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KNOW YOUR CUSTOMER PRINCIPLES (PMPJ) IN PREVENTING CRIMINAL ACT OF MONEY LAUNDERING

(Study Of Literature)

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ABSTRACT---*Prevention and eradication of Money Laundering not only threatens the stability and integrity of the country's economy and financial system but threatens the joints of life in society, nation and state. This study uses a descriptive qualitative method, which aims to describe the additional audit procedures for PMPJ implementation. Data obtained through the study of journal literature and electronic media. The results of this study indicate an increase in the number of reports about alleged money laundering received by PPATK indicating there is public awareness in supporting government policies in the prevention and eradication of Money Laundering, through the determination of reporting parties and the establishment of Know Your Customer Principles for Accountants and Public Accountants in carrying out his profession and administrative sanctions from PPPK if the Public Accountant does not apply PMPJ.*

Keywords---*PMPJ, Money Laundering, Additional Audit Procedures*

I. INTRODUCTION

Corruption becomes an extraordinary crime, so that in eradicating efforts it can no longer be carried out normally, but is demanded to be carried out in extraordinary ways in specific, decisive and clear steps involving all potential exists in society, especially the government and law enforcement officers. Fraud that is usually the next stage of corruption is money laundering, where the money resulting from crime from corruption is disguised by its existence and source.

Money laundering is an act of placing, transferring, paying, spending, donating, entrusting, bringing out of the country, exchanging, or other acts of assets that are known to be or suspected to be criminal acts with the intent to conceal or disguise the source of assets so that they appear to be legal assets. (Joni Emirzon, 2017). At a macro level, money laundering can complicate monetary control, reduce state revenues and heighten state risk, thereby creating financial system instability and slowing economic growth. The development of digital technology has led to increasingly varied money laundering efforts, which are now entering the era of digital money laundering, where perpetrators of crimes no longer enjoy the proceeds of crimes in the form of cash or other types of assets, but utilize information technology to manage illegal funds (okefinance.com , 2020). For this reason, the government issued Law No. 8 of 2010 concerning the prevention and eradication of Money Laundering (TPPU) as a strong legal basis to ensure legal certainty, the effectiveness of law enforcement, as well as tracking and returning assets resulting from criminal acts

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To implement that law, the government establishes a Public Accountant as a reporting party in the prevention and eradication of Money Laundering Acts through Government Regulation (PP) number 43 of 2015, where Public Accountants are required to submit reports of alleged Money Laundering Acts to the Financial Transaction Reports and Analytical Center (PPATK) as an independent institution established by the government to prevent and eradicate Money Laundering. The Minister of Finance as the supervisor of the Public Accountant profession, in this case, is carried out by the Financial Professional Development Center (PPPK) to directly oversee the Public Accountant in providing his services as stipulated in Law Number 5 of 2015 concerning Public Accountants, the Minister of Finance stipulates the Decree of the Minister of Finance Number 155 / PMK.01.2017 concerning the principle of getting to know customers for accountants and public accountants which is a refinement of PMK number 55 / PMK.01 / 2017 by the proposal of the Financial Transaction Reporting and Analysis Center (PPATK) to meet the recommendations of the Asia Pacific Financial Action Task Force 2017. (http: www. pppk.kemenkeu.go.id)

Based on reports of alleged money laundering received by the Financial Transaction Analysis Reporting Center (PPATK), it has increased from year to year, this is indicated during the period January to November 2019 there were 36,076,464 reports. This report shows an increase of 166.87% compared to the cumulative amount in the same period in 2018. The Suspicious Financial Transaction Report (LTKM) reached 71,122 reports, this shows an increase of 17.5% compared to the cumulative number of the period the same in 2018. While the Cash Financial Transaction Report (LTKP) of 2,762,198 reports, down 3.05% compared to 2018. Reports of Fund Transfers from/to Abroad (LTKL) reached 33,207,347 reports, this report showed an increase which is fantastic at 214.33%. (okefinance.com, 2019). PPATK added that since the enactment of the Law on TPPU up to November 2019 there were 370 court decisions related to corruption cases, if accumulated since January 2005 there were decisions of 408 cases with a maximum sentence of life imprisonment and a maximum fine of Rp32 billion. (www.ppatk.go.id)

The above phenomenon shows there is an increase in the number of cases of alleged Money Laundering Acts from year to year and there is a significant increase in court decisions on Money Laundering cases. This study will explain how additional audit procedures for the application of Know Your Customer Principles (PMPJ) in preventing money laundering (TPPU).

II. LITERATURE REVIEW

Know Your Customer Principles (PMPJ)

Know Your Customer Principles (PMPJ) is a principle applied by a Public Accountant to find out the profile, characteristics, and patterns of Customer Transactions, at least containing the identification of customers, verification of customers and monitoring of transactions of customers. (www.iapi.or.id). Based on the Minister of Finance Regulation No. 155 / PMK.01 / 2017 concerning the Know Your Customer Principles, Public Accountants must apply PMPJ in carrying out their profession when (a) conducting business relations with customers, (b) there are financial transactions in rupiah / foreign currencies the value of which is at least or equivalent to Rp 100,000,000 (one hundred million rupiah), (c) there are suspicious financial transactions related to Money Laundering and terrorist crime, (d) Public Accountants doubt the veracity of information reported by Customers. (Harshya, 2018).

The procedures in implementing PMPJ are (a) Identification of Customers by requesting information and documents from customers (individuals and corporations), conducting direct meetings with customers at the beginning of conducting business relationships to believe the truth of the identity of customers, and knowing that customers those conducting transactions acting for themselves or for and on behalf of the beneficial owner (individual and corporation) (Saudi, 2018). (b) Verification of customers by requesting information from customers for formal veracity of documents, requesting supporting documents issued by the authorized party in the event of doubt as to the documents submitted, and the Public accountant is obliged to terminate the business relationship with the customer and report it to PPATK as a suspicious financial transaction, if the customer refuses to follow the PMPJ procedures performed by the Public Accountant, doubts the truth of the information submitted by the customer. (c) Monitoring of transactions of customers, by looking at the way of payment of both cash and non-cash transactions, transaction actors and transaction dates, and making efforts to update data, information and supporting documents.

The Public Accountant in carrying out his services must conduct a risk assessment and group Customers based on the level of risk of the occurrence of a Money Laundering Act or a criminal act of financing terrorism. If the auditor considers that the Customer and / or Beneficial Owner is at low risk, for all services provided by the Public Accountant, a simple PMPJ procedure can be performed. Beneficial Owner is any person who does not conduct a transaction directly with a Public Accountant but is: the actual owner of the source of funds for the transaction, controlling the transaction of the customer, authorizing the occurrence of a transaction. the ultimate controller of transactions carried out through legal entities or agreements. However, if the auditor considers that the Customer and / or Beneficial Owner has a high risk, for all services provided by the Public Accountant. Customers are at high risk when: Customers are Politically Exposed Person as regulated in the Head of PPATK Regulation regarding the category of Customers who have the potential to commit Money Laundering and Customers make transactions with parties from high-risk countries as recommended by Financial Action Task Force or based on statutory provisions.

Public Accountants can use the results of PMPJ conducted by third parties, but it remains the full responsibility of the Public Accountant. These third parties must meet the following criteria: (i) have a collaboration with the Public Accountant in the form of a written agreement, which at least contains a statement that the third party: is willing as soon as possible to get what the Public Accountant needs to implement the PMPJ, and is willing to take informed steps which is sufficient to fulfill requests for information and copies of supporting documents as soon as possible with PMPJ. (ii) has PMPJ policies and procedures and is subject to supervision from the competent authority by the provisions of the Statutory Regulations.

Administrative Sanctions will be given to Public Accountants who commit violations, administrative provisions are regulated in Article 14 PMK number 155 / PMK.01 / 2017, which will be subjected to administrative sanctions in the form of a warning by the Head of PPPK accompanied by the obligation to take certain corrective actions. If the Public Accountant does not fulfill his obligations again, he will be subject to a second warning sanction by the Head of PPPK, until the State Accountant Register is suspended or the Public Accountant's license is frozen for 3 (three) months by the Secretary-General.

Criminal Act Of Money Laundering (TPPU)

Money laundering crime is an attempt to conceal or disguise the origin of money / funds or assets resulting from criminal acts through various financial transactions so that the money looks as if it comes from a legal and legal activity. (www.id.wikipedia.org). To prevent money laundering, the government issued Law No. 8 of 2010 concerning Criminal Acts of Money Laundering, and states that this TPPU has an impact on the stability and integrity of a country's economic system and financial system can also endanger the joints of life as a nation and state society.

Money laundering is carried out in several stages, namely: the first stage is placement, where money/funds resulting from crime are converted into a form that does not cause suspicion through placement in the financial system in various ways. The second stage is the layering stage, which is conducting complex, layered and anonymous financial transactions to separate the proceeds of crime and their sources into various accounts so that it is difficult to trace. The third stage is integration, which is the stage where the actors put funds back whose sources are not clear into assets that have seemed legitimate and good to be enjoyed directly, invested in various forms of a legitimate business or refinance criminal activities. (Routes, Peter. 2004)

Risk-based Audit Procedures

Audit procedures are methods or techniques used by auditors to collect and evaluate sufficient and competent evidence. (Hayes Rich, 2013). The first Stage of Risk-based Audit is Risk Assessment, which is carrying out risk assessment procedures to identify and assess material misstatement risks in the financial statements. The aim is to determine whether there is a risk of material misstatement due to fraud or errors. This risk assessment is carried out at the financial statement level and the assertion level, by understanding the client's business and the company's internal controls, with the following steps: (i) Inquiries of Management and Other. (ii) Observation and Inspection. (iii) Analytical Procedures. The second stage is the Risk Response, which is to design and carry out further audit procedures by responding to risks (material misstatements) that have been identified and assessed, at the level of financial statements and assertions, by conducting further audit procedures, Control Tests and Tests Subtantives include detailed and analytical substantive tests. The third stage is Reporting, which is formulating opinions. An audit opinion is a statement of the auditor's opinion on the fairness of a company's financial statements in all material respects based on an evaluation of the conclusions drawn from audit evidence obtained and by Indonesian Financial Accounting Standards. The Reporting Phase includes: (i) formulating an opinion based on the audit evidence obtained, (ii) making and publishing an appropriate report, by the conclusions drawn. (Tuanakotta, 2013).

The Public Accountant Professional Standards (SPAP) state that the conclusion must take into account: (i) The auditor's conclusion based on Audit Standards (SA) 300, whether sufficient and appropriate audit evidence has been obtained. (ii) The auditor's conclusions are based on SA 450, whether uncorrected misstatements are material both individually and collectively. (iii) Evaluation required by SA 700, whether the financial statements have been prepared based on a fair presentation framework and by the applicable reporting framework.

According to Tuanakotta (2015), audit opinion is divided into 2 types: first Unmodified opinion by Audit Standard (SA) 700. This opinion is expressed by the auditor when the auditor concludes that the financial statements are presented, in all material respects, by applicable financial reporting framework. Types of opinions without modification include:

1. Unqualified Opinion

   This opinion is given when the auditor has the confidence that the financial statements presented are by applicable accounting standards and are free from material misstatements.

2. Unqualified Opinion with Emphasis on the Matters

   An unqualified opinion with an emphasis is given when the auditor feels the need to provide additional information about the financial statements presented by the client. (SA 706).

The second opinion is Modified Opinion (SA 705). The auditor concludes based on the audit evidence obtained that: The financial statements as a whole are not free of material misstatement, or the Auditor cannot obtain sufficient and appropriate audit evidence to conclude that the overall financial statements are free of material misstatement. The types of opinion modification include:

1. Qualified Opinion

   This opinion is given if the auditor after obtaining sufficient and appropriate audit evidence, concludes that misstatements, both individually and in aggregation, are material, but not pervasive, to the financial statements.

2. Adverse Opinion

This opinion is given when the auditor has obtained sufficient and appropriate audit evidence, concludes that misstatements, both individually and in aggregation, are material and pervasive of the financial statements.

3. The opinion does not Express Opinion

The opinion is given if the auditor is unable to obtain sufficient and appropriate audit evidence that underlies the opinion, and the auditor concludes that the likely impact of an undetectable presentation error on the financial statements, if any, can be material and pervasive.

III. RESEARCH METHOD

This research uses descriptive qualitative method, which is a method used to describe or analyze a research result but is not used to make broader conclusions. (Sugiono, 2012). Technical analysis is carried out through the study of journal literature and various electronic media.

IV. DISCUSSION AND CONCLUSION

Discussion

Regulation of the Minister of Finance Number 155 / PMK.01 / 2017 is the implementation of the provisions of Article 18 section (1) of Law Number 8 of 2010 concerning Prevention and Eradication of Money Laundering and Article 6 section (1) of Government Regulation of the Republic of Indonesia Number 43 of 2015 concerning Reporting Parties in the Prevention and Eradication of Money Laundering Criminal Acts so that Public Accountants must apply the Know Your Customer Principles and must report to PPATK if when carrying out their duties find suspicious financial transactions by article 1 paragraph (8).

Regulation of the Minister of Finance of the Republic of Indonesia number 155 / PMK.01 / 2017 article 2A states that: Accountants and Public Accountants must carry out a risk assessment and group Customers based on the level of risk of money laundering or criminal acts of financing terrorism, therefore the accountant The public must apply the Knowing Your Customer Principles (PMPJ) to know the profile, characteristics, and patterns of customer transactions, which include identification of customers, verification of customers and monitoring of customer transactions. Public Accountants are also required to know that Customers who carry out Transactions act for themselves or on behalf of a Beneficial Owner and must request information regarding their identity and supporting documents.

The Public Accountant (auditor) as an independent party in carrying out his services examines the reasonableness of the financial statements prepared by the customer, that the financial statements presented are free from material misstatements and are by Financial Accounting Standards in Indonesia. To detect misstatements of the entity's financial statements, the auditor conducts a risk-based audit stage, the first step is to carry out a risk assessment procedure at the level of financial statements and assertions. At this stage the auditor carries out business understanding and client control by requesting information from management and other relevant parties, making observations and inspections as well as conducting initial analytical procedures. To fulfill obligations on the application of the Know Your Customer Principles (PMPJ), at this stage the auditor is required to carry out additional procedures by carrying out procedures for identifying and verifying data and information related to customers by the stages required in Regulation of the Minister of Finance Number 155 / PMK.01 / 2017.

Risk assessment is carried out based on the analysis by sectoral risk assessment and by statutory provisions, concerning: the profile, business, country, and products produced. Public Accountant in obtaining data and information, or supporting documents thorough review of the risk assessment of customer profiles and transactions. Customers are parties who use the services of a Public Accountant, a Public Accountant grouping customers based on the results of a risk assessment consisting of low risk, medium risk, and high risk.

The second stage is risk response, which is designing and carrying out further audit procedures that respond to risks (material misstatements) that have been identified and assessed, at the level of financial statements and the level of management assertions by carrying out control tests and substantive tests including tests detailed and substantive analytical procedures for accounts deemed risky. The third stage is reporting which includes formulating opinions based on the audit evidence obtained and making and issuing appropriate reports by conclusions drawn. (Tuanakotta, 2013).

This additional audit procedure was carried out to identify the occurrence of Money Laundering Crimes and criminal acts of financing terrorism by Regulation of the Minister of Finance Number 155 / PMK.01 / 2017. Additional audit procedures for the determination of PMPJ are carried out at the risk assessment and risk response stages with the following stages: (a) Identification of Customers, by - Understanding the profile and business of the Customer by conducting interviews and reviewing the Deed of Establishment of the customer company. - Observe the development of the resulting product, including the development of new technologies, both for new products and for products that are being used by customers. - Request information and documents from Customers, including business relationships or other commitments, by requesting identification in the form of ID cards and passports of directors and shareholders, both individuals and corporate shareholders, decree on appointment of directors, documents that indicate the source of funds and the use of funds and the types of transactions and purpose of the transaction. (Deed, Financial Statements, Ledgers). (b) Verifying Customers, by - Verifying information and documents that have been identified, - Requesting information from customers to check the accuracy of documents, - If in doubt ask for supporting documents from the authorities. (c) Monitoring of Customer Transaction, if the customer is identified as having a low risk then it is carried out using a Simple PMPJ and if at high risk then using an in-depth PMPJ.

1. Monitoring of User Transactions for Simple PMPJ

Reviewing bank statements and cash books and cash books of the company to find out the source of funds and the use of funds as well as the type of transaction and the purpose of the transaction. The audit procedures are as follows:

(i) Look at the method of payment for both cash and non-cash transactions, transaction actors and transaction dates. Cash transactions by screening for mutations both receipts and expenses contained in the cash book, and non-cash transactions by screening for mutations both receipts and expenses contained in the bank book.

(ii) Compare existing transactions in the newspaper account with the ledger and journal cash receipts and disbursements of the bank to detect sources of funds originating from outside the normal activities of the company and disbursing funds for transactions outside the normal activities of the company and the type and purpose of each transaction.

(iii) Compare transactions in cash books with ledgers and cash receipts and disbursements journals to detect sources of funds or disbursements of funds originating from outside the company's normal activities and the type and purpose of each transaction.

2. Monitoring Service User Transactions For In-depth PMPJ

Updating data, information and supporting documents, this procedure is performed when the auditor finds suspicious financial transactions, so the auditor concludes the results of the application of PMPJ high risk, the auditor must:

(i) Communicate the findings to the customer to ensure the truth of the supporting information or documents.

(ii) Applying PMPJ more deeply by carrying out procedures:

- Confirming directly to related parties

- Request additional information regarding the source of funds, sources of wealth, the purpose of the transaction, and the purpose of the business relationship with parties related to customers and other necessary supporting evidence.

(iii) If there are suspicious financial transactions, the Public Accountant must report it to PPATK

V. Conclusion

Application of the Know Your Customer Principles (PMPJ) required by the Minister of Finance of the Public Accountant in carrying out his profession, where the Public Accountant is required to conduct a risk assessment and grouping of customers based on the level of risk of the occurrence of Criminal Acts of Money Laundering or criminal acts of financing terrorism, to know the profile, characteristics, as well as customer transaction patterns. According to researchers to meet the PMPJ, the Public Accountant must carry out additional audit procedures to identify the occurrence of Money Laundering Crimes and criminal acts of financing terrorism by the Minister of Finance Regulation Number 155 / PMK.01 / 2017.

The additional audit procedures include identification of customers, verification of customers and monitoring of customer transactions by PMK Number 155 / PMK.01 / 2017. The Public Accountant is also obliged to know that the customer conducting the transaction is acting for himself or on behalf of the Beneficial Owner and must request information about his identity and supporting documents. This additional audit procedure is carried out at the risk assessment stage up to the risk response stage. At the risk assessment stage, the Public Accountant (auditor) determines whether based on the identification of the customer having a high, medium or low risk. When the auditor assesses low risk, the auditor can perform a simple PMPJ procedure (article 8A) and if the auditor evaluates the high risk then the auditor conducts a profound PMPJ procedure (article 8B). If based on the results of the identification, verification, and monitoring of customers found suspicious financial transactions, the Public Accountant must report to PPATK. Public Accountants who do not carry out the Know Your Customer Principles in carrying out their services will be subject to administrative sanctions in the form of a warning by the Head of PPPK accompanied by an obligation to take certain corrective actions up to the suspension of the State Register of Accountants or the suspension of Public Accountant licenses for 3 (three) months by the Secretary-General.

An increase in the number of reports of alleged money laundering received by PPATK shows that there is public awareness in supporting government policies on the prevention and eradication of Money Laundering Crimes, as well as the determination of reporting parties by PP No. 43 of 2015, and the establishment of Know Your Customer Principles through PMK No. 155 / PMK.01 / 2017, this is by the opinion of Kiagus Ahmad Badaruddin as chairman of the PPATK, which states that a significant increase in the number of reports from year to year for alleged Money Laundering is due to the PMPJ implementation and the determination of the reporting parties and there are administrative sanctions from PPPK. (www.oke finance, 2019).

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