



Mitigation of the potential fraud in the era of business digitalization in the covid 19 pandemic: exploration of accountant's role and challenges

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Article Info

Article History:

Received 13 April 2022

Revised 16 June 2022

Accepted 25 June 2022

Kata kunci:

Forensic accountant;
Fraud; Digital business;
Accountant; Forensic
accountants

ABSTRAK

This study aims to see the role of accountants in mitigating the potential for fraud that occurs in the digital business era during the Covid-19 pandemic through the implementation of forensic accounting. This research will use a qualitative approach by using various previous studies and studies as the data source. This study found that business accountants have an essential role in the Covid-19 pandemic. Business accountants can have a crucial role in the digital information industry in controlling internal problems so that the results are efficient and effective, thereby reducing the risk of fraud. Forensic accounting can help detect the potential for fraud to mitigate the consequences of fraud in this digital era. If corruption has occurred, then what the Forensic Accountant must do is detect corruption. Forensic Accountants can detect fraud and corruption problems more quickly because Forensic Accountants already know and master the techniques in detecting fraud and corruption.



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INTRODUCTION

The global challenge that emerged at the end of 2019 and continues until now is the emergence of a global pandemic, namely the coronavirus outbreak, better known as Covid 19. Coronaviruses (CoV) are infectious diseases. In March 2020, the World Health Organization (WHO), the world's health organization, declared the COVID-19 outbreak a global pandemic (Khan et al., 2020)).

In fact, not only in Indonesia, almost all countries implement a "Lockdown" policy. For many people, the world is experiencing a crisis due to Covid 19, which may remind them of several previous crises, such as the 2008 financial crisis and the 2008-2012 global recession. The crisis due to this pandemic has reshaped the public's perspective on activities outside the home/company (Lee et al., 2020)

However, behind some of the negative impacts of the current crisis, it also presents several opportunities, such as using more sophisticated and flexible technology. Awareness of protecting nature and ecosystems in this world. It is hoped that a healthier digital lifestyle during this pandemic will provide better and professional access to digital media, especially among professional business accountants (Temperton et al., 2019). The industrial revolution was first introduced by Prof. Klaus Schwab, Founder and executive chairman of the world economic Forum. This revolution gave birth to Super Computers. Driverless vehicles, intelligent robots, neurotechnology developments, and other fully automated digital worlds (Lugosi, 2019). It is an absolute and unavoidable phenomenon for various companies in the 4.0 industrial revolution era. Companies must have a strategy that can carry out transparency and innovation to deal with it (Tri et al., 2021).

In line with the rapid development of the world of technology and telecommunications and computer technology, the internet is multipurpose. This development brings us to a revolution in the history of human thought when viewed from the construction of human knowledge with an unlimited way of thinking with the acceleration of increasingly sophisticated technology (Shahzad et al., 2020). This is the cause of continuous changes in all interactions and activities of the information society. Recently, fraud cases in Indonesia have been information technology crimes (cybercrime) (Umanailo et al., 2019).

According to Kwandi, handling cyber crime cases is still quite difficult because technology in Indonesia is still inadequate and lacks knowledge of digital techniques. The methods and methods used

to manipulate companies are numerous, and the possibility of detecting all existing frauds through computers is just a dream (Rosadi & Tahira, 2018).

Donald Cressey first conducted traditional research on fraud in 1950, which raises the question of why fraud can occur. The results of this study raise the factors that trigger fraud which is currently known as the “fraud triangle”. In this study, Cressey decided to interview fraud perpetrators who were detained for fraudulent acts in the form of embezzlement (Abdullahi & Mansor, 2018). Cressey interviews 200 embezzlers who are currently serving time in prison. One of the main objectives of this study is to conclude that every fraud committed by the perpetrators fulfills three essential factors as triggering factors: pressure, rationalization, and opportunity (Zuberi & Mzenzi, 2019).

Prevention and disclosure of digital fraud can usually be carried out by implementing a forensic accountant (Kustinah, 2022). Forensic Accountants are independent parties who have a combination of expertise in accounting, auditing, and law to prove fraud (Adesina et al., 2020). Forensic Accountants must have a CFE (Certified Fraud Examiners) certificate as proof of the knowledge and experience of the certificate holder as a professional in the anti-fraud field. The findings indicate that the Forensic Accountant is used as evidence in the trial process. Still, its nature is not binding on the investigator because the investigator is authorized to use the forensic accountant’s report or not (Courtois & Gendron, 2020).

Based on the description above, the researcher then intends to be able to research how the role that accountants can have in mitigating the occurrence of a potential fraud that usually occurs in digital business during the Covid-19 pandemic.

RESEARCH METHOD

This research was conducted using a qualitative approach using secondary data. Whereas, according to (Sugiyono, 2019) qualitative research methods are often called naturalistic research methods because the research is carried out in natural conditions, or as an enographic method, because initially this method was used more for research in the field of cultural anthropology, they are referred to as qualitative methods because the data collected and the analysis is more qualitative. And this secondary data comes from various research results and previous studies that are still relevant to this research. The research data that the researcher has collected will be analyzed immediately so that later the results of this study can be found.

RESULT AND DISCUSSION

The Impact of Covid-19 On Accountants

The Coronavirus disease that began at the end of 2019 presents alarming health, economic and social crisis that is currently being faced by the world. All parties are now faced with a continuous increase in costs, and some parties are also faced with a decrease in income due to the Covid-19 pandemic. When this article was written, the pandemic was still ongoing in Indonesia. Countries have closed their borders, restricted the movement of their citizens, and even kept their citizens in quarantine in their homes for some time. Feelings of loneliness are associated with poorer cognitive performance, negativity, depression, and sensitivity to social threats. This can be seen through the increase in firearm sales. This increase in social and economic pressures and rationalization due to the effects of the pandemic is part of the fraud triangle. When equipped with opportunities for low internal control in the company, it will lead to fraud (Shonhadji & Maulidi, 2022). Therefore, the internal auditor has an essential role in evaluating the implemented internal control system and whether it can prevent fraud (Esteki et al., 2019). Besides affecting costs and income, social distancing policies are also carried out as an alternative to reduce the spread of this virus. This social distancing policy significantly affects the internal audit profession, which often goes directly to the field or direct interviews in conducting internal audit procedures (Gomes et al., 2021).

The company’s policy of restricting travel and implementing social distancing also resulted in audits without physical access to company locations. Various considerations must be made considering that there are several negative impacts from conducting this remote audit, including not being able to observe the audited party directly, remote auditing also makes it difficult to establish a relationship with the auditee, and the lack of personal interaction opens up opportunities for fraud to occur. Seeing this change in the audit process indicates that it is necessary to identify the existing fraud risk. This Covid-19 pandemic did not occur at the beginning of the year, for which the audit planning had been done by

internal audit. Therefore, internal auditors need to spend time and then examine and review which are the priorities for direct audits, which are then adjusted to the health regulations and protocols set by the government. After reviewing the existing audit plan, it is important to adapt and reschedule in accordance with the limitations of distance and the acquisition of existing information due to this pandemic.

Accounting in the Digital Age

The digital era presents a new paradigm in accounting that technological developments with all their products are considered capable of rivaling the critical role of accountants in carrying out various accounting activities that are important for companies (Mohite, 2019). Financial recording to the analysis of financial data has been partially entrusted to computer applications and software rather than relying on the accuracy and precision of an accountant for reasons of efficiency and effectiveness that are far superior (Christian et al., 2021). If viewed from one side only, this is a positive impact of technology in easing the task of accountants so that accountants can concentrate on carrying out other tasks that computers cannot replace. However, from another point of view, this presents new challenges and threats that are pretty latent, namely the possibility of fraud by utilizing digital technology and by using reasons for the need for effectiveness and efficiency as the basis for covering the tracks of fraud committed and leading opinions on the necessity of using digital technology which allows the fraud to be challenging to detect and last for a long time.

The first challenge and threat that is very basic is the mindset of humans who think that machines and technology, in this case, information technology that creates the digital realm, can be a substitute for humans, especially the accounting profession, in carrying out accounting functions. Technology was created to help humans carry out their roles more effectively and efficiently (Akrou & Ayadi, 2021). There will always be opportunities for human resources to play a role in various essential processes in all areas of life (Perhudoff et al., 2020). However, things that need to be observed are related to the need for humans to also participate in developing their capacity to always be better through adaptation to technological developments around them. In a sense, humans must be actively able to use technology as an instrument of self-development and careers by continuing to learn. Thus, a positive perspective on digital technology is critical to place the technology as a threat or a challenge that can be utilized for self-capacity development.

The problem that arises from the misconception about the role of digital technology is the opportunity to take advantage of it for personal gain by deceiving parties who do not have adequate knowledge about the use of digital technology in supporting the accounting process (Alshurafat et al., 2020). This follows the fraud triangle and the fraud diamond concept regarding the opportunity and capacity to commit fraud by taking advantage of the development of digital technology and the uneven knowledge and ability to use this technology in some companies.

With the presence of digital technology, especially with its products in the form of big data and cloud computing, then there is a significant tendency that companies that apply these technologies will change the method of measuring their assets from what was initially done conventionally to using digital technology to measure their assets so that all work becomes paperless and highly dependent on the role of applications and digital storage (Oyerogba, 2021). The application of digital technology does offer much higher efficiency and effectiveness. Still, it is also accompanied by the creation of the potential for fraud because the data input process determines all asset information. There is a slight error in data input, and it will have an impact on all the information generated by the application. In this case, the error can be caused by negligence, lack of ability to operate the technology or fraud.

Implementation of Forensic Accountants in Preventing Fraud

Forensic Accountants have a crucial role in preventing or minimizing acts of corruption. This is following research conducted by Fikri, who said that Forensic Accountants are one of the early prevention efforts against corruption crimes in Indonesia. Similar to the research conducted by Jenitra & Prihantini, that Forensic Accountants can significantly reduce fraud in the public sector. Mulyadi & Nawawi's research also reveals that forensic audits positively affect fraud prevention. If a forensic audit is carried out, better and more optimal fraud prevention can be done. Forensic Accountants also have expertise in planning preventive measures before corruption occurs. Preventive strategies must be implemented by directing the things that cause the emergence of corrupt practices. Every cause of

corruption identified by the Forensic Accountant before must be made a preventive effort to minimize the causes of corruption. In addition, efforts should be made to minimize corruption opportunities.

Forensic Accountants must identify the factors that cause fraud and corruption to formulate corruption prevention efforts. Using the Pentagon Fraud Theory, where this theory is a new theory put forward by Crowe Howarth . The theory of the expansion of the Fraud Triangle Theory proposed by Donald Cressey, namely Pressure, Opportunity, and rationalization, adds two other elements of fraud: competence and arrogance.

Based on the Pentagon Fraud Theory, to formulate prevention efforts, it is necessary to know the five elements of fraud and corruption, namely (Kartikasari et al., 2021) :

1. If the driving factor is pressure, then what must be done is to remove the pressure. The pressure that occurs is usually due to financial and non-financial pressures. Prevention efforts that can be taken are law enforcement and severe sanctions to provide a profound deterrent effect on fraud perpetrators.
2. If the driving factor is an opportunity, then the preventive measures taken are to improve the Internal Control System (SPI) in government agencies. This method is the best and most correct action, where the Internal Control System is known for its processes and procedures aimed at preventing corruption. Then it can be designed and implemented to prevent corruption (making a deterrent effect).
3. If the driving factor is rationalization, then the prevention effort that must be done is to improve the morals and ethics of every individual in government agencies so that they become more integrity. With the improvement of morals and ethics that are getting better and better, it is hoped that all individuals in the agency can think better and more transparent and do not look for justifications for the acts of corruption that will be carried out.
4. One of the factors that influence the occurrence of fraud in financial reporting, where this factor involves competence. Ability is defined as a person's position or role in both the private sector and government agencies. Prevention efforts that can be done are internalizing the moral concept of religion and culture so that the individual uses his abilities properly following existing religious and cultural orders.
5. The last factor is arrogance. Arrogance is superiority or the presence of arrogance in someone who believes that whatever he does is right even though he knows that what he is doing is against the rules and wrong. So prevention efforts can be made to guide changes in his personality. If this does not work, the leader has the authority to replace that person's role with a more ethical and competent person.

Implementation of Forensic Accountants in Detecting Fraud

If corruption has occurred, then what the Forensic Accountant must do is detect corruption. Based on the Pentagon Fraud Theory, a Forensic Accountant can detect fraud and corruption problems more quickly because the Forensic Accountants already know and master the techniques for detecting fraud and corruption. In a study conducted by Ihulhaq, it was revealed that Forensic Accountants had a significant positive effect on fraud detection. Detection of corruption is carried out to assist the organization in creating a healthy and beneficial environment within the organization by preventing the occurrence of more significant impacts and material losses due to corruption. In detection, the Forensic Accountant does examine matters that are more related to the assets and financial statements of the organization/agencies (Rashid et al., 2022). Detection of corruption is carried out by conducting an investigation, which must look at financial statements with a list of transactions that have been carried out and carry out criminal investigations by looking at the mode, motive, or intention of the perpetrators of corruption.

According to Lidyah's research, forensic accountants can detect the causes of fraud. This is also in line with Rizki's research that forensic accounting positively affects white-collar crime detection. If the Forensic Accountant has forensic expertise and applies it properly and well, the detection of white-collar crime will increase. There are three main fraud categories: corruption, asset misappropriation, and fraudulent financial statements. The three categories of fraud can cause losses to the state, finances, and the country's economy, so the role of Forensic Accountants is crucial in investigating fraud cases because Forensic Accountants can find early indications (indicia of fraud) for fraud in an organization/institution. Forensic accountants can also assist the police in solving legal cases

by helping to collect evidence and evidence for court proceedings and are also creative in applying various investigative techniques (Xu et al., 2022). Forensic Accountants can also carry out examinations from within the organization and use a procedural audit approach so that it will be easier to detect fraud that occurs when compared to investigations carried out by the police. In the context of detective strategy, Forensic Accountants have implemented unique and creative investigative procedures by combining the ability to investigate financial evidence of transaction content and investigation of criminal acts with the content to observe the intentions or modus operandi of the perpetrators so that fraudulent acts can be detected quickly and briefly.

CONCLUSION

Business accountants play a crucial, pivotal role in the organization's business activities, especially during the Covid 19 Pandemic. Business accountants play a vital role in the digital technology industry as an effective and efficient internal control function. Business accountants are expected to be able to find any fraud that may be caused as a result of the impact of the Covid 19 Pandemic, primarily related to the digital industry, which is digital online with its capabilities and professional activities and expertise in carrying out proper supervision. The implementation of fraud is carried out by utilizing digital technology to optimize opportunities to commit fraud, taking advantage of problems in human error and lack of knowledge in the use of digital technology using digital technology products. Forensic Accountants have a vital role in preventing or minimizing acts of corruption. If a forensic audit is carried out, better and more optimal fraud prevention can be done. Forensic Accountants also have expertise in planning preventive measures before corruption occurs. Preventive strategies must be implemented by directing the things that cause the emergence of corrupt practices. If corruption has occurred, then what the Forensic Accountant must do is detect corruption. Forensic Accountants can detect fraud and corruption problems more quickly because Forensic Accountants already know and master the techniques in detecting fraud and corruption. Detection of corruption is carried out to assist businesses in creating a healthier and more profitable environment in the business environment by preventing the occurrence of more significant impacts and material losses due to corruption. In detection, a Forensic Accountant checks things that are more related to assets and business financial statements. Detection of corruption is carried out by conducting an investigation, which must look at financial statements with a list of transactions that have been carried out and carry out criminal investigations by looking at the mode, motive, or intention of the perpetrators of corruption.

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