defines fraud as "a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment."

According to the Commonwealth Fraud Control Guidelines Australia [10], fraud is "dishonestly obtaining a benefit, or causing a loss, by deception or other means." This definition covers: (1) theft; (2) obtaining a benefit or others by deception; (3) avoiding or abusing obligations; (4) providing false or misleading information to the public, or failing to

provide it when there is an obligation to do so; (5) making, or using false, forged or falsified documents; (6) bribery, corruption, or abuse of power; and (7) any other acts of offence.

The Association of Certified Fraud Examiners [8], schematically depicts occupational fraud in the form of a fraud tree which illustrates its branches and twigs. ACFE divides fraud into three types by deed as follows:

- 1) Asset misappropriation; Asset misappropriation includes abuse/theft of assets or property of a company or other parties. This is the most easily detectable form of fraud due to its tangible nature or defined value.
- 2) Fraudulent statement; Fraudulent statement comprises actions committed by executives or officials of a company or government agency to conceal actual financial conditions by means of financial engineering in issuing financial statements to obtain benefits, also referred to as "window dressing."
- 3) Corruption: This type of fraud is the most difficult to detect because it concerns collaboration with other parties. Corruption is the most common type of fraud in developing countries with a questionable integrity factor due to feeble law enforcement and a lack of awareness over good governance. This fraud type often cannot be detected because all the colluding sides enjoy benefits, akin to a mutualistic symbiosis. Included within this type are conflict of interest, bribery, illegal gratuities, and economic extortion.

E. Fraud Triangle

Donald R. Cressey, as cited in [11], created a classical model to explicate an occupational offender with a final hypothesis that a person is believed to have breached trust when that person views oneself as having a financial problem that cannot be revealed to others, aware that this problem can be overcome secretly by abusing one's power as a trust bearer in finance, with everyday behavior that allows one to shape others' perception of oneself as a trustworthy person in using entrusted funds or wealth. In later developments, this hypothesis is known as the fraud triangle.

The fraud triangle indicates that a person who commits fraud is driven by three factors:

1. Pressure. Cressey believes that fraud is committed by a person under pressure, in that the perpetrator has a pressing financial need undisclosed to others. The core concept here is pressure on one's life (need for money) that one cannot share with others.
2. Opportunity. The fraud offender perceives an opportunity to commit crime unnoticed. Cressey claims that there are two components of perception on such opportunity. First is general information, which is the knowledge that a position with trust can be abused without consequence. This knowledge is gained from what one hears or sees. Second is the technical skill required to commit fraud.
3. Rationalization or seeking justification before committing fraud, but not afterwards. Rationalization is an

indispensable part of the criminal act itself, and is even part of the offender's motivation.

F. Fraud Prevention

Fraud cases that have more frequently occurred inflict considerably large losses to an organization. If fraud cannot be detected and stopped, it will bring fatal consequences to the organization. Therefore, the management has to take proper actions to prevent fraud.

Fraud prevention, according to Pusdiklatwas BPKP [12], is an integrated effort that can suppress the factors of the fraud triangle, namely: 1) Narrowing the opportunity to commit fraud; 2) Reducing pressure on employees to make them able to fulfill their needs; and 3) Eliminating any possible reason for justification or rationalization of the committed fraud.

G. Fraud Prevention Goals

The implementation of good corporate governance has encouraged a number of companies to issue a policy pertaining to fraud prevention efforts. One of them is by giving the opportunity to internal audit to prevent fraud that may emerge within the organization's environment. Fraud prevention techniques that operate well and effectively would raise public confidence and earn a positive image for the company.

According to Pusdiklatwas BPKP [12], effective fraud prevention has five goals:

1. Prevention, which is to prevent real fraud on every line of the organization.
2. Deterrence, which is to discourage potential perpetrators to the extent of taking action against trial attempts.
3. Disruption, which is to restrict the movement of fraudsters as much as possible.
4. Identification, which is to identify high-risk activities and weaknesses in control.
5. Civil action prosecution, which is to place proper charges and sanctions on acts of fraud against the offenders.

H. The Role of Internal Audit (SPI) and Fraud Prevention

An internal auditor has a very strategic role in preventing fraud. The role of an internal auditor as the management's professional partner in auditing, monitoring and analyzing management activities as well as a place for sharing and consultation is key in fraud prevention. A change in paradigm of internal auditors in performing their roles and functions will engender a new face of internal auditors who are more proactive and able to detect fraud as early as possible. This shift towards a new paradigm is expected to improve the effectiveness of internal audit activities, which will significantly help the management in preventing fraud. IIA describe that the internal audit can take in detecting fraud [4];

1. Audit management control on fraud
2. Auditing to detect fraud possibilities by analyzing the greatest risks in order to find fraud indicators in the organization that can contribute to the formulation of a fraud control system
3. Considering the possibility of fraud in the audit activity itself

4. The duty to offer consultation to help the management identify and assess risks and determine the adequacy of the control process on the business environment, new enterprises, or IT applications.

III. RESEARCH METHODOLOGY

A. Research Design

Qualitative research employs a naturalistic background where the researcher acts as the main instrument to explore, understand, and analyze visible facts and data to elicit the social meaning, mindset, and rationale underlying the actions of social agents. The researcher selected a qualitative method as an effort to describe the actual condition of the research object.

A qualitative approach is a naturalistic inquiry that requires a human being as instrument because the research is laden with naturalistic content, as stated that "naturalistic inquiry is always carried out, logically enough, in a natural setting, since context is so heavily implicated in meaning." [13].

1. Data Collection Procedure

Referring to [14], the data collection procedure in this study went through the following steps: (1) Preliminary survey, which is to quarry for up-to-date information by conducting observations to obtain a picture of the research object. (2) Literature survey, which is to gather and study secondary data extracted from scientific books, journals or articles, as well as from laws and regulations relevant with the supporting theories. (3) Field data collection, which is conducted by observation, interview and document study.

2. Data Collection Source and Method

The method used in this research is self-report data. In this method, the researcher enquires a respondent on matters related to opinion, belief, behavior, attitude and emotion. A self-report procedure consists of various techniques including questionnaires, interviews, and assessment scales.

According to Indriantoro and Bambang, self-report data are research data in the form of opinions, attitudes, experiences, and characteristics of an individual or a group of people as research respondents. Self-report data stem from primary data obtained directly from the original source through interviews by posing research questions to informers. In this study, the research questions revolve around the roles and functions of SPI particularly in preventing fraud. In the tradition of qualitative research, the interview is an essential point in the data collection method [15]. The interview form employed in this case study is depth interview, which is an effort to understand the studied social phenomenon.

Besides self-report data, documentary data are an inseparable part of this study. The documentary data in question are documents relevant with the research subject in the forms of reports, meeting minutes, rector's decrees, and regulations.

To attain the research purpose, the researcher also extracted data sources as a participant-observer in a survey observation. Sekaran [16] explains that a researcher conducts participant

observation when the researcher plays a role as, is involved with or becomes part of the research subject. The researcher has thus far been deeply involved with the research subject as a member of the Internal Audit Unit at a PTN in West Java.

B. Research Population

The population for this study comprises every public university (PTN) in West Java under the Ministry of Research, Technology and Higher Education in 2014.

C. Research Informers

According to Indriantoro and Bambang, determining an informer in qualitative research aims to gather maximum information, made plausible if the researcher aptly collects information from the informer. The main criterion in selecting an informer in order to gain maximum information is that the informer is key to the research object [15]. Bungin [16] provides five criteria for the selection of a key informer as:

1. The subject has been intensively and sufficiently long involved in the activities that serve as information, as can be reflected by the subject's facility in presenting information.
2. The subject is still active within the scope of research.
3. The subject has considerable time and opportunities for interviews.
4. The subject tends to give information without prior treatment or preparation.
5. The subject is quite oblivious to research to the point that the researcher feels challenged to collect as much information as possible concerning the subject.

In determining informers, this study applied a purposive sampling method which selects informers with specific criteria who knows and understands about SPI's duties and responsibilities as well as what have been done by SPI at PTN in West Java to date. Based on this description, the informers selected for this research are SPI auditors at PTN in West Java since the SPI auditors are agents in audit and control operations run by the SPI.

IV. RESEARCH RESULTS

A. The Role of an Internal Auditor in Preventing Fraud

In the duties and functions of SPI, an internal auditor holds a highly important role in preventing and detecting fraud. The role of an internal auditor as professional partner to the management in controlling, monitoring and analyzing management activities as well as a place for sharing and consultation is key to fraud prevention and detection. Fitriyah [17], the measures which is taken by SPI in the prevention, detection, investigation and reporting of fraud is 1) establish good internal control structure; 2) effective control activities, 3) improving the organizational culture, 4) testing the adequacy and effectivity internal control system, and 5) evaluate how much risk potential (potential risk) have been identified. Amrizal [18] asserts that an internal auditor has to understand symptoms or red flags in conducting analysis and evaluation to detect any possible fraud and accurately comprehend the structure of internal control in order to be able

to prevent fraud, which calls for the main principle and mechanism of effective and efficient internal control. Wright [19], argues that effective internal control contributes to the declining tendency of accounting fraud. Smith et al., Beasley, Beasley et al, Reinstein, Matsumura and R. Tucker, and Abbot et al. in [20] also declare that effective internal control reduces the tendency of accounting fraud. Dewi et al. investigated indications of fraud and the role of an internal auditor in detecting fraud in a public university environment by means of a qualitative study, finding that fraud symptoms that potentially arise in a public university environment result from a lack of internal control [21].

In the interpretation of the Internal Audit Professional Standards or *Standar Profesional Audit Internal (SPAI)* – standard 120.2 year 2004 [22], concerning knowledge about fraud, it is stated that an internal auditor has to possess adequate knowledge in order to recognize, investigate and test any indication of fraud. Furthermore, the Statement on Internal Auditing Standards (SIAS) No. 3 concerning Deterrence, Detection, Investigation, and Reporting of Fraud [26] provides guidelines for an internal auditor on how to conduct prevention, detection and investigation of fraud. SIAS No. 3 also reiterates the responsibility of an internal auditor to issue an audit report on fraud.

According to interviews with the SPI auditors, they take the following steps in order to prevent fraud:

1. Building a good internal control structure
2. Streamlining control activities
3. Improving the organization's culture
4. Testing the sufficiency and effectiveness of the internal control system
5. Evaluating the extent of identified potential risks

In streamlining control activities, SPI carries out:

1. Review of actual performance in comparison with budget, prediction, or performance during the previous period, connecting a set of data from different operations or finances, along with analysis of relationships and acts of investigation and improvement
2. Physical control activities comprising physical security of assets, adequate surveillance over facilities protected from access to assets and records, authorization for access to computer programs and data files, as well as periodical calculation and comparison with total numbers stated in controller notes
3. Task distribution: Delegating responsibilities to different individuals to grant authorization, recording transactions, managing asset security in order to restrict the opportunities of a well-positioned individual to commit fraud and conceal errors and anomalies in implementing tasks during normal conditions
4. Fraud investigation: Investigation is the application of further procedures for SPI to obtain reasonable assurance on whether the identified fraud has indeed taken place. According to SPAI [22], in launching an investigation, an internal auditor is compelled to:
 - a. Conduct thorough assessment/inspection of fraud possibilities.

- b. Believe that the knowledge, skills and competencies needed to handle the investigation as a team are indeed possessed by an internal auditor.
- c. Construct a procedure line to identify who is involved in committing fraud, how extensive the fraud is, when and where it is committed as well as what method of fraud is used and eventually how much potential loss is inflicted by the fraud.
- d. Coordinate with other relevant parts, such as the divisions of finance, law and administration, employment, etc.

The significance of an internal auditor in detecting fraud corroborates ACFE's report in 2010 in which 60% of respondents stated that an internal auditor plays a vital role in fraud detection efforts [27].

B. Fraud Symptoms

Experts have classified fraud into three types, namely fraudulent financial statement, asset misappropriation and corruption, each of which has distinct characteristics [27]. For a nonprofit organization, asset misappropriation potentially occurs more often than the other types of fraud. This conforms to what an SPI auditor as Informer 1 disclosed in an interview, "The type of fraud which potentially occurs in the environment of a public university relates to asset management because of the very large quantity of assets. Meanwhile, internal control of assets can be said to remain low, so that this matter becomes an opportunity for internal parties or employees to exploit that weakness. The use of company assets is highly prone to be committed by the employees themselves. For instance, using stationery that is brought home. They assume that using such asset is very commonplace, added also with its cheap price (markers, paper, ballpoint pens, etc.)"

A similar notion was given by Informer 2 that asset misappropriation potentially happens more frequently than fraudulent financial report at a public university institution, as quoted from an interview, "Generally, the division of functions and parts that specifically handle assets in a public university environment has already been facilitated by an application provided by the Directorate General of State Wealth, which is the State Property Accounting and Management Information System or *Sistem Informasi Manajemen dan Akuntansi Barang Milik Negara* (SIMAK BMN). However, in reality there are still differences between notes recorded into that application by a recording officer and physical evidence during inventory taking by SPI. This happens because recording of assets into SIMAK BMN in previous years has not produced clear information, which eventually affects balance sheet presentations in later years. The BMN supplies account will seem overstated or even understated in the presentation of the financial statement of entities. Nevertheless, at the moment endeavors in public accountability and transparency have pushed asset recording and internal control of assets in the environment of public universities to become better."

Asset misappropriation also highly potentially occurs to cash, which is the easiest asset to embezzle. The quantity of

funds managed by PTN is very large, whereas the smallest units of fund-using entities are faculties/departments/study programs. Weak internal control over cash reserves also gives opportunities to fraudsters to commit fraud. Similar views were expressed by Informers 2, 3 and 4, who were also assigned to undertake investigative audits on cash embezzlement cases. Larceny or money theft schemes most potentially materialize when internal control over cash is very low, inviting people to perpetrate the fraud triangle.

Based on the above discussion, the most potential fraud to be committed in a public university environment relates to asset misappropriation, although it does not dismiss the possibility of the other two fraud types to take place in such environment, worsened by a public perception that doubts the freedom of government institutions from corruption. The public has consumed much news information on television and newspaper which uncovers acts of corruption in the education sector as aforementioned as this study's background. This is in line with Informer 4's view, "The greatest potential for acts of corruption is in the procurement of goods and services that is neither transparent nor accountable. Problems which arise during that process of procuring goods and services begin from the selection stage. Even through e-procurement, framed by the Regulation of the President of the Republic of Indonesia Number 54 Year 2010 [23], concerning Procurement of Government Goods/Services, but there are still administrative terms or requirements from auction participant companies, do not complete them, so that during inspection by an internal auditor from SPI, there are auction winning companies that do not fulfill their administrative requirements. The most crucial matter is a direct appointment of a company as supplier of goods without going through the designated process. At times the company name is already "available." Or the bidding company names are different but have the same address. These matters have become "common practice" to pass a company name that *nota bene* that company will give benefits to a person in the auctioning company. And such case takes place in a public university environment then public resentment escalates given that an educational institution which is supposed to be able to instill moral values into students turns out to be capable of being an offender against those moral values."

This research finding concurs with fraud reported by ACFE based on results of a survey organized in 106 countries in 2010 [27], which revealed that loss inflicted by corporate fraud worldwide accounts for about 5% of total annual income, or if applied to the estimated value of the Gross World Product in 2009 would reach as much as \$2.9 billion of potential loss. From those fraud cases, the most dominant type is asset misappropriations (86%), followed by corruption (33%) and the smallest portion (5%) pertains to fraudulent statements. Nevertheless, fraudulent statements generate the greatest loss with a median of approximately \$4,1 million [27]. ACFE's survey results are similar to those of KPMG Australia's Fraud Barometer in 2012 in that most organizations which fall victim to fraud are commercial, financial and government ones [24].

C. Accounting Anomaly

Another fraud symptom is anomalies in accounting data, as quoted from the interview with Informer 5, "Funds managed in the smallest entity unit are commonly handled at faculty level. Late issuance of accountability reports for cash usage often happens indicated by the occurrence of delayed recording. This matter I think may occur because the cash handling treasurer present in the faculty unit bears a considerably high workload. Besides that, delays in recording are caused by late delivery of accountability reports of activities under the faculty's responsibility. Such as accountability for student activities, accountability for seminar activities organized by the lecturers, or soft skill training activities for educators. Whereas another symptom which is underdeveloped budget planning may trigger fictitious transactions to transpire as there are important activities to be performed but are not included in the current year budget. Although a budget revision mechanism exists but it cannot completely overcome underdeveloped budget planning. Underdeveloped budget planning besides caused by the budgeter itself can also be caused by currently unavailable standard prices for goods and services, even if already available but those standards cannot fully accommodate activities that will be held." Yet another fraud symptom may arise due to late disbursements of funds. As quoted from the interview with Informer 4, "The problem of late fund disbursements also still becomes a hurdle in budget absorption. If the conveyed funds are not on time especially when the transfer of funds is made for abundant end-of-year activities, this matter may prompt fictitious transactions to happen."

Informer 4's statement echoes Informer 5's, who said that late fund disbursements are also a frequent issue, as quoted from an interview, "Late fund disbursements in the beginning of the year affect the occurrence of difficulties in running activities. Fictitious transactions may appear as a result of that matter. Another problem which is also faced is when reporting said funds, if the commitment of the fund user in implementing the budget is not punctual also may incite fictitious transactions."

Although the budget remains a concern in financial management, several universities selected as research sample have shown a positive phenomenon in the increasing commitment of universities to realize transparency and accountability of the public sector. A viable budgeting system has also been operated by numerous universities, among which was described by Informer 4, "Budgeting in our university has been conducted with an online system starting from planning, funding proposals until fund use reporting. In coming years' efforts to improve recording accuracy can be continuously developed with the current system."

Similarly, Informer 3 claimed, "A financial accounting system integrated to the university's website has been available at our university since 2010, where every study program is required to fill in budget online and present financial accountability report online. This has enhanced the

verification process of budget parts upon the fixed ceiling, establishing harmony between the budget and its realization."

All that have been undertaken by SPI in public universities have clearly aimed to perform audit in order to produce maximum performance quality in fulfilling the mandate of Permendiknas No. 47/2011 [25], concerning the Internal Audit Unit. The following information was obtained from Informer 5 as an SPI member, "In performing audit, we do a preliminary survey by studying the Budget Implementation Registration Form or *Daftar Isian Pelaksanaan Anggaran* (DIPA) of PTN first and mapping the auditee's condition in the field, we make an audit program as material in performing the auditing work. SPI coordinates with the lines of dean offices, heads of administration and financial divisions to seek further information to obtain information that is more detailed and accurate by checking available documents, evaluating the process of purchasing goods and services at units up to its accountability report form. Evaluating the standard operational procedures (SOP) whether they have complied with current standards. Performing audit on state property management because of the phenomenon of uncovered corruption cases concerning procurement of goods and services and construction within the public university environment that drag along the line of executives. Besides that, many buildings that are damaged although newly built. In implementing and evaluating the results of audit done by SPI. SPI only reports and recommends results of conducted audit to the rector because the rector is the direct superior of SPI. The reports and recommendations presented by SPI are the authority and prerogative right of the rector to implement what has been recommended by SPI. Now the work that has been done by SPI there is no one who has controlled and evaluated over the reports and recommendations submitted by SPI. Be it an audit board, an audit commission or a supervisory board. The function of such controlling institution is as an alternative route should the reports and recommendations given by SPI not followed up by the rector."

V. CONCLUSION AND RECOMMENDATION

A. Conclusion

It can be concluded from the discussion above that:

1. The fraud symptom occurring in nonprofit organizations pertains to asset misappropriation, prompted by disparities between records on the SIMAK BMN application and physical evidence during inventory taking by SPI, resulting in inaccurate presentation of the supplies account on the balance sheet.
2. One symptom of fraud is any accounting anomaly marked by under-developed budget planning or late fund disbursements that potentially entice fictitious transactions. Late documentation of economic activities also leads to late recording in financial reporting.
3. An internal auditor plays an important role in detecting fraud, but the role of the top management in reviewing internal control is more significant in fraud detection according to the "tone at the top" concept. The task of

an internal auditor to assess risks of fraud in the public university environment has been optimally undertaken, but the final decision remains in the hands of the rector as budget leader.

B. Recommendation

As recommendation for future research on the role of auditors in preventing fraud in public universities, identification of symptoms or red flags should utilize COSO's measurement, namely the five components of an internal control system formulated as: a) control environment; b) risk assessment; c) control activities; d) information and communication; and e) monitoring.

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