

Internal control and forensic auditing in public entities

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Abstract

This scientific article investigates the need to implement forensic auditing as a tool that allows the internal control departments of public entities in Colombia, so that they can perform preventive risk control, monitoring and detection of fraud and corruption risk situation, since the country has originated corruption. scandals, for this a methodology with a qualitative approach was developed, of an interpretive and descriptive nature, in which an analysis of the surveys conducted to the internal control departments of public entities was made, a random sample of a total population of 80 was made , 40 public entities in the city of Medellin were surveyed, to determine the control mechanisms that are in place to mitigate fraud within the facilities of the entities and determine the current status of the issue raised, The results of the investigation determined that there are no policies and procedures to prevent fraud, therefore it is proposed to the government entities that it is necessary that the officials of the internal control department have the necessary knowledge and skills in the area of forensic auditing and in their work schedule for the current periods the execution of specific audits in this area and the implementation of preventive controls, which will ensure the public finances. therefore it is proposed to the government entities that it is necessary that the officials of the internal control department have the necessary knowledge and skills in the area of forensic auditing and in their work schedule for the current periods the execution of specific audits in this area and the implementation of preventive controls, which will ensure the public finances. therefore it is proposed to the government entities that it is necessary that the officials of the internal control department have the necessary knowledge and skills in the area of forensic auditing and in their work schedule for the current periods the execution of specific audits in this area and the implementation of preventive controls, which will ensure the public finances.

keywords Forensic auditing, internal control, public entities, risks, audit, internal control, auditing

Introduction

According to (Rozas, 2009), economic crimes have shown an unfortunate increase in recent years. The evils that are glimpsed in the public sector in the countries are the issue of corruption of high state officials, where the figures for misappropriation of resources are in the millions of pesos; anticipating in some cases, judicial procedures and economic sanctions;

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however, in some countries the legislation is harsh and others with soft legal aspects to the imputation of sanctions to officials involved in cases of fraud. For citizens who contribute to the public budget of their country, it becomes a daily issue about press reports issued by control entities in relation to cases that come to light,

This situation has caused a contagion in the institutionality of the governments of the countries of Latin America and the Caribbean, where the large public entities and the branches of public power are involved, causing distrust on the part of the citizens of the management of the public resources; not leaving aside the businessmen involved in fraud related to public procurement. In the Colombian case, several cases of financial fraud have originated, among which we have the controversial case of Interbolsa evidenced on May 19, 2013, as revealed by the financial superintendent, in a subsequent investigation all kinds of tricks were found to make up the balances. Liabilities were recorded as credit installments or simply taken to funds abroad without any kind of guarantee. This is how doubts about the shady dealings of the organization are clarified, without exempting the Superintendence from its responsibilities. (Sarmiento, 2013).

Additionally, there is the case of Odebrecht, which, according to documents published by the United States Department of Justice, between 2001 and 2016, paid approximately USD 788 million in bribes to obtain contracts associated with more than 100 projects in twelve countries, including Angola, Argentina, Brazil, Colombia, the Dominican Republic, Ecuador, Guatemala, Mexico, Mozambique, Panama, Peru and Venezuela; obtaining approximate profits of USD 3,336 billion. The investigation reveals that the Caribbean, Central East and Pacific regions are where 79% of the acts of corruption reported by the press take place. In addition, 45% of corruption cases were concentrated in five of the country's 32 departments, with Santander leading the list with 14%, followed by Atlántico, Valle del Cauca, Bolívar and Antioquia. On the other hand, the cities where the largest number of events are recorded are Bogotá with 7%, Barranquilla, Bucaramanga, Cartagena and Medellín. Of the 327 acts identified, 69% of the cases of corruption had a municipal scope, 25% at the departmental level and 6% of the remaining acts correspond to acts of national scope.

There is no doubt that there is evidence of bad administrative practices by senior managers of public organizations in Colombia. For this reason, this research analyzes the subject and will focus on the Municipality of Medellín, since fraud has occurred in recent years in some public entities, such as the case of the General Hospital of Medellín - Antioquia, in which the manager was dismissed and disabled for 11 years due to irregularities in contracts entered into during his administration. In turn, the EPS SaludCoop evidenced manipulation of Financial Statements and corruption in administrative management, which affects the main cities of the country, including Medellín: finally, it is considered to document the case of the Medellín Metro that occurred in 2019,

The aforementioned cases in the city of Medellín have not been evidenced by traditional audits, such as financial or internal control audits, but rather through complaints and special examinations. Therefore, it is necessary to apply forensic auditing to identify fraud. It is intended to propose alternatives, from the forensic audit, aimed at combating and counteracting the presence of this social phenomenon, which has negative effects on the public budget in all types of public institutions in the city of Medellín.

Carrying out the investigation is justified since the work carried out by control agencies such as the Comptroller General's Office is the execution of traditional audits; which are not enough and although they have a forensic control management department, they are not enough

and impunity is manifested in the number of millions left by each political party at the end of the mandate period, this type of event gives rise to a more specialized auditing work called forensic auditing. Hence, it is necessary to know the importance of this technique, which allows identifying fraud practices in public entities, bearing in mind that the economy of the city of Medellín is in a period of growth, which makes it more susceptible to crimes of patrimonial character, such as fraud and corruption; the lack of effective controls that support the changes that this expansion entails cause high rates of economic crime. Therefore, a model for the application of forensic auditing in public entities is proposed, for the detection of fraud as value mechanisms of the research proposal.

Citizens guarantee the selection of their representatives and monitor their actions to supervise citizens, even more so in modernization, and require higher levels of information about the responsibilities of the agency. Control of public entities and governments, in which fraud is deployed in this field. Chaikin and Sharman (2009), Guillamón et al. (2011); Ríos et al, (2017) was due to scientific studies to focus on managers to determine MECI internal monitoring updates and financial fraud. This will always be possible because each institution must be committed to the control of resources, each representative of state organizations must try to reduce risks to a minimum, because it is necessary for each member to participate in the entity in the institutional values of the entities and make these facts known, in their activities, at risk to achieve institutional objectives due to confusion or fraud, as determined by the tower. (2018) and Gottschak (2018), in case of fraud operations for institutions in the public and private sector to face the challenges of controlling administrative processes, without effective control. Current mode, the Forensic Audit is a basic tool that can be useful. To prevent and detect corruption fraud, this did not believe in the administration, According to Rozas (2009), the criminal audit is aimed at identifying acts of corruption and financial fraud derived from illicit acts and of the type applied by the fraudster, according to Rozas (2009). Rozas (2009) points out that forensic auditing is an area of forensic auditing that gathers evidence for the purpose of proving crimes and helping justice. Atagan & Kavak (2017), define the forensic audit as a control mechanism that organizations must implement as the first line of defense to protect the interests and objectives of the entity's beneficiaries, Ramírez & Saldarriaga (2011), thanks to the use of forensic auditing that enables rapid response to fraud and corruption. Forensic audits are applied in public entities, by the General Comptroller of the State, when complaints against a public official for fraud are detailed and there is sufficient evidence to adequately carry out the audits and disciplinary measures against practices of undue enrichment,

Methodology

The applied methodology was developed with a qualitative approach, of an interpretive and descriptive nature, in which an analysis of the surveys carried out on the internal control departments of public entities was carried out, out of a total population of 80, 40 were surveyed. public entity in the City of Medellín, in order to know the internal procedures that accounts to prevent the risk of fraud, according to the data and statistics from secondary sources, it seeks to determine the importance of the forensic audit as a tool that should be used in the control area to detect fraud and carry out appropriate preventive controls.

Simple random sample formula.

$$\binom{N}{n} = \frac{N!}{n!(N-n)!} = {}^n C_n$$

Total, of the population (N) 80

Confidence or security level 95%
 Accuracy 3%
 Sample size 40

Results

As a result of the research process, it was possible to identify that the public entities of the city of Medellín start from the guidelines given for the presentation of information determined by the MECI control model, for the development of reviews that account for an organizational articulation, giving rise to internal control in them, until the identification of inappropriate actions, in order to establish corrective measures that contribute to the reduction of fraud in this type of entity, it is for the above that it is necessary to establish internal control mechanisms that account for a more thorough and detailed process in organizations and the forensic audit may be the one indicated, as Aguirre and Flores (2019) put it, Forensic auditing has been used in Latin American countries by government agencies to detect fraud, money laundering, and corruption.

Bad habits in the public entities of Medellín can cause counterproductive impacts at the cultural, educational, economic level in the region, among others, delaying the development of the city, for not having control of the resources in the public entities of Medellín.

Based on the above, the following findings were identified as a result of the application of the techniques and instruments mentioned in the methodology, where in the first place a survey is carried out on the established sample of the public entities of Medellín, in order to determine the level of control in them and identify how solid are the mechanisms they have for the prevention of fraud.

Next, the questions that were applied to the companies selected in the sample will be listed.

Table N 1. *Fraud Risk Control Questions*

QUESTION
Are you a public official?
Does the public entity have a program to raise awareness of the risk of fraud, which is taught at all levels?
Is there an effective mechanism for reporting fraud situations?
What kind of measures have been taken to increase the confidence of officials in the strategy to detect and investigate fraud?
Does the public entity have software, programs or automated systems to detect fraud?
Is senior management perceived as honest and with integrity?
Are vulnerability assessments against internal and external fraud carried out on a regular basis?
Is there adequate segregation of duties among public officials?
Is the audit department endowed with sufficient budgetary and operational autonomy to carry out its function without undue interference?
Among the personnel recruitment procedures, what measures do they include?
Does the Public Entity have effective support programs for its employees with addiction problems, deterioration in their mental or emotional health, financial or emotional problems?
Do you have an open-door policy that allows officials to speak freely about pressures, helping management intervene before they become a problem?
Are anonymous surveys carried out to measure the morale of officials?

Font. ACFE Fraud Risk Control Questions.

Based on the structure of the previous questions, the following results can be highlighted:

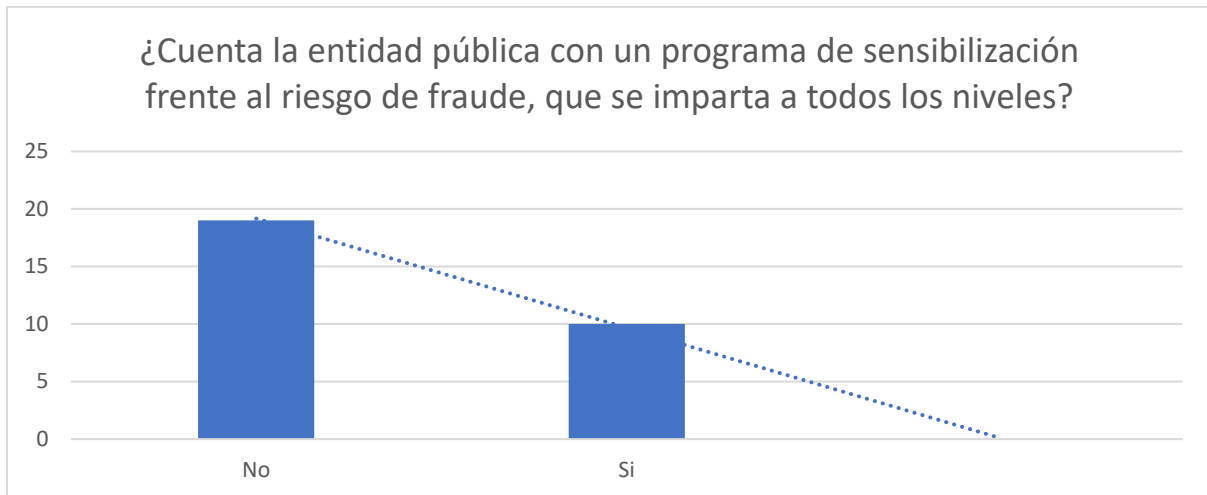


Figure No. 1. *Risk awareness.*
 Source: Own elaboration, 2022.



Figure No 2. *Segregation of functions.*
 Source: Own elaboration, 2022.

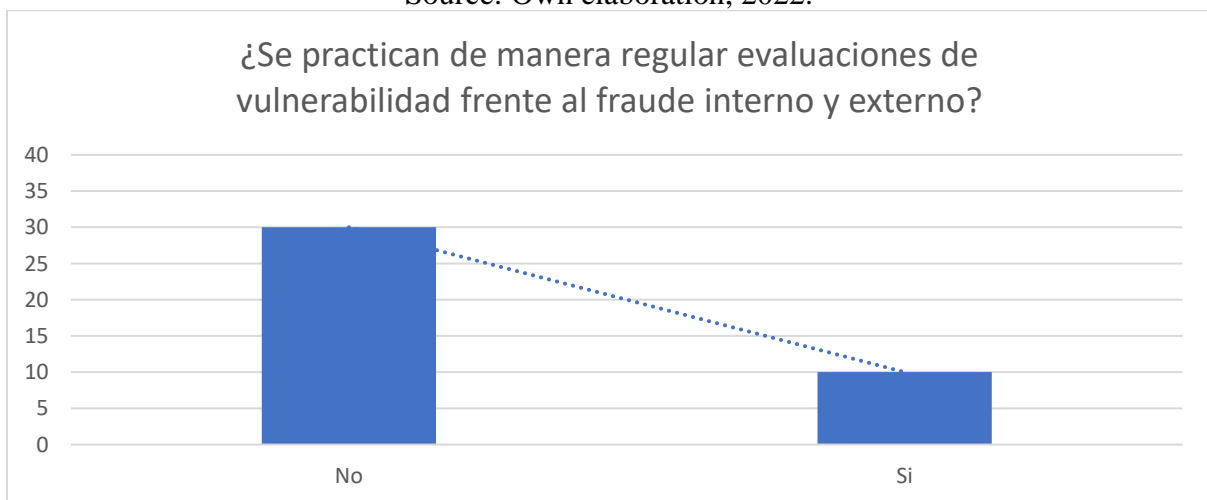


Figure No. 3. *Fraud vulnerability assessments.*
 Source: Own elaboration, 2022.

The responses provided in Figures 1, 2 and 3, reveal the lack of control that occurs within public organizations, these being prone to high levels of financial fraud, this due to lack of controls, monitoring, articulation with the regulations that govern the sector, and clarity in the functions assigned to public officials. The foregoing calls into question the organizational processes that occur in the public sector and how control and surveillance organizations are carrying out their functions, in order to guarantee the adequate allocation of resources based on a good. common, as established by the Political Constitution of Colombia in its article 267, where it determines that:

“Fiscal surveillance and control are a public function that will be exercised by the Office of the Comptroller General of the Republic, which oversees the fiscal management of the administration and of individuals or entities that manage public funds or assets, at all administrative levels and with respect to all kinds of public resources.

It is due to the above and taking into account the results of the survey that it is necessary to follow up on these processes and to be aware of them before the citizens, since being public entities they must be accountable to the citizens. The confidence that citizens have in government institutions is as follows:

Confianza en el Estado

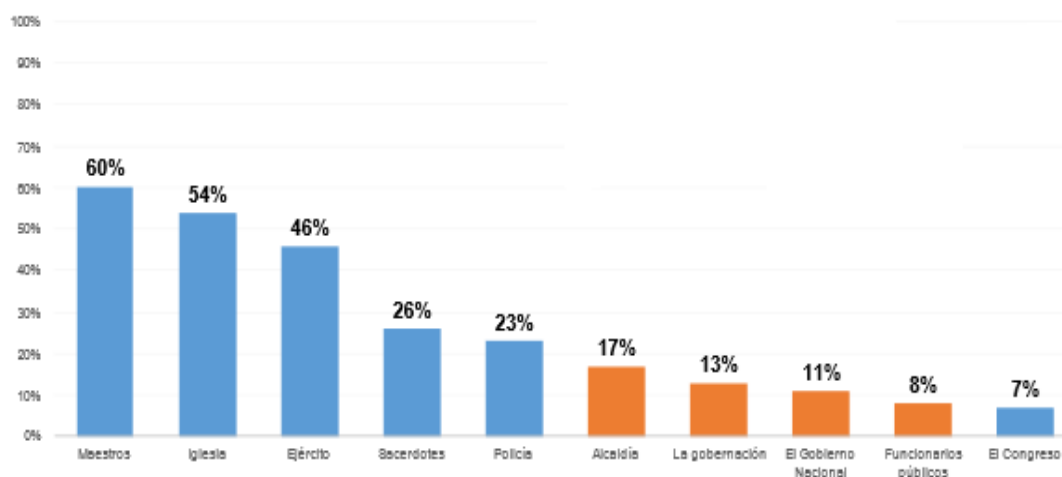


Figure N.4 Confidence in the Colombian State
Source: Corpovisionarios: Citizen Culture Survey

On the other hand, accounting for the component of the perception that citizens have regarding the trust that exists in terms of the different government agencies and officials, Figure 5 shows that, for citizens, the level of trust highest is when they refer to teachers and in which there is less trust is when referring to the congress and in a medium term reference is made to priests and police.

Discussion

“The control systems that are used most frequently by the control entities are the control of legality, which serves to determine if the financial, administrative, economic or other operations have been carried out in accordance with the applicable regulations”(Restrepo,

2018, p. 116). It is in this sense that in the literary world there are particular views on the subject as such of the Forensic Audit, which supports the subject in context from its perspectives and theories. "Corruption is a constant of humanity, it has coexisted with poverty and inequality. It is another form of injustice that weighs on societies. From the oldest and most powerful civilizations it remains as a sub-reality that exists" (Saltos, 1999, p. 19).

Therefore, this concept is attributed to the negative use of resources by which they can be controlled by one or more directors or not of an organization that in this case refers to the public one, thus being the first thing that could be detected within of the use and applicability of the audit as a mitigation tool to the rough corruption processes is the disproportionate appropriation and waste of those resources for which they would have as a primary point to implement the respective forensic audit tool so that when deviations or appropriations on other people's resources it is possible to mitigate at least such an event in search that they may be less present within the entity's processes. From one point of view, these facts are not considered as sub-real as the author appreciates, since if an approach can be made in the studies or audits carried out on some entities of this guild, it would be easy to denote that they are always latent. by control organizations.

It is then that from the point of view of (Oñate L., 2017) in consequence with the forensic audit and its certain characteristics, it sustains that it has functional characteristics for its application, since it necessarily adapts to seek a specific purpose which consists based on the veracity, timeliness and effectiveness of the evidence for or against the accused. Appropriating this concept is interesting since it allows landing the way to determine certain aspects when it comes to finding, through the information, the degree of culpability within an ongoing event during the forensic audit process,

On the other hand, according to the authors Lugo CD and Cano M. (2005) "The responsibility for the prevention and detection of fraud and error lies with the administration through the implementation of adequate accounting and internal control systems, the Changes in the organizations , dependencies or government entities must generate modifications or changes in the control systems since the risks increase , the forensic audit therefore requires all the technical ability , sound reasoning , energy , courage , independence, imagination, ethics and integrity which are hallmarks of our profession as public accountants".

Understanding this point of view, it is important to contemplate that contribution to which the authors refer, it is essential to denote the need for which the forensic audit, despite having certain skills in the detection and control of risks, called financial and / or administrative, are added to these a new line of requirements that complement this circle of skills, providing greater security and reliability to the process as such within organizations, in this case, public. A contribution from the authors OCAMPO S., C.; TREJOS O.; SOLARTE G. 2010 in his book (Forensic techniques and auditing) support that "The honesty or dishonesty of an organization depends on the incentives they have to act the rewards and punishments, for this reason there are many lawsuits and people with large investigations caliber, which is the reason, there is still a long way to go on the basis of being honest. Fraud is inherent in organizations, the *raison d'être* of controls, of security prevention". It is worth highlighting and giving importance to this reference, giving this support to the theory, it is essential to note that the entity or/organizations are not exempt from this scourge, therefore, there is a constant threat of the violation of accounting, financial, administrative and other processes and procedures. It is in this sense that one of the qualities to be implemented in this aspect would be based on professional ethics, to that end. called of the right,

Finally, Fonseca, A & Luna, C. (2015). Analysis of the contribution of forensic auditing in the judicial investigation of financial crimes in Colombia, support that "Forensic auditing as a new practice aims to present a different approach to investigation, which could be much more effective when dealing with a crime in financial matters, since it is not only based on typical qualities of accounting matters, but in addition to this, the application of its work is based on propitious knowledge of criminal procedure, investigation techniques, evidence collection, criminalistic psychology among other characteristics, which make this an effective tool for the fulfillment of the objectives in the scope of the judicial investigation".

A point in favor of this approach is how the forensic audit is unified with other tools at a professional level that contribute significantly to the cause of knowing, understanding and reaching the truth, not leaving behind the recognition that the search is not easy. or investigation of it, which is why it is necessary not to isolate the processes of this type of practice, on the contrary, it is more appropriate for the development of the exercise or to make an unfounded professional from the audit and even more so the forensic one that can be supported by this way in favor of achieving the proposed objectives framed in the search and clarity of the facts that lead to a problem which is latent within the financial and administrative processes in said entities.

Conclusions

The conclusions presented corresponding to the thematic investigation of the article on the forensic audit within the mitigation mechanism to the so-called public corruption, denote those weak points of the process that contemplates said audit aimed at the feasibility of the mitigation study with reference to providing possible solutions that contribute to the problem of corruption which is experienced by each public sector. Firstly, it has become necessary to contemplate certain parameters that have allowed the adoption of previous studies, information gathering instruments which show the degree of error of previous events focused on those problems detected over time in properly public organizations and that in that effort of influencing or repeating possible financial circumstances, administrative and others have neglected to ensure information against possible infractions that have been presented as alternative leaks to the control and supervision process, which directly contribute to the strengthening of said situations. It is noted that from this look or literary contribution it is necessary for authors dealing with the investigated topic to contribute significantly in the study of a mechanism that serves as a tool such as forensic auditing, it is then that according to Caviedes C. (2019), through his research on forensic auditing as a control tool against corruption in Colombian companies, supports that organizations are in a changing world and it is in this sense that the accounting professional must adopt these changes, supporting and getting involved in a new field of action as a strategic management tool for the prevention and fight against fraud and corruption. In the investigative tour of the proposed topic, certain connections are detected that are leading the context of the accounting profession and the importance that this represents in the unattainable search for solutions to imperfect contexts in financial matters, but not leaving aside that quasi-administrative aspect. that in one way or another accompany this type of situation, this is the point where requirements for continuous improvement are framed in terms of control of a possible accompaniment, a plan to execute in terms of auditing which present the need to implement necessary fraudulent mitigation tools that contextualize that environment and that in turn integrate solution alternatives that directly act on the problem or possible problems that are, have been or in their effect become a weak point within the administrative and financial processes in public entities. It is necessary to know the history, the evolution of the problem at the investigative level in audit processes, in which

the management and appropriation of the administrative issue lies, in which charges of management and control of processes are added, both in governmental and state matters.

It is necessary to consider forensic auditing as a leading tool in the detection of fraud problems, it should be noted that the environment has changed and has evolved taking new forms and with them new control and supervision requirements, this means that it has been studied the possibility of advancing with these scenarios and achieving the implementation of continuous improvement and/or mitigation tools for those references of an investigative nature that can contribute to science in matters of auditing, thus demonstrating the importance of implementing information search or tracking alternatives alienated that hinder the proper development of the exercise within the different processes which are carried out by public entities within the development of this research. It is for the above that, as Castilla (2015) states, "The importance of clearly defining, with the help of forensic auditing, the occurrence of illicit acts also allows professional communities around the world to design and implement more effective tests for their detection, which contributes significantly to the development of auditing as a science and practical exercise."(p.69)

In short, the investigation refers to the significant contribution that can be evidenced by the implementation of forensic auditing as a tool within each process, whether in administrative and / or financial matters, which has been an indispensable result for the control of the same. The added value to this approach itself is attributed to the taking of the concept of forensic auditing added the concept of mitigation against the great problem of public corruption that has existed evolving more and more every day and advancing as the processes become less controlled, less supervised, poorly managed by those in charge of the different processes within the entities, in this case the public ones.

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