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Analysis of Bribery Fraud Case and KPMG's Involvement Based on Fraud Diamond: Rolls Royce Aircraft Engine Supply Company

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ABSTRACT: *The ability of auditors to detect fraud is an ability that is closely related to user confidence in the quality of financial statements. So that self-control over each individual is important. Sometimes there are several auditors who collaborate with management or the company to commit fraud for various reasons behind this. The purpose of this study is to test whether fraud diamonds have an effect on the fraud committed by Rolls Royce. Rolls Royce, which is a large company that provides aircraft engines, is used as the object of this research.*

KEYWORDS-*Auditing Scandals, Fraud Diamond, Auditor.*

I. PRELIMINARY

Companies need the services of auditors in examining the company's financial statements. It is intended that the company's financial statements meet the financial reporting norms, so that it can be used by external parties and ultimately the trust of external parties in the company's management will increase.

ECIIA (1999) and Cattrysse (2002) state that a good internal auditor can prevent fraud. According to Mulyadi (2002: 55) in addition to examining the financial statements, auditors are required to be able to check whether there are acts of fraud made by the company in the resulting financial statements. According to Agoes and Cenik (2011: 158), auditors are responsible for the profession to comply with the accountant's code of ethics, where there are norms that regulate freedom and are not impartial to their clients. In the audit process, there is no guarantee of the accuracy of the financial statements. The number of cases of auditor failure in finding fraud or the involvement of auditors in committing fraud has decreased public perceptions of auditors. Accountants are required to have professionalism and always uphold the existing professional code of ethics (Ikhsan, 2007: 200). Therefore, the competence of auditors greatly affects public confidence in the audit process of corporate financial statements.

According to PSA 240, it states that the auditor has the responsibility to plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement, caused by error or fraud and therefore allow the auditor to express an opinion about whether the financial statements prepared, in all material respects, in accordance with an applicable financial reporting framework, and reports on financial statements, and communicates as required by auditing standards, in accordance with the findings of the auditor (SPAP). So we can conclude that one of the roles of the external auditor is to ensure that financial statements do not contain material misstatements, whether caused by errors or those caused by fraud.

Fraud (fraud) is an act that is carried out intentionally and results in material misstatement in the financial statements, where these financial statements are the main subject in the audit (American Institute Of Certified Public Accountants, AU 316). Thus, the factor that distinguishes error and fraud is the underlying action, whether the error in the financial statements occurs due to a deliberate action or an unintentional action. The role of the auditor is to examine these financial statements so that users of financial statements will believe that the financial statements will not be misleading.

Fraud (fraud) is increasingly occurring in various ways that continue to develop until the fraud also involves auditors who carry out audits of the company. There are many examples of cases of fraud that have occurred overseas or in Indonesia. One of them is the case that started where KPMG committed fraud against the financial statements of energy company Miller Energy Resources by significantly increasing the value of its assets by 100 times its real value in the 2011 financial statements. KPMG has also published an unqualified opinion on these financial statements. Thus, due to the auditing failure of Miller Energy Resources which resulted in an increase in the carrying value of its assets, KPMG was subject to a fine of more than US $ 6.2 million or GBP4. 8 million by the Securities and Exchanges Commission (SEC). (Priantara, 2017).

In the Rolls Royce case involving KPMG where KPMG was proven to have played a role in failing to detect fraud in Rolls Royce's financial statements in 2013. The UK's largest jet engine giant Rolls Royce was fined £ 671 million (around 11 trillion) for the bribery case to executive officers of Rolls Royce product buyers affiliated in America, China, India, Russia including Indonesia (Detik, Online, 2019). This fine is the largest fine in the history of the Serious Fraud Office (SFO) in England. The Rolls Royce case also has an impact on the investigation of KPMG, as Rolls Royce's auditor. (ICAEW, Online, 2019)

The rise of fraud scandals that occur both at home and abroad as discussed, has had a major impact on public trust in the public accounting profession. In the auditing standards, there are ten standards and are detailed in the form of Auditing Standards Statement (PSA). One of the auditing standards is about public trust. The question that arises is why precisely all of these cases involve the public accountant profession, where they should be an independent third party who guarantees the relevance and reliability of a financial report. Each auditor has various reasons for participating in cheating together with management, we can see these reasons from a fraud diamond point of view, which include several components, namely, motivation,

II. HAVE THEORETIC

1. Kinds of Corruption

The first branch of the fraud tree described by ACFE is corruption. The form of corruption according to ACFE is described in four branches, namely,

1. **Conflict of interest**

   A conflict of interest occurs when an employee, manager or executive has an individual economic interest in a transaction that conflicts with the interests of the employer.

   In some cases, these interests are not necessarily their own interests. There have been several cases where an employee committed acts contrary to the company's interests for the benefit of a friend or relative, even though he himself did not get any financial benefit from the action.

2. **Giving Illegal Gifts (illegal gratuity)**

   Giving something that has value to someone without the intention to influence certain business decisions. Such gifts are usually made after a business decision in favor of a particular person or supplier has been made. The parties who benefit from this decision give a gift to the employee who makes the decision.

3. **Extortion (economic extortion)**

   This extortion is carried out by people who have the authority to decide something. With the authority they have, the perpetrator of fraud asks related parties to provide financial benefits.An example of this fraud, the supplier does not offer bribes to influence the buyer's decision making, but instead the buying company employee asks the supplier to pay a certain amount to him in order to make a decision that is favorable to the supplier.

If the supplier refuses to pay, he will face losses, such as losing the opportunity to become a supplier to the company.

4. **Bribery (Bribery)**

A bribe can be defined as offering, giving, or receiving anything with the intention of influencing employee activities. Often known as commercial bribery, which is related to receiving money under the table as a reward for using its influence in carrying out business transactions.In the crime of bribery, the employee or employee received payment without the knowledge of the employer.

2. Fraud Diamond

*Fraud Diamond*is a new view on the phenomenon of fraud put forward by Wolfe and Hermanson (2004). Fraud Diamond is a form of refinement of the Fraud Triangel theory by Cressey (1953; 30). Fraud Diamond adds one qualitative element that is believed to have a significant influence on fraud, namely capability. The fraud diamond theory put forward by Wolfe and Hermanson are:

1. **Pressure (pressure)** perceived by the perpetrator of fraud, which he sees as a financial need that he cannot share with others (perceived non-shareable financial need).
2. **Opportunity (perceived opportunity)** is an opportunity to commit fraud as the perpetrator perceives.
3. **Justification (ratinalization)**is a justification that is whispered against the conscience of the fraudster.
4. **Abilities (Capabilities)**fraud or fraud would not have occurred without the proper capacity to carry out the fraud or fraud. The ability in question is the nature of individuals committing fraud, which encourages them to seek opportunities and take advantage of them.Opportunities are access to fraud, pressure and rationalization can attract someone to commit fraud, but that person must have a good ability to recognize these opportunities in order to be able to carry out fraud tactics appropriately and get maximum benefits.

3. Fraud Prevention

Corporate governance is coupled with control procedures to minimize fraud risk through a combination of actions to prevent, deter and detect fraud, namely:

1. Culture Honest and High Ethics

The application of company values can create a culture of honesty and high ethics, that is includes 6 elements:

a. Establishing a tone at the top, which is based on honesty and integrity, starting from the management level.
b. Creating a positive work environment.
c. Hiring and promoting the right employees.
d. Training.
e. Confirmation.
f. Discipline.

2. Management's Responsibility for Evaluating the Risks of Fraud

a. Identifying and measuring the risk of fraud.
b. Reducing the risk of cheating.
c. Monitor fraud prevention programs and controls.

3. **Oversight by the Audit Committee**

Faudit committee functions:

a. Taking into account the potential neglect of internal controls.

b. Oversee the fraud risk assessment process by management.

c. Anti-fraud controls.

d. Help create a tone at the topeffective.

e. As a barrier to fraud by senior management.

4. Fraud Detection

In Albrecht (2012: 137), one way to detect fraud is to recognize the signs of fraud or symptoms of fraud, red flags. The symptoms of fraud can be separated into 6 (six) groups: first accounting anomalies (accounting anomalies), second internal control weakness, third analytical anomalies, fourth extravagant lifestyle. wasteful or consumptive life), the fifth Unusual behavior (unusual habits) and the last Tips and complaints (tips and complaints or complains).

a) Accounting anomalies (accounting oddities or oddities)

Accounting oddities are a symptom of fraud which includes problems regarding the source of evidence from accounting records, journalism errors and irregularities in the ledger. The difference that often occurs between an auditor who conducts an audit of financial statements (general audit) and a fraud actor when examining accounting records and supporting evidence is about the accuracy and foresight in viewing the accounting data. Examples of accounting anomalies are inaccurate ledgers, journal entry errors, and deviations from consumer sources.

b) Internal control weakness (weakness of the internal control system)

Previously discussed, cheating occurs when there is pressure, opportunity and rationalization. Rationally, when the internal control implemented by the company is weak, the risk of fraud will be even higher. Indications of a weakness in internal control are no separation of authority, no control over the security of company assets, no inspection flow, no authorization flow, absence of a good documentation system, overriding of existing controls, an accounting system that is no longer sufficient for the company's needs.

c) Analytical anomalies (analytical oddities)

The symptoms of cheating present in anomalies of analysis are procedures or relationships in which the fraud is too extraordinary or unrealistic to be believed. This fraud relates to transactions or activities that often occur alone or involve large numbers of people who are not supposed to participate. This fraud also involves transactions and amounts where the numbers given are too large or too small (often or rarely).

d) Extravagant lifestyle (extravagant or consumptive lifestyle)

Most of the perpetrators of fraud are those who are under pressure from financial problems. Financial problems can arise because they are in a state of financial difficulties in the real sense (bankruptcy, are in disaster, etc.) or they can also arise as a result of a wasteful lifestyle.

The cause of a wasteful lifestyle can also be sorted. The first possibility is, an individual is already accustomed to living in luxury and extravagance, then at one time he is bankrupt but cannot accept the reality of his bankruptcy so that he does everything he can to return to a luxurious life, one of which is to commit acts of fraud. The second possibility is that the individual experiences a striking lifestyle change, which is initially simple and then immediately feels a luxurious lifestyle. Finally, individuals like this will have a tendency to always maintain their wealth in any way, including cheating.

e) Unusual behavior (unusual habits)

Psychological research indicates that people who commit crimes are overwhelmed by feelings of fear and guilt. These emotions express themselves in an excessive physical response to displeasure which is known as stress. A person who is usually good becomes often afraid and often emotional. People who usually like emotions will turn into good people. The individual then shows different behavior to cope with his stress.

***f) Tips and complaints* (tips and complaints or complaints)**

Tips and complaints are included in the category of cheating symptoms rather than the actual fact of cheating, this is because most tips and complaints often turn out to be inappropriate. Something that is difficult in assessing the motivation of someone who complains and provides tips. For example, their customers complain because they feel they are taking advantage. Employees give tips because they are motivated by hatred, personal problems or jealousy.

In Tuanakotta (2010: 285) explains that detecting fraud can be done by using a fraud audit. Fraud audit or investigative audit is a test of evidence on a statement or disclosure of financial information to determine its relationship with standard measures that are adequate for evidentiary needs in court. The forensic audit emphasizes the process of finding books and assessing the suitability of the audit evidence or findings with the evidentiary measures needed for the trial process. Forensic audits are an extension of the application of standard audit procedures towards gathering evidence for trial needs in court. Investigative auditing also has several approaches used to conduct audits. First investigative audits with general audit techniques,

III. DISCUSSION

Rolls Royce is a British manufacturing company that produces luxury cars and aircraft engines. Roll Royce admits that it has bribed parties in six countries to get projects in an unhealthy way. This honest confession was conveyed by Rolls Royce in a court in London. Thursday, 17 January 2017, the London High Court sentenced Rolls Royce to a fine of £ 671 million or Rp.11 T.The fine is a punishment for Rolls Royce for conspiracy to commit corruption and bribery to win projects in several countries such as China, India, Thailand, Russia, Malaysia, Nigeria and including Indonesia. The uncovering of this case cannot be separated from the British anti-corruption agency, Serious Fraud Office, where it was also revealed that in carrying out bribery, Rolls Royce used intermediaries and made bribes in pound sterling currency and their luxury cars. This action lasted for a span of 20 years.

Indonesia is also one of the countries involved in the Rolls Royce bribery scandal and involving PT Garuda Indonesia (Persero) Tbk (GIAA). Garuda's involvement was when Rolls Royce supplied the Trent 700 jet engine to a maximum of US $ 100 million or around Rp 1.3 trillion for the order to procure Trent 700 jet engines in 1991. The agreement was historic for Rolls Royce, because the company was able to bring the engine to existence new turbines in the growing Pafik Asia market. Previously, Garuda would choose an aircraft engine produced by US company Prat & Whitne, which is a competitor to Rolls Royce. However, the government finally rejected the plan because it preferred Rolls Royce production machines. Bribery cases in Indonesia are on the first list that the Serious Fraud Office suspects. The SFO uncovers evidence of corruption between 1989-1998.

1. Rolls Royce Bribery Cheating Mode

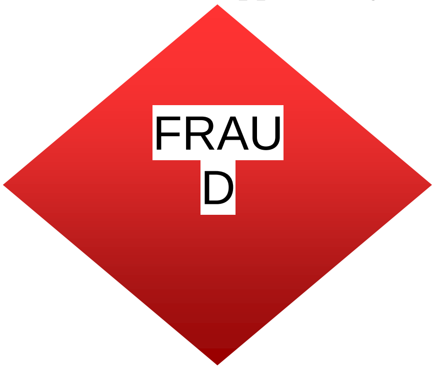
In committing bribery fraud, Rolls Royce's mode is to provide luxury cars and cash in the amount of millions of pounds sterling to a number of distributors in order to secure engine supply contracts in six countries. This admission was disclosed by Rolls Royce in front of the High Court of London, England.From this we can see that the mode of cheating carried out by Rolls Royce is in the form of Briberies and Excoriation, which is in the form of bribing and accepting bribes for their own interests. The Rolls Royce bribery case was carried out by Sir John Rose as the CEO of Rolls Royce.

When viewed from the findings of the investigation by the Serious Fraud Office, it can be seen that the modes of bribery used by Rolls Royce vary, from the provision of a car, an amount of money, to prohibiting the use of agents and disguising the use of agents through public consulting services. Apart from being paid to intermediaries (distributors), this bribery is also done to public officials and their competitors. While the aim of Rolls Royce is to conduct bribery fraud, in addition to the main objective of securing the Trent engine supply contract and winning the contract, Rolls Royce also aims to extend credit cash in exchange for the purchase of engines for aircraft.

2. *Fraud Diamond* Rolls Royce bribery

Based on the bribery case carried out by Rolls Royce, I analyzed the reasons why they carried out the bribery using Fraud Diamond, which is as follows:

Motivation Opportunity



Rationalization Capability

- ***Motivation***, Rolls Royce conducts bribes in several countries with the aim of winning projects for the airlines to buy their jet engines. In this way Rolls Royce will win the competition and benefit from the project. Then, if we look at the time period for which Rolls Royce has taken bribes for decades as well as Rolls Royce's own recognition, it can be concluded that the fraud committed by Rolls Royce was driven by motivation to get financial gain (greed), not because of pressure. (pressure).
- ***Opportunity*** The opportunity for Rolls Royce to bribe is because Rolls Royce has connections with the top management of several airlines involved so that it can make it easier for Rolls Royce to bribe top management and is also encouraged by the lack of honesty of bribed top management so that Rolls Royce can bribe them. In bribing the top management, Rolls Royce used intermediaries. In addition, the failure of their external auditor, KPMG, to detect bribery, even though this fraud has been rooted in Rolls Royce for decades. In Indonesia itself, according to the KPK, Rolls Royce bribery has occurred since January 1, 1989. At that time, Rolls Royce used Intermediary 1 or Intermediary 1 by making an agreement with a commission of 5% of the total price of machines that Rolls Royce successfully sold to Garuda. Then it was discovered that the Intermediary 1 was an agent of the President's Office. When it comes to the opportunity for Rolls Royce to pay bribes, this is due to the weak supervision of the public sector in Indonesia. In Indonesia alone, the institution that monitors corruption, namely the KPK, was only established in 2002.
- ***Rationalization*** If viewed from the way or mode of action of Rolls Royce bribery, it can be said that the fraud in bribery committed by Rolls Royce was triggered by the thoughts of the perpetrator who justified his actions because in addition to the benefits obtained will bring financial benefits to the

company itself, it will also benefit the parties other. One example is the case of bribery in China, where a portion of the bribe is used to pay Chinese airline employees to attend two-week MBA courses at Columbia University, as well as to enjoy "four-star hotel accommodation and luxury extracurricular activities." In addition, this bribery has been going on for 20 years so that it has been structured and has become a corporate culture.

- ***Capability***, Rolls Royce is a large company that has a lot of funds so that they have the financial capacity to bribe the top management of the project that Rolls Royce is participating in. According to my analysis, Rolls Royce's fraud is closely related to 2 elements of capability, namely position and intelligence. This is supported by the position of perpetrator in Rolls Royce who is a senior staff. In addition, it is also closely related to the intelligence element because of the ability of senior staff to understand and find weaknesses in internal control and use it to carry out bribes in the long term (long-term fraud), without being detected by the public.

3. Fraud Prevention

In accordance with the explanation regarding Fraud Prevention (fraud prevention) by Tuanakotta (2010: 272), it is known that prevention of fraud can be started from internal control, both active and passive internal control. In Rolls Royce, active internal control aimed at preventing fraud is informed through a written policy, namely codes of conduct (code of conduct). The following are some of Rolls Royce's principles regarding anti-bribery and anti-corruption:

- The existence of a zero tolerance policy against bribery and corruption.
- Not offer, give or accept anything of value that could be seen as, or have the effect of, improperly influencing business decisions.
- The company has the right to assign its employees to run a business. However, sometimes companies use intermediary services, such as consultants and distributors, to assist in the marketing and distribution of products and services. We will only appoint intermediaries who have proven integrity and require that their actions meet our standards at all times.
- Not making facilitation payments, or allowing others to make them on our behalf.
- Comply with anti-bribery and anti-corruption laws and RollsRoyce policies and procedures that prevent bribery and corruption.

In addition to Tuanakotta's opinion regarding internal control, in relation to fraud prevention, Albrecht (2012: 103) also suggests that it is best to establish an honest environment, be it within the company or anywhere, so that an honest environment is able to shape one's character to be honest and expected. can reduce fraud. In the Rolls Royce code of conduct, the formation of an honest environment can be seen from several policies applied to leaders, managers or supervisors, namely as follows:

- Every leader, manager and supervisor must set an example, uphold and promote ethical behavior and good business actions, and comply with laws and regulations.
- Ensure all team members have access to and understand these guidelines.
- Ensure that your employees are trained on ethical issues and policies related to this code.
- Create an environment that will give your team members the confidence to raise ethical concerns; and
- Ensure that any reported ethical concerns are taken seriously and acted upon.

The policies above are a number of controls implemented by Roll Royce as fraud prevention. However, in the case of Rolls-Royce, it can be said that the internal controls are not working effectively. In this policy, Rolls-Royce emphasizes ethics towards every personnel, however this is not carried out properly. This is evident from the fraud committed by senior staff who have a big role for Rolls-Royce. In addition, the management also

took part in this act of bribery, as evidenced by the efforts made by management to cover up indications of corruption within the company in 2010.
This requires an ethics training program that functions as a preventive control against fraud in various forms. In addition, ethics training can provide an ideal way to reduce the influence of cultural factors on ethical decision making (Bierstaker, Brody and Pacini, 2006). So Rolls Royce needs to strengthen its control environment, one of which is by maximizing ethics training so that each individual can act according to the expected ethics. In addition, Rolls-Royce may also review its internal anti-bribery and corruption policies, as well as procedures regarding compliance with the 2010 Bribery Law and other applicable anti-corruption laws.

4. Fraud Detection

After nearly 25 years of undetected Rolls Royce bribery, in 2012, this bribery was finally revealed to the public. This disclosure stems from the SFO asking Rolls Royce to look at public allegations on the internet made by whistleblowers (Dick Taylor), which ultimately resulted in Rolls Royce reporting itself to the regulatory body. Dick Taylor whistled because he felt "pressured" after being told he was risking redundancy when he claimed that a colleague in Indonesia was misusing the company's expense accounts.

After the SFO raised its own and other accusations against Rolls Royce, a preliminary investigation was launched involving three countries, namely Britain, the United States and Brazil. From there, Rolls Royce's fraud (attempted bribery) was detected for five years, where they practiced bribery through intermediaries to win a number of work contracts.

Following this discovery, the British anti-corruption agency Serious Fraud Office (SFO) rediscovered the conspiracy to commit corruption and bribery by Rolls-Royce in China, India and other markets. The following are cases of suspected corruption or bribery (results of investigation) detailed by the SFO, including:

- In Indonesia, Rolls-Royce senior staff agreed to provide US $ 2.2 million (or approximately Rp.26 billion) and a Rolls-Royce Silver Spirit car to an intermediary. There is a strong suspicion that this gift is a reward for the intermediary who "shows favorable tendencies" for Rolls-Royce in connection with the contract for the Trent 700 engines used in aircraft, the SFO said.
- In China, Rolls-Royce staff agreed to pay $ 5 million (or about Rp.66 billion) to CES, the state-owned airline, during negotiations for the sale of the T700 engine. The SFO said part of the money was intended to pay Chinese airline employees to take a two-week MBA degree at Columbia University and enjoy "four-star hotel accommodation and luxury extracurricular activities."
- In Thailand, Rolls-Royce agreed to pay US $ 18.8 million (or about Rp.240 billion) for intermediaries in the region. Part of the money was distributed to individuals namely "agents of the Thai government and employees of Thai Airways," said the SFO. These agents "are expected to win Rolls-Royce in connection with Thai Airways' sale of the T800 engine.
- In India, cases related to the use of intermediaries are limited by the Indian government. "The term intermediary in Rolls Royce contracts is not used," said SFO. But the company continued to use intermediaries and said the payments were for "general consulting services" rather than commissions.
- In Nigeria, Rolls-Royce failed to prevent bribery in connection with the two contracts it proposed. An intermediary hired by the company paid bribes to public officials, although Rolls-Royce later withdrew from both deals, partly because of concerns about the fact that they had obtained confidential information from a competitor.
- In Russia, Rolls-Royce won a contract to supply equipment to state-owned energy company Gazprom by making payments to senior Gazprom officials.

From the results of the investigation found by the SFO, if it is related to the theory put forward by Albrecht (2012: 137) regarding red flags (one way to detect fraud by recognizing the symptoms of fraud or symptoms of

fraud), then the symptoms of fraud in the Rolls Royce case can categorized as weaknesses in the internal control system, a consumptive lifestyle, unusual habits, and accounting oddities. The weakness of the internal control system can be seen from the ability of senior staff to conduct bribery without being detected for a long time. A consumptive lifestyle can be seen from the lifestyle of those who are bribed, where the level of welfare has increased suddenly, namely having ownership of luxury cars and receiving large amounts of money. Then the unusual habit was proven by setting new ethical standards and hiring an independent consultant to review the procedures that the company had been doing. Meanwhile, the accounting oddity is evident from the statement of the whistleblower (Dick Taylor) wherein one of his colleagues in Indonesia misused the company's expense account.
Responding to the results of this investigation, the company (Rolls Royce) finally apologized without conditions for the cases that occurred in a span of nearly 25 years. A British court ordered the jet engine maker to pay £ 497 million in fines and fees to the offices of the SFO, the agency that has investigated the company.

5. KPMG involvement

Regarding the bribery case committed by Rolls Royce, of course this will also have an impact on KPMG's reputation as Rolls Royce's auditor since 1990. Especially Wells Fargo as the auditor of Rolls Royce, where he was criticized by Senator Elizabeth Warren for not being able to find fraud in the organization. the. Even so, this does not guarantee that KPMG is definitely involved in the bribery case committed by Rolls Royce.

In line with Paul George, who is executive director for corporate governance and FRC reporting, namely "Is the payment large enough that the auditor should see and question its designation?", This provides a clear picture that KPMG was not involved in the Rolls Royce case. As is well known, the main objective of the external auditors is to obtain sufficient assurance that the company's accounts are free from material misstatement, while the corruption or bribery committed is equivalent to 0.029 percent of total revenue, where this figure is considered immaterial.

In addition, it is understandable if KPMG was unable to find fraud in Rolls Royce, given the difficulty of this due to the scope limitations and samples taken by the auditors. Often evidence of bribery and corruption is buried in marketing expenses, charitable donations, or other deceptions. Because such amounts are not considered material, they are often excluded from tests performed by the external auditors. In addition, the auditor is also obliged to provide reasonable assurance, not absolute assurance. In addition, there are no official regulations that clearly regulate the role of external auditors in detecting fraud. This is also supported by evidence that the role of external auditors in detecting fraud is only 2.6%.

When viewed from several sources, KPMG as Rolls Royce's auditor despite being under suspicion and accusation, as Judge Brian Leveson QC said that the auditors did not have a complete picture, KPMG remained confident in the quality of the audits they completed for Rolls Royce. This is evident from the statement of a KPMG lawyer, that he stressed that his party had challenged the company (Rolls Royce) even though he reviewed the audit as a routine. He said:It is a matter for FRC to consider whether the reports and accounts prepared by the company comply with the relevant requirements and whether those responsible for the preparation (and auditing) have fulfilled their obligations in that respect. As always, we will work closely with FRC to notify any questions it has. "

There is also a connection with the change of Rolls Royce auditors who are considered suddenly from KPMG to PWC, this does not indicate KPMG's involvement in the bribery case carried out by Rolls Royce and not due to an investigation that will be carried out by the SFO. This can be seen from the same statements from both parties, both Rolls Royce and KPMG where sa spokesperson said: "We inform investors again in our 2014 Annual Report that we intend to change auditors by the end of the 2017 audit as a result of changes to EU regulations. We ran a thorough selection process for new auditors last year, well before the conclusion of the

SFO investigation, and the two issues were unrelated. "

IV. CONCLUSION

Based on the findings that the authors found from various sources, there is no strong evidence that KPMG did a scandal with Rolls Royce. This is because the main task of the auditor in an audit assignment is to obtain sufficient assurance that every account in the company's financial statements can be free from material misstatements, whether due to errors or fraud and not being a tracker that can find fraud (corruption. or bribes). As for the Rolls Royce case, based on the Rolls-Royce bribery analysis collected by the US Department of Justice, it shows that the corruption or bribery committed is equivalent to 0.029 percent of total revenue, which is considered immaterial, so even though the auditor finds this action, auditors are unlikely to act on this. This is also supported by the absence of clear regulations that stipulate that external auditors must find or detect fraud within a company. In addition, KPMG is confident that the quality of all audit work completed for Rolls-Royce has been completed properly. So it can be concluded that KPMG in this case is not involved in the bribery case committed by Rolls Royce.

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