

## **Investigating Fraudulent Document Using Legal Information Available on the Internet**

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### **Abstract**

*This research is to suggest alternate method of investigative audit which is relatively free and more efficient. As the technology develops and becomes more advanced, and the documents are digitized and transactions are processed electronically, the probability of creating fake documents is increasing and therefore, the way to identify and detect fake documents is urgently needed. At the same time, there are many information can be checked and confirmed through websites of the organization. As internal audit has the role to detect and prevent fraud to occur, it needs to adapt investigative audit method and improve the skills in order to stay relevant to the latest situation. By utilizing the information and sources available on the internet, investigative audit methods which were dominated by physical check and visitation, in which the cost is relatively high, can be reduced*

**Keywords:** *investigative audit method, fake documents, information, internet, internal audit*

### **INTRODUCTION**

Fraud is an action committed by a group or a person intentionally for getting personal benefits, avoiding responsibility, or making financial or non-financial loss to other party (Ruin, 2009). According to Report on Corruption Action Trends issued by Indonesia Corruption Watch (“ICW”) in 2018, the way of committing fraud were vary, among them are: mark-up prices, budget misappropriation, embezzlement, fictitious reports, bribery, fictitious projects, budget excision, illegal fees, abuse of power, gratuity, extortion, double budgeting, and mark down. All the cases were occurred on government institutions which provide services for public (ICW, 2018).

In most cases in Indonesia, the way of committing fraud is conducted through forging and falsifying supporting documents. The motive is clear and pretty straightforward: to maintain the accountability of budget expenditure. It may not seem as big deal to forge and falsify the supporting documents since it may be counted as minor evidence or in small numbers. With the advancement of technology and applications, forging or falsifying documents is relatively easy, even in the era of using financial report application programs such as SAIBA (Indonesia’s government financial report application program). It is due to the weakness of this application program which is unable to check or detect on whether or not the supporting documents are falsified. This is the challenge of internal audit which has the role to detect and prevent fraud to occur (IIA, 2019).

### **LITERATURE REVIEW**

#### **1. Internal Audit’s Responsibility**

Every organization need to have a strong procedure of internal control to minimize fraud risk and to assess those controls is the role of internal audit (IIA, 2019). In Indonesia, the role of

internal audit in government agencies is carried out by Indonesian Government's Internal Auditor which intended to encourage the implementation of good governance and clean government, which is free from corruption, collusion and nepotism (Kisnawati & Kartini, 2014). The internal audit conducted by the government internal auditor is not only limited to audit function, but also the guidance function regarding the budget management (Kisnawati & Kartini, 2014).

As the fraud case, especially corruption, in Indonesia has reached “severe” level in the past two decades, public’s trust to government agencies had declined (Pakpahan, et al., 2013). The effort to prevent and combat fraud, in fact, has been done by establishing Commission of Corruption Eradication (Maria, et al, 2018). The Audit Board of the Republic of Indonesia (BPK-RI), who serves as government independent auditor, as it is required by Government Financial Audit Standard, identifies and assesses the fraud risk factor in detecting fraud (Maria, et al, 2018). Another effort which is to raise people’s awareness of the dangers of fraud for the country through workshops, seminars, and disseminations, has also been done massively by government (Maria, et al, 2018). But, the results of those efforts have not been seen yet as the fraud cases continue to occur through the years (ICW, 2015).

It might seem like “money was corrupted”, but what was truly happened was “the documents have been corrupted or manipulated”. Many fictitious transactions or projects have been created in order to gain sum amount of money illegally. Clearly, in the process of creating these fictitious transactions or projects, many documents have been forged and falsified. This condition, has raised the issue regarding the control function by government internal auditor and the law enforcement to prevent fraud regarding the budget expenditures through forging and falsifying documents (ICW, 2018).

## **2. Fraudulent Documents and Legal Basis in Indonesia**

In the past, information was provided in the form of paper documents. Even until now, organizations use paper documents to provide information including their financial documents (Bertrand, et al, 2013). As electronic and information technology develops and becomes more advanced, documents are digitalized or electronically produced and stored. In addition, the transactions are also processed electronically. Since any information such as images, example of the original documents, templates, and many more are now provided or can be accessed though the internet. Many applications such as Adobe Photoshop, CorelDRAW, Microsoft Office, can be utilized as a tool to create fake documents, causing the probability of creating fake documents increases. Therefore, the way to identify and detect fake documents is urgently needed (Bertrand, et al., 2013).

In Indonesia, many cases of fraud occurred were due to forged and falsified documents regarding budget plan and expenditure accountability. The documents which were forged and falsified including procurement documents, invoices, letter of offer, letter of statement, and many other types of document related to projects or programs (Commission of Corruption Eradication, 2019). Code of Criminal Law Section 263 stated as follows:

- (1) Anyone who makes a false letter or falsifies a letter which may inflict to a right, an agreement or release of debt, or which is intended as evidence of something with the intent to use or order someone else to use the letter as if the contents are true and not falsified, will be convicted if such use may cause losses due to falsification of documents, with a maximum imprisonment of six years.
- (2) By the same penalty shall be punished, any person who deliberately uses forged documents or which is falsified as if they are true, if the use of said documents may cause harm.

Despite the fact that the punishment of falsifying documents is severe, six years imprisonment, fraudsters seemingly disregard this consequence of falsifying documents as the fraud cases due to falsifying documents continue to occur to this day (Commission of Corruption Eradication, 2019). It was reported by Indonesia Corruption Watch (2018) that there were 454 corruption cases handled by the law enforcement with the amount of state losses worth more than IDR5.8 trillion (>\$388 million) and many documents were proven to be forged and falsified.

### **3. Available Sources on The Internet**

In Indonesia, under Article 1(1) of Information and Electronic Transaction Act Number 11 of 2008 as amended by Information and Electronic Transaction Act Number 19 of 2016 stated that “Electronic Information is one or a set of electronic data, including but not limited to writing, sound, images, maps, designs, photos, electronic data interchange (EDI), electronic mail (electronic mail), telegram, telex, telecopy or the like, letters, signs, numbers, Access Codes, symbols, or perforations that have meaning or can be understood by those who are able to understand them”. Article 5(1) of Information and Electronic Transaction Act Number 11 of 2008 as amended by Information and Electronic Transaction Act Number 19 of 2016 stated that “Electronic Information and/or Electronic Documents and/or printouts thereof are valid legal evidence”.

Nowadays, many information can be checked and confirmed through websites of the organization, and as referred to the Article 5(1) of Information and Electronic Transaction Act Number 11 of 2008 as amended by Information and Electronic Transaction Act Number 19 of 2016, the electronic information provided from the sources on the internet are valid legal evidence. In a normal audit process, information provided on paper documents, will be confirmed through physical check or visitation to the site. The cost inflicted to the physical check or visitation is relatively high and taking more time while the audit period is limited. Some of the information may not be needed to be physically checked to confirm, but it can be confirmed through the website of the organization.

Information such as the board of directors, members of management, organizational structure, departments, divisions, products, services, addresses, phone numbers, and other types of information are provided on the website, which can be valid legal evidence in Indonesia under Article 5(1) of Information and Electronic Transaction Act Number 11 of 2008 as amended by Information and Electronic Transaction Act Number 19 of 2016. Using the information available on the internet, can be very efficient and pretty handy as it is free and just utilizing search engines such as Google, Yahoo, and many other engines.

## **RESEARCH METHODOLOGY**

The methodology used in this research is systematic review. According to Hanley and Cutts (2013), there are two things required in systematic review: “a brief discussion of the relevant literature and a precise statement of the aim and question of the research”. The alternative investigation method is analyzed briefly based on the literature which is relevance to the method. The analysis is then used to give a precise statement regarding the aim and question of the research.

## **RESULTS AND DISCUSSION**

The investigation process is technically easy and pretty straightforward. Auditor does not need any specific training to do this. Auditor just needs more effort and skills in specifying keywords they type in the search engines. The information on the paper documents can be

checked using search engines through the original website of the organization, for example: “we would like to know whether or not the existence of some appliances in the store and the price”, just type the kind/type of appliances offer in certain store mentioned, then it will appear the real/original offered by the store mentioned, including the prices.

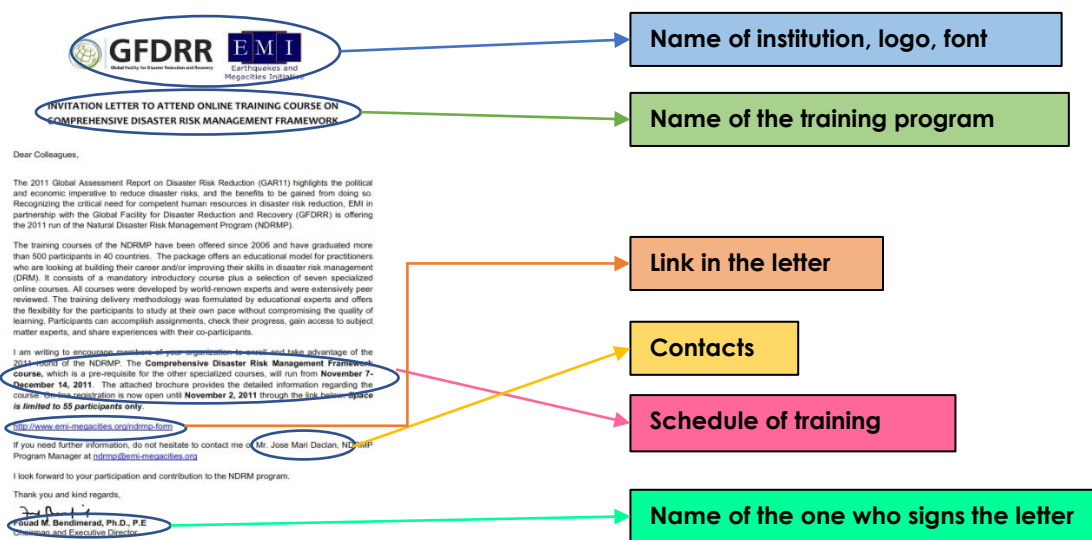
Information provided by original source (not limited on the offer by some store) usually at the head of the letter, there will be information such as the name of the organization, addresses (physical and electronic), phone numbers, emails, and logo of the organization. In the body of the letter, there will be more information such as names, to whom the letter is addressed, what the letter is about, and also who writes and signs the letter. Each of the information can be checked and confirmed on the original website of the organization easily. Auditor may use the information from websites of government agency as well, in term of where the organization or company is registered. Other information such as a person criminal records and involvement in one or some cases as a witness or an expert witness, may also be useful in investigation. If auditor finds some of the things are different between the information on the printed paper documents and on the original website of the organization, it can be considered as audit findings.

In Indonesia, the evidence acknowledged by the court, is still dominated by paper documents. Therefore, auditors focus more on the paper documents, in which the verification process costs more since it is conducted by physical checking or visitation. Another disadvantage of physical checking is time consuming in needed to do visitation to the sites for physically checking the assets or inventory, while the audit period is limited. Investigation using the available sources on the internet in the internal audit process conducted by government internal auditor in Indonesia is still considered as something new and unfamiliar. Many auditors have not realized of how efficient and easy to obtain legal evidence from the internet. Google Maps or Google Earth provided by the internet can be used as a tool to know and confirm the exact location of a building or place. If auditors want to confirm that the phone number whether it is still active and owned by an organization, they can check through the company’s website. In some cases, there are more than one phone number on the letter and if those numbers do not match with the ones on the website, or the phone numbers are owned by other organization, it can be taken as audit findings as well as legal evidence. Auditors may also not realize that they can use the information on the original website of the organization as legal evidence under Article 5(1) of Information and Electronic Transaction Act Number 11 of 2008 as amended by Information and Electronic Transaction Act Number 19 of 2016.

This method is relatively simple, more effective, and more efficient in investigating foreign documents. Foreign activities require high cost as well as the cost for verification process if it is done by physical check or visitation. Training program in one of the country in Europe, for example, the cost of the training for one person is estimated \$20,000 including accommodation and fees. If the training is for 20 persons, then the total amount of the cost will be \$400,000. In the process of submitting proposal, there will be documents required such as application letter, terms of reference, letter of offer from the training institution, costs estimation, the list of the participants, and essays. In order to check and confirm the existence of training institution and activities of the training, the auditors do not necessarily need to go to Europe. They can use search engines, such as Google, to perform basic investigation. By performing basic investigation such as checking on the website of the organization providing the training and any other information, including mail the organization through e-mail address provided, there are going to be conclusive information and data which can be used as evidence to support the audit findings. If it is later proven that the training institution is not existed or can not be confirmed as the original website

of the institution is not found, then auditor can certainly state that this activity is fictitious and therefore should be canceled or stopped.

Official document usually has a specificity that distinguishes them from fake documents, such as the paper (type and size), templates, colors, fonts, size of logo or fonts, and the one who signs the document. All of the information in the official document can be checked and confirmed through the organization’s original website on the internet. Fake document usually has a slight difference with the original ones, but some of the information in the document cannot be checked and confirmed through the organization’s original website on the internet. This, can be considered as red flag in the internal control, hence, internal auditor should know that it may lead to fraud. Using this method, auditor has managed to prevent fraud to occur. The impact is clear: potential state loss of \$400,000. Other impacts beyond monetary loss are the damage to the reputation and the declining trust of government agency. Public, or taxpayers, put high trust to the government agencies to manage the budget expenditure which the main source is from tax. Internal auditor, has the responsibility to ensure the internal control in place is present and working properly to prevent fraud to occur (IIA, 2019). It is also required for internal auditor to modify the investigative audit method as the technology becomes more advanced. Here is an example of what kind information that can be checked using available sources on the internet:



**Figure-1 Information that can be checked using available sources on the internet**

From the illustration on Figure-1, auditor can use the information provided on the letter to confirm: the name of institution, logo, font, the training program, link, contacts, training schedule, and the name of the one who signs the letter. Auditor can use the search engines typing each of the information to gather evidence needed for the audit findings. If the information provided on the letter does not match with the information on the original website or source, auditor can conclude that the letter is falsified or forged in their audit findings.

**CONCLUSION**

As electronic and Information technology becomes more advanced, the crime involving technology and internet is also developed to a different level. Internal audit as risk function, with the advancement of this electronic an information technology, needs to adapt and improve their

skills in order to stay relevant in detecting and preventing fraud to occur. It is also required for internal auditor to modify the investigative audit method to be more applicable and efficient by utilizing the information available on the internet. Investigative audit methods which were usually dominated by physical check and visitation, which is relatively high cost and time consuming, can be reduced by utilizing the information and sources available on the internet as it is considered as legal evidence under Article 5(1) of Information and Electronic Transaction Act Number 11 of 2008 as amended by Information and Electronic Transaction Act Number 19 of 2016

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