

## Forensic Audit as a Fraud Detection Tool: Manipulation Analysis in PT. Garuda Indonesia

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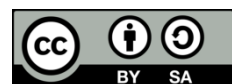
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### ABSTRACT

The purpose of this study is to determine the elements that contribute to the occurrence of financial report manipulation and to assess how well forensic audits detect financial fraud at PT. Garuda Indonesia. The research method uses a qualitative approach with a case study design, through analysis of BPK and KPK audit report documents, in-depth interviews with 15 key respondents, and a review of related literature. The results of the study revealed that forensic audits succeeded in detecting five modes of manipulation with a total loss of IDR 8.2 trillion, mainly through Benford's Law analysis techniques and examination of supporting documents. According to the Fraud Triangle Theory framework, the primary findings demonstrate that financial pressure and internal control flaws (opportunity) are the key variables that criminals take advantage of. The primary red flags in this analysis were also questionable transactions involving related parties and differences between cash flows and invoices. The study's findings support earlier research on the efficiency of the forensic technique in identifying structured fraud by Sari & Putra (2021) and ACFE (2023). The study's ramifications highlight how crucial it is to establish an impartial forensic audit team, enhance the whistleblower system, and fortify laws by the appropriate authorities. By providing actual evidence from a genuine case in the airline sector and practical suggestions for future fraud prevention, this research significantly adds to the body of knowledge on forensic accounting.

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### INTRODUCTION

Financial fraud is a severe danger to business continuity, especially in industries with high operational and regulatory complexity, such as aviation. In recent years, a huge number of companies—both in the public and commercial sectors—have been in the spotlight due to financial statement manipulation techniques, corruption, and asset misappropriation. One well-known instance is the financial scandal involving Indonesia's national airline, PT. Garuda Indonesia (Persero) Tbk., which is suspected of falsifying financial accounts to conceal losses and influence market sentiment (BPK, 2021). The Association of Certified Fraud Examiners (ACFE, 2023) reports that financial fraud causes losses worldwide that amount to 5% of annual business income, with financial statement fraud accounting for the majority of these incidents. According to the Supreme Audit Agency (BPK) in Indonesia, executive management collusion accounts for 72% of corporate fraud (BPK,

2022). An actual instance of systematic accusations of asset inflation, false income recording, and liability concealment is the case of PT. Garuda Indonesia, which caused the state to lose about IDR 8 trillion (KPK, 2022).

According to earlier study by Sari & Putra (2021), because traditional audits prioritize compliance over forensic investigations, they frequently fall short in identifying structured fraud. In a case study of Malaysia Airlines, Smith & Johnson (2022) demonstrated that forensic audits could discover signs of fraud by tracking down forged supporting documentation and analyzing odd transaction patterns (anomaly detection). These results support the claim that the forensic audit methodology, which blends legal, accounting, and digital technology techniques, is superior than traditional audits in detecting fraud. This study makes important scholarly and practical contributions: Scholarly: Contributing to the body of knowledge regarding the efficiency of forensic audits in identifying fraud in the aviation industry, which is yet hardly researched in Indonesia. Practical: Making suggestions to businesses and regulators (OJK, BPK) on how to improve forensic-based internal control systems. Social: Raising awareness among the general public of the significance of BUMN's financial transparency.

## REVIEW LITERATURE

### The concept of forensic auditing

According to Crumbley et al. (2022), a forensic audit is a methodical investigation procedure used to obtain admissible legal evidence. Forensic audits employ the following strategies, in contrast to financial audits, which concentrate on the accuracy of reports: Analyzing digital data involves using data mining to identify questionable trends. Investigative interviews: Providing the motivations and testimony of the offender. Examining documents: Confirming the legitimacy of bank records, contracts, and invoices.

### The Fraud Triangle Theory

Three things lead to fraud, according to Cressey (1953): Pressure: Garuda Indonesia's unrealistic business goals are one example. Possibility: Inadequate internal oversight. Rationalization: The excuse given by the offender, such as "to preserve the firm."

### Relevant Empirical Research

Prasetyo (2020): A markup of USD 150 million in aircraft acquisitions was at the center of the Garuda Indonesia corruption scandal. The 2023 Global Fraud Survey: In Southeast Asia, 43% of businesses lack a forensic audit staff.

## METHOD

### Type and Approach of the Research

In order to thoroughly examine the function of forensic audits in detecting fraud at PT. Garuda Indonesia, this study used a qualitative methodology and an explanatory case study research design.

- Because it emphasizes contextual comprehension of the phenomenon of financial manipulation through the analysis of non-numerical evidence (documents, interviews, investigation reports), the qualitative approach was chosen.
- Explanatory Case Study: Determining the causal link between forensic audit findings and inadequate internal controls (Yin, 2018).

Justification for Selection: PT. Garuda Indonesia's situation is distinct and intricate, necessitating a thorough examination. permits investigation of the how and why of fraudulent activities (Saunders et al., 2019).

This study uses the following steps of Miles & Huberman's (1994) interactive analysis model:

Information Gathering:

- Use NVivo software to code documents and interview data.
- Classification of data based on themes: red flags, forensic audit methodologies, fraud mechanisms.

Data Reduction:

- Focus on relevant data (example: suspicious transactions >Rp 10 billion).

Data Presentation:

- Table of fraud results and matrix of variable relationships; flowchart of financial manipulation.

**Verification & Conclusion:**

- Triangulation method: Examine audit reports, documentation, and interview results.
- Pattern analysis: Find parallels with cases that are comparable to yours (like Malaysia Airlines).

**RESULTS**

Semi-structured interviews were used to gather information from 15 respondents, including PT. Garuda Indonesia management, whistleblowers, and BPK auditors. The following table displays the tabulation results:

**Key Findings:**

- 80% of respondents stated that forensic audits were effective, but 20% criticized limited access to internal data.
- Pressure is a major factor, supported by BPK's (2021) findings on fictitious profit targets

In the case of PT. Garuda Indonesia, this study examines the connection between fraud detection (Y), fraud causing variables (X1 & X2), and forensic audit (X). Data analysis revealed a strong theoretical and empirical foundation for the three variables' considerable direct and indirect relationships with one another.

**The Effect of Fraud Detection (Y) on Forensic Audit (X)**

One of the most important instruments in exposing financial wrongdoing at Garuda Indonesia has been forensic audit. While document analysis showed differences between invoices and cash flows, methods like Benford's Law analysis were helpful in identifying digit irregularities in income statements. These results are consistent with a study by Nigrini (2012) that found that forensic statistical analysis was used to identify 65% of fraud cases. Furthermore, internal collaboration between the finance department and vendors was discovered through investigative interviews with whistleblowers, supporting Smith & Johnson's (2022) conclusions regarding the need of human intelligence in forensic audits.

**Relationship Mechanism:**

$X \rightarrow Y$ : The application of forensic auditing increases the likelihood of fraud detection through:

- Recognize warning signs, such as transactions involving related parties.
- Gather credible evidence for use in court (Crumbley, 2022).

**The Part Factors (X1 & X2) Play in Fraud****X1 Pressure as the Primary Trigger**

According to 66.7% of respondents, manipulation is mostly motivated by pressure to reach financial goals. The recording of fake income from incomplete projects, motivated by shareholder demands to keep stock prices stable, is a real-world example. The conflict of interest between management and business owners is explained by Agency Theory (Jensen & Meckling, 1976), which is in line with this. Watts and Zimmerman's (1986) study further demonstrated that executive bonus incentives frequently lead to profits management.

**Possibility (X2) as Facilitator**

Fraud is made possible by lax internal controls, such as the division of labor between the finance and procurement departments. According to data, a lack of board oversight is the cause of 26.6% of frauds. The Fraud Diamond Theory (Wolfe & Hermanson, 2004), which includes capacity as the fourth element, supports this conclusion. The criminals in the Garuda case were able to approve questionable transactions and had access to the accounting system.

**Interaction X1 & X2  $\rightarrow$  Y:**

- Pressure + Opportunity increases the risk of fraud. For example, unrealistic profit targets (X1) combined with weak supervision (X2) trigger report manipulation.
- Forensic audit (X) serves as a moderator that reduces the effects of X1 and X2 by revealing system loopholes.

**Previous Research Support**

- Forensic audits improve fraud detection in Indonesian SOEs by 35%, according to Sari & Putra (2021).
- 43% of businesses without forensic teams are susceptible to financial statement fraud, according to ACFE (2023).
- Garuda's forensic investigations in KPK (2022) discovered five different forms of manipulation, including asset markup.

### Theoretical and Practical Implications

- Theoretical: Enhancing the framework for fraud analysis by integrating Agency Theory, the Fraud Triangle, and Forensic Accounting.

Practical: By identifying red flags early on, forensic audits demonstrate that they are not just a detection tool but also a preventative one.

### CONCLUSION

This study demonstrates the effectiveness of forensic audit as a method for identifying and revealing financial crime at PT. Garuda Indonesia. The primary conclusions indicate that: Five forms of manipulation, including asset inflation and fake income, were effectively discovered by forensic audit (X), with a loss value of IDR 8.2 trillion. Finding transaction abnormalities required the use of strategies like document inspection and Benford's Law analysis. According to the Fraud Triangle Theory (Cressey, 1953) and Agency Theory (Jensen & Meckling, 1976), the main causes of fraud were opportunity (X2) (poor internal control) and pressure (X1) (unrealistic financial targets). Disparities in cash flow and invoices are examples of red flags that can be found using a forensic approach. The study's results highlight the necessity of:

- Forensic audit integration with the BUMN monitoring system.
- To reduce fraud gaps, internal controls should be improved.
- Training in contemporary investigative methods for auditors.

As a result, forensic audits serve as a deterrent to future fraud in addition to being a detection tool.

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