

# CASE STUDY: EVALUATION OF FRAUD CONTROL PLAN (FCP) ATTRIBUTES AS FRAUD PREVENTION TOOL

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## **Abstract**

*" Can fraud is prevented ". Questions that always comes in mind seeing acts of fraud are still only often we hear in Indonesia. There is essentially human will always look for opportunities and look for weaknesses that could be exploited to benefit himself . Given the basic nature such , it eliminates the chance is one of the ways to combat fraud . It is can be done through improvement of internal control and accountability . If people know that every action they are controlled and monitored , and will be asked to be responsible on the action that is done , then often times they end up not going to commit a crime . By because the understanding will be the importance of the prevention of fraud is something that is very useful for the organization . One of the ways to prevent fraud is to implement a Corruption Prevention and Control Program ( Fraud Control Plan ). PT. ABC is a child company State Owned Enterprises in the District Gresik engaged in business producers as well distributor of fertilizer and has a role strategic in supporting program development of the economy of Indonesia who had started implementation Fraud Control Plan (FCP).*

*The purpose of this research is to study and analyze the existence and application of the attributes of the Fraud Control Plan in the company's work environment . The method that is used is qualitative descriptive to conduct a study case at PT. ABC it . The result on the attributes of FCP that there compared with the condition of the company that occurred in general are still not yet fully have the votes were good . The hope future that will come in the company is able to apply the attributes of FCP to be good so that the realization of governance governance performance of companies that either with an indication of the decline in the level of occurrence of fraud and increasing the performance of the company*

**Keywords:** *Fraud , Fraud Control Plan (FCP), Government Organization (BUMN) , Good Governance*

## **1. Introduction**

Fraud until now has been phenomenal in both developing and developed countries. This fraud is almost common in all sectors of government and the private sector. In State-Owned Enterprises (BUMN) and Regional Owned Enterprises (BUMD) also do not escape accounting fraud. Fraud is commonly understood today, means dishonesty in the form of a deliberate fraud or a desired misrepresentation of a material fact (Tunggal, 2013).

The Association of Certified Fraud Examiners (ACFE) or The Association of Certified Fraud Examiners, classifies fraud in several classifications, and is known as "Fraud Tree" namely, Deviations on assets (Asset Misappropriation), False statements or false statements (Fraudulent Statement), and Corruption (Corruption).

According to Arthur W. Holmes and David C. Burns Fraud is a misstatement of a material fact that is known to be incorrect or presented by ignoring the principles of truth, with the intention of deceiving the other party and resulting in the other party being harmed. Corruption is a case of fraud that is often found in the government sector. Many experts try to formulate corruption, which when viewed from the language receipt and the way it is delivered is different, but in fact has the same meaning.

The limitation of corruption as the conduct of individuals who use authority and position to gain personal gain, harming the public interest and the state (Kartono, 2003). Corruption according to the Black's Law Dictionary, is an act committed with the intention of providing an unofficial advantage with the rights of the other party by incorrectly using his position or character to gain an advantage for himself or others, contrary to his obligations and the rights of the other party.

Corruption in Indonesia is done systemically so that it needs systematic handling. This is in line with UNCAC (United Nations Convention Against Corruption) in 2003 which has been ratified by Law No.7 of 2006. In article 5 of UNCAC in 2003 it was stated that the prevention of corruption must also be carried out in line with repressive efforts in the eradication of corruption. For the prevention of corruption requires instruments that can strengthen the internal control of government agencies, among others: Fraud Control

Plan, Corruption - Free Areas, Good Governance and Good Corporate Governance and Increased Public Services, Corruption-Free Indonesia.

According to Fraud Triangle Theory, there are three things that encourage fraud efforts, namely pressure, opportunity, and rationalization. Pressure is the impulse that causes a person to commit fraud, for example debts or bills that accumulate, lavish lifestyles, drug dependency, etc. In general that encourage the occurrence of fraud is a need or financial problems. But many are also driven only by greed. Opportunity is an opportunity that allows fraud to occur. It is usually caused by weak internal control of an organization, lack of supervision, and/or abuse of authority. Among the three elements of fraud triangle, opportunity is the most likely element to be minimized through the application of processes, procedures, and controls and early detection efforts against fraud. Rationalization becomes an important element in the occurrence of fraud, where the perpetrator seeks justification for his actions, for example: that his actions to make his family and loved ones happy, the company has benefited greatly and it is not wrong if the perpetrator takes a small part of the profits.

Those who engage in fraudulent acts are driven by interactions between forces in the individual's personality and the external environment. These forces are classified into three main categories, namely situational pressure, opportunity, and personal characteristics (Tuanakotta, 2012).

PT. ABC Gresik Regency is a subsidiary of State-Owned Enterprises, producers and distributors of subsidized fertilizers that have a strategic role in supporting Indonesia's economic development program, established in 1962. PT ABC Gresik Regency occupies an area of 450 hectares located in Gresik Regency, East Java Province. In 2012, PT ABC Gresik Regency was trusted by the Government to increase its production capacity to 5.4 million tons. This makes PT ABC Gresik Regency as a fertilizer producer that supplies 50% of the national subsidized fertilizer needs.

Nationally, the existence of fertilizer industry is able to contribute a considerable amount not only to the development of the agricultural sector, but also to provide an impact for development in the plantation sector, chemical industry, economy and other service fields. However, the expectation is not fully felt because of the inadequate organizational instruments to create good management and has not formed a high commitment from the managers of fertilizer production companies. As a result, various irregularities, misappropriation, smuggling, and corruption are known as fraud phenomena that occur in fertilizer production companies.

Kompas.com on August 4, 2017 reported that the Corruption Eradication Commission (KPK) has appointed five suspects suspected of unlawful acts and abusing the authority to enrich themselves or others or a corporation in the procurement of urea fertilizer tablets in Perum Perhutani unit I Central Java. In such cases, the state is indicated to have suffered losses of 10 Billion Rupiah allegedly flowing to individuals and corporations. This case is a development of the case of alleged corruption of fertilizer procurement at PT Berdikari Persero.

News from TribunJabar.co.id on Friday, March 24, 2017 stated that the Purwakarta Police Satreskrim uncovered a case of smuggling subsidized fertilizers owned by producers. PT. Gresik Kujang and Petrochemical fertilizers weighing more than 30 tons or Rp 500 million. In his mode, six suspects broke into hundreds of sacks of subsidized fertilizer. Each sack is broken into, reduced by 2-4 kg for approximately a year. In a year, the fertilizer they break up reaches about 40 tons or worth Rp 500 million.

Parties and institutions from both government and private sector that try to prevent and control fraud as we know it are the Corruption Eradication Commission (KPK), Indonesia Corruption Watch (ICW), police, prosecutors, and other internal and external supervisory agencies, but these parties have not been able to complete the fraud practices that occur in Indonesia, especially in the chain of distribution of subsidized fertilizer. Modus operandi that various circles do to gain a great advantage in the distribution of fertilizer is to do misappropriation. The police observations stated that there are seven modus operandi of subsidized fertilizer distribution, namely: 1) hoarding, 2) replacing subsidized fertilizer packaging with non-subsidized, 3) doing trade between islands, 4) spreading the issue of fertilizer scarcity, 5) physical and administrative smuggling, 6) falsifying quota needs, and 7) shifting stock from one cheaper area to a higher-priced area (Herman et al.2005).

The Financial and Development Supervisory Agency (BPKP) is a non-ministerial government institution in Indonesia that carries out government duties in the field of financial supervision and development in the form of audits, consultations, assistance, evaluation, eradication of KKN, as well as education and training in accordance with applicable regulations. So far BPKP has continuously implemented corruption eradication strategies with educational approaches (Pre-Emptif), Preventive, Repressive, and Repressive for Preventive. Corruption eradication strategy that prioritizes systematic preventive efforts, carried out with several considerations or reasons, among others a) if it has occurred, corruption results in large financial losses; b) the refund of corrupted state money is very small; c) corruption cases, damaging the

reputation of both institutions and individuals; d) time-consuming litigation and costs, both for law enforcement and prospective suspects; e) The longer the incident of corruption is not revealed the more opportunities for corruption perpetrators to cover up their actions with other fraud.

In implementing this preventive strategy, BPKP has designed a guideline in order to prevent and detect fraud stemming from general practices in the United States, Australia and New Zealand namely the Fraud Control Plan (FCP) in order to be applied in Indonesia. FCP can be applied to government organizations and non-governmental organizations. Pt. ABC Gresik Regency is one of the companies that has been accompanied by BPKP East Java Provincial Representative for approximately four months in 2018 in the application of Fraud Control Plan (FCP). BPKP is and continues to develop controls specifically designed to prevent, counteract, and facilitate the disclosure of events indicating corruption. The system is characterized by specific attributes that are the deepening or strengthening of the governance system of each existing organization that is influenced by the situation and condition of each government organization.

This research is the result of a case study at PT ABC Gresik Regency. We review and analyze the existence and implementation of Fraud Control Plan attributes in the company's work environment. If FCP attributes already exist and are implemented, there will be good corporate performance, good corporate governance related to governance that prioritizes transparency, independence, accountability, and accountability so that the company's performance can be achieved optimally.

## **2. Literature Review**

### **2.1 Agency Theory**

In a company in the form of a company, agency problems can arise. As the company grows, it is impossible for owners to perform all functions in the management of the company, due to time and ability limitations. Therefore, a separation is carried out between the owner of the company and the manager of the company. Agency theory as a contract between one or more principals (owners) and agents (managers). This relationship arises when one or more owners engage others (agents) to perform several services and then delegate decision-making authority to the agent. The agent has a contract to show his obligations to the principal, while the principal has a contract to give bonuses to the agent. The main purpose of agency theory is to increase the value of the company through increasing the prosperity of the owner. Therefore, the manager must be accountable to the shareholders (Jensen, 1976).

Categories of agency theory with three assumptions of human nature, namely: (1) Self-interest, (2) Human beings have limited thoughts about the perception of the future (bounded rationality) and (3) Humans tend to avoid risk (Eisenhardt, 1989). This nature causes the information submitted is not in accordance with the company's conditions known as asymmetric information. It provides opportunities to the manager to put his personal interests ahead of the interests of the owner, namely by transferring the owner's prosperity to himself or self-interest (Haryono, 2005). The agent will try to find his own profit to get a bonus from the company by manipulating the figures in the financial statements. With this, financial reporting practices often cause conflict between principals and agents due to the absence of transparent financial statements so that it will be a barrier in realizing good corporate governance (GCG) practices.

### **2.2 Fraud Tree Theory**

Schematically ACFE describes occupational fraud in the form of fraud tree. A tree depicting branches of fraud in a working relationship, along with branches and branches. This image is deliberately not translated because there is not always a equivalent term that describes its original meaning (Theodorus, 2007). In the Fraud Control Plan (FCP) the term used is fraud and not corruption, because it assumes that the term fraud is broader than corruption, even corruption is a branch or part of fraud. This is in accordance with the theory of Fraud Tree, where fraud consists of three elements, namely Missappropriation of Asset, Fraudulent Financial Statements, and Corruption.

The missappropriation of Assets includes the theft/misuse of assets or property of companies or other parties. This is a form of fraud that is easy to detect because of its tangible or measurable nature. Fraudulent Financial Statements include actions taken by officials or executives of companies or government agencies to cover up the actual financial condition by falsifying financial statements. Corruption includes fraudulent acts by companies or individuals in business transactions in order to gain personal gain contrary to their duties.

### 2.3 *Fraud Pentagon Theory*

Fraud pentagon theory is a development of fraud triangle theory by (Cressey, 1953), then fraud diamond theory developed by Wolf and Hermanson in 2004. Fraud pentagon theory is a development of fraud triangle theory by (Cressey, 1953), then fraud diamond theory developed by Wolf and Hermanson in 2004. (Crowe, 2012) develop the theory of triangle fraud and diamond fraud by changing the risk factor fraud in the form of capability into competence that has the same term meaning. In addition, there is an additional risk factor in the form of arrogance. Fraud risk factor in pentagon fraud theory is (Akuntansi & Korupsi, 2016) :

1. Pressure is the motivation to commit and hide acts of fraud. (Tuanakotta, 2012) explained that someone commits fraud and embezzlement of company money because of the pressure that has squeezed it, the pressure can be an urgent need to be resolved (financial pressure).
2. Opportunity; that is an opportunity because the perpetrator believe that their activities will not be detected. Opportunity in a company is caused by a lack of internal supervision of the company. Opportunity relates to the environment in which fraud will be committed.
3. Rationalization; Rationalization is an attitude of justification for fraud that has been done. Fraud is carried out based on the rationalization of a person meaning that the act is not an offence.
4. Competence/Capability; Competence is an employee's skill to ignore internal controls, develop concealment strategies, and observe social conditions to meet his personal interests (Crowe, 2012).

### 2.4 **Fraud Control Plan (FCP)**

#### 2.4.1 **Understanding of Fraud Control Plan (FCP)**

In the Code of Fraud Control Plan (BPKP, 2010) describes the definition of Fraud Control Plan (FCP) as a control specifically designed to prevent, ward off, and facilitate the disclosure of events indicating fraud. This program is designed to protect government entities and other organizations from possible fraud events.. Fraud Control Plan is derived from general practices in the United States, Australia and New Zealand so that it can be applied in Indonesia.. Fraud Control Plan can be applied to government organizations and non-governmental organizations, as part of the implementation of Presidential Instruction No. 10 of 2016 and Circular Letter of the Minister of BUMN No. 2/2016 and No. 5/2017 on prevention and eradication of corruption. Fraud Control Plan consists of ten specific attributes that are the deepening or strengthening of the existing organizational governance system that is influenced by the situation and condition of each organization..

Some previous research has shown that the implementation of a good Violation Reporting System in an organization can prevent fraud from developing because the fraud can be detected early (Erisnanto, 2017). Based on Report to The Nations (ACFE, 2016), organizations that provide reporting media are able to detect fraud better than organizations that do not implement the Violation Reporting System (47.3% compare to 28.2%). The revelation of early cheating can cut the chain of cheating and prevent cheating from developing more complex.

Haynes in (Herlina Hanum Harahap, 2020) says the best way to tackle crime is to eliminate the motivation of the perpetrator by preventing the perpetrator from enjoying the results of the crime he committed. Cheating that is revealed early will eliminate the motivation of the cheater to continue the cheating he committed. Previous studies have argued that internal control in a company is very important. It is expected that with good internal control, employees do not do things outside the established rules (Herawaty, 2011).

#### 2.4.2 **Fraud Control Plan Attributes**

Committee of Sponsoring Organizations of The Treadway Commission (COSO, 2008) explained that fraud control plan consists of ten specific attributes that serve to strengthen internal control system and organizational governance in fraud control efforts include:

1. **Anti-fraud policy**
2. **Accountability Structure**

3. **Fraud Risk Assessment**
4. **Employee Care**
5. **Customer and community concerns**
6. **Fraud event reporting system**
7. **Whistleblower protection**
8. **Disclosure to external parties**
9. **Investigative Procedures**
10. **Standards of conduct and discipline.**

Anti-fraud policy is an integrated policy containing statements of the organization's attitude towards fraud containing the following attributes 2 to 10, starting from the vision and mission outlined in the action plan, and communicated to stakeholders systematically. The shape and systematics of these policy documents may vary from organization to organization.

The structure of accountability is the responsibility for the implementation of the policy is divided into senior officials. These responsibilities start from the level of organizational leadership up to the operational level. Fraud risk assessment is intended to provide an up-to-date picture to the organization about the risk of possible fraud events. This is done in certain areas or fields that require improvement of rules or policies so that the organization's efforts are more directed and efficient in utilizing resources.

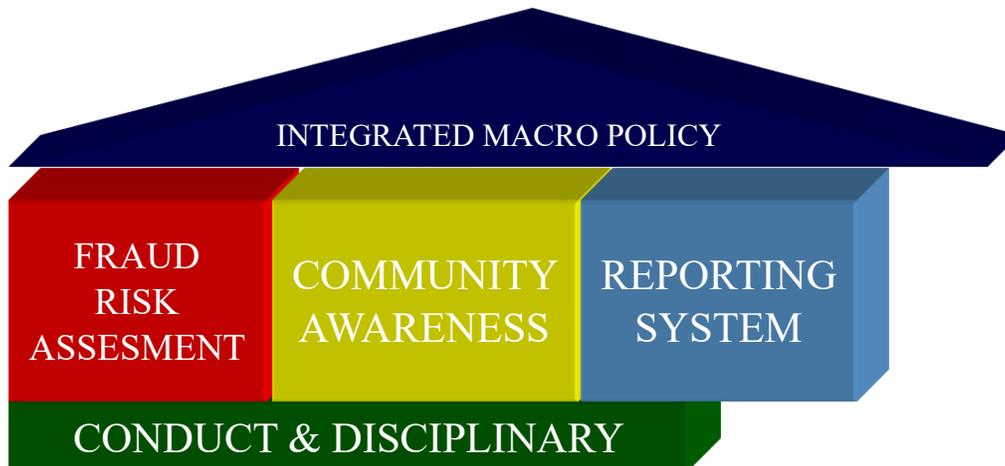
Employee concern that is seluruh employees in the organization should understand the understanding of fraud, different actions of fraud and not fraud, fraud problems, and know what to do if encountering the event (potentially) fraud. Therefore, organizations need to make systematic efforts to improve employees' understanding of fraud, for example through socialization activities on fraud to employees. Customer and community concern is realized through organisasi informing the community and stakeholders. The information relates to the values owned and the usual practices of activities, rights and obligations of the services of an organization.

Fraud incident reporting system that is pimpinan organization makes the most effective system and procedures to receive and respond to complaints and reports related to fraud, both from employees, customers, and the public in general. Protection of whistleblowers that is pimpinan organizations make a clear commitment, impartial to support, and protect all efforts in relation to the identification of fraud in the organization managed.

Disclosure to external parties, namely pimpinan organizations need to understand that for certain cases of fraud that occur in the organization environment is reported to authorized agencies outside the organization in accordance with the provisions of the legislation. The investigative procedure is by means of pimpinan organization establishing investigative procedures that ensure that the fraud detected must be handled and investigated systematically and professionally. Standards of conduct and discipline outline what employees can and should not do, legal and illegal actions, and sanctions to be given in the case that employees violate standards of conduct and discipline. This standard applies to all groups and categories of employees.

#### **2.4.3 Fraud Control Plan Framework ( FCP Framework) Framework**

To make it easier to understand the linkages between each attribute of *Fraud Control Plan* in the *overall fraud* prevention and detection program can be explained through the illustration of a building below:



Source: BPKP, 2010

Building a Fraud Control Plan can be like building a solid building. A solid building must be built with a strong foundation, supported by a strong pole and a roof that protects the building. Similarly, the Fraud Control Plan, its application must be based on a strong standard of behavior and discipline, supported by three pillars in the form of fraud risk assessment, community concern and a good reporting system, and sheltered with a roof in the form of a comprehensive and integrated policy (BPKP, 2010).

Fraud Control Plan (FCP) is necessary because: 1) Internal control system can provide absolute guarantee in dealing with fraud; 2) Implementing internal controls may not be able to address all risks of organizational fraud; 3) Fraud risk requires special controls to mitigate it, which makes the process of organizational fraud risk assessment important in order to prevent fraud; 4) Implement fraud prevention control, it is very important for organizations to assess and continuously monitor the effectiveness in the implementation of organizational operational activities to prevent fraud (BPKP, 2010).

## 2.4.4 Fraud and Fraud Prevention

### 2.4.4.1 Understanding Fraud

Fraud is defined as a crime of fraud that uses false representation to profit by unfair means or forcibly taking the rights and interests of others (Oxford English Dictionary, 2002). The Dictionary of Black's Law (BPKP, 2010) defines fraud as a misstatement of truth or concealment of material facts and a misstatement made recklessly and incorrectly that results in another person committing an adverse act.

"Occupational fraud and abuse" and define it as the use of one's position to enrich one's self through intentional abuse or misuse of resources or asset organization (ACFE, 2010). Etymologically (Peninurhidayati, 2013) it is said that korupsi the word corruption comes from the Latin Corruptio derived from Corrupere. Dari Latin language is then known as Corruption, Corrupt (English) and Corruptie / Korruptie (Dutch) while in Indonesian means can be bribed through power for personal benefit.

According to Klitgaard (Ali, 2016) corruption is a behavior that deviates from the official duties of his office in the state, where in order to gain the benefit of status or money that concerns himself personally (individuals, close relatives, groups themselves), or violates the rules of conduct related to personal conduct. Klitgaard (BPKP, 2010) creates a simple equation to explain the definition of corruption as follows:

$$C = M + D - A$$

Keterangan :

C = *Corruption*

M = *Monopoly*

D = *Discretion*

A = *Accountability*

Some of the above notions highlight corruption as detrimental behavior committed by a person or several parties and is not explicitly mentioned whether from the elements of bureaucracy, private, or public. Because basically acts of corruption not only occur in the government sector but also in the business world and even in society. From some of the above opinions, it can be said that corruption is not only carried out by bureaucrats, but also outside the bureaucracy. The meaning and definition of corruption also has a variety of different points of view.

#### **2.4.4.2 Fraud Perpetrators**

Perpetrators of fraud can be categorized into four groups (Suprajadi, 2009) including First-time offenders, Repeat offenders, Organized Crime Groups and Internally Comitted for the perceived benefit of the corporation. First-time offenders are the type of offenders with no criminal background. The perpetrator has pressures in his life or the perpetrator rationalizes his behavior that embezzlement is commonplace. If pressure factors and rationalization go undetected then one will look for weaknesses in internal control or the opportunity to commit fraud.

Repeat offenders are based on statistics showing that a person who commits internal fraud has a high tendency to commit fraud more than once. Pressure factors and rationalization will be less dominant compared to First-time offenders. The opportunity factor will be the trigger for cheating. Organized Crime Groups that are this type of cheating groups belong to professional groups, can also be individuals, who usually commit fraud with a special type. The main factors of this type of cheating can be carried out due to opportunities, namely weak internal controls, bribery or extortion by employees, or through collusion with suppliers or customers. Internally Comitted for the perceived benefit of the corporation is the perpetrator of fraud usually employees who believe that the act of fraud committed is for the good of the company. In particular, the dominance of pressure factors and rationalization of the opportunity factor of the condition is the same as the type of First-time offenders and repeat offenders.

#### **2.4.4.3 Types of Fraud**

Albrecht W. Steve (2002) and Hutomo (2012) explained five types of fraud including Embezzelment employee, Management Fraud, Investment Scam, Vendor Fraud, and Costumer Fraud. Embezzelment employee is a theft committed by employees either directly or indirectly to the company. Management Fraud is a type of fraud committed by top management to stockholders and users of financial statements by providing biased information in financial statements. Investment Scam is a type of fraud committed by individuals to investors by committing lies through investment. Vendor Fraud is fraud committed by companies / individuals who sell goods or services to companies that buy goods or services. Fraud is carried out by the company by issuing expensive tariffs in terms of delivery of goods. Costumer Fraud is fraud committed by customers to companies that sell goods or services. The company tricked the sellers into getting them something more than they should have.

Based on the conclusion of seminars and workshops on Prevention and Prevention of Corruption conducted by BPKP in several regions in Indonesia, various causes of corruption as mentioned above can be identified based on three aspects, namely administrative aspects, human aspects and socio-cultural aspects. Administrative aspects are legislation that is unrealistic and not accommodating to the prevention and prevention of corruption, ke unclear definition and standards of operation in the service activities of some government agencies, Procedure complicated administration, kurangnya disclosure of information and ketiadaan an organization center that specializes in dealing with anti-corruption issues.

Human aspects are rendahnya integrity and ethics among government officials, sikap and selfish behavior, rendahnya income and appreciation of government officials, leadership crisis, low levels of edity, behavior can be contagious. The Socio-Cultural Aspect is a close relationship between politicians, government elements, and non-governmental organizations; kultur that tends to be permissive, less commendable treatment, the practice of giving money and others. If it is observed how a corrupt process of cannedness arises, it always begins with an act. If the act is repeated (because of the permissive act of the community),

then it will be a cannedness. Maintained venom will become a tradition that will never be transformed into a culture; community less concerned with the problem of corruption; and shift logical, social and economic values.

Signs of corruption in the organization include: 1) The Company pays more than the reasonable price; 2) Procurement made as specific as possible so as to tend to benefit certain partners; 3) Projects that are fragmented to avoid certain review or approval limits; 4) The auction time is made as short as possible thus impeding other partners from qualifying for the contract; 5) The same partner always wins every auction; 6) There is a social relationship between the auction committee and the bidders; 7) Low quality of goods from the new winning partner; 8) The auction committee or procurement officer has a lifestyle that exceeds his income.

#### **2.4.4.4 Fraud Eradication Strategy**

Fraud eradication preventive strategies can be carried out through increasing individual concerns in order to play a role in fighting corruption through educational efforts (pre-emptive); paying attention to the impact of corruption on individuals, communities, and organizations is so dangerous, it is necessary to prevent, ward off, and facilitate the detection of potential fraud events through preventive efforts; if it has not or cannot prevent, organizations should be able to immediately detect, investigate, and follow up investigations in accordance with applicable regulations through repressive efforts..

Carrying out repressive efforts in detecting and handling corruption cases is not the end goal, it is now more preventive efforts. Repressive measures are carried out to the perpetrators of corruption to provide shock therapy and deterrent effect. To prevent the recurrence of such incidents, it must be accompanied by systematic preventive efforts to reduce the chances of corruption, curb justification, and inhibit intentions by developing repressive concepts for preventive. Although repressive efforts against fraud have been intensive, the organization's vulnerability to fraud from day to day tends to increase. Organization leaders can learn how irregularities occur, who does, how they can do it, how fraud is detected, and so on, so as to take steps to maximize the organization's ability to protect against possible fraud..

Before attempting to control fraud, organization leaders must understand the facts that 1) there is a possibility that fraud has occurred and will probably occur in every organization; 2) Consequences for fraud events that occur in each organization can not be measured only by losses in the value of money units; 3) the human being and the situation changes over a certain period, and some of those changes increase the risk of fraud; 4) internal control accounting that traditionally plays a critical role in countering fraud, but only reflects one facet of prevention and detection ;5) Rely on on audit activities as the only instrument in detecting fraud is not enough; 6) every person inside and outside the organization has a role in preventing and detecting fraud.

The key to preventing and easily detecting fraud is the application of a multisegi antidote model (organization-wide model of deterrence). This model relies on the involvement of corruption prevention at every level and function in the organization. This model includes three interacting components designed to maximize) serta the organization's opportunity in preventing and detecting corruption, namely financial control system non finance (non-financial systems and management behaviour).

### **3. Research Methods**

This research is a qualitative descriptive research, where the data obtained from the results of the research analyzed and then interpreted. Descriptive research is research conducted to find out the value of a self-contained variable, either one or more variables without making a comparison, or connecting with another variable. Qualitative data is data in the form of words, schemes, and images (Sugiyono, 2013). The research method used is survey method. This method is used to obtain the facts of the symptoms and look for factual information.

### 3.1 Data analysis

Data analysis in this study uses descriptive analysis to examine the status of a group of humans, an object, a set of conditions, a thought system, or a class of events in the present. The purpose of descriptive analysis is to make descriptions, descriptions, or paintings systematically, faktual and accurate about the facts, properties and relationships between investigated phenomena (Nazir, 2011).

In this study, adescriptive nalisis is limited to the effort of expressing a problem, existence or event as it is. It's just exposing facts. The results of the study emphasized more on providing an objective picture of the actual state of the object being investigated. However, in order to get wider benefits in addition to uncovering facts, a strong interpretation is given.

The first step in descriptive analysis is to create a simple frequency table based on the data and information obtained from the questionnaire. The data is then grouped based on the same answer, rounded up, then interpreted. Descriptive analysis is intended to obtain information about various field conditions that are responses, views and analysis of researchers on the existence and implementation of *Fraud Control Plan* in PT. ABC Gresik Regency. The results of descriptive analysis in the form of comparison of real conditions obtained from questionnaires (opinions of various elements), observation and review documents, with the criteria set.

Analysis is used to assess the existence and application of ten attributes of *Fraud Control Plan* in PT. ABC Gresik Regency. The existence of every element in the Attribute Fraud Control Plan is known through supporting documents, while the assessment of the application of each element of fraud control plan can be done through questionnaires, observations and interviews. Each element of *the Fraud Control Plan attribute* is assessed regarding the existence of each attribute element based on supporting documents, if there is a supporting document then it is stated that the existence of the attribute element exists and vice versa, then from each element that has been assessed for each attribute is made conclusions whether the *existence of the Attribute Fraud Control Plan* exists or not.

Each element of *Fraud Control Plan attribute* is assessed regarding the application of each attribute element based on the results of questionnaires, observations and interviews. If there is application of *Fraud Control Plan*, it is stated that the application of attribute elements exists, and vice versa. Then from each element that has been assessed for each of these attributes, a conclusion is made whether the application of the *Fraud Control Plan attribute* exists or is not implemented.

The conclusion of the evaluation results is done gradually for each attribute that has been defined in the Evaluation Program. Inferences are drawn for each sub-attribute that exists in each attribute and then drawn in full conclusion for each attribute. Conclusion of assessment results using the Evaluation Program categorized into 3 (three), namely: 1) inadequate, if there is no existence and application, 2) Adequate, if there is existence but no application or no existence but there is application, 3) Adequate, if there is existence and application. As seen in the table below:

Conclusion of Existence Assessment results and Application of Attributes  
FRAUD CONTROL PLAN

Existence		Application		Assesment
There is	There is n't	There is	There is n't	
✓		✓		Adequate
✓			✓	Quite Adequate
	✓	✓		Quite Adequate
	✓		✓	Inadequate

Source: BPKP, 2010

#### 4. Discussion

##### 4.1 Existence and application of FCP Attributes

Data used to analyze the existence of FCP attribute PT. ABC is determined based on supporting documents owned by PT. ABC. While the data used to analyze the application of FCP attributes PT. ABC Gresik is assessed based on interviews with respondents consisting of management and company employees.

Supporting documents and interview results of respondents are used to assess the existence and application of each attribute and then draw conclusions. The results obtained from kuesioner to respondents regarding the existence and application of fraud control plan *attributes* can be briefly seen in the table below.

**Results of Questionnaire on the Existence and Application of FCP Attributes**

Attribute	Existence		Application		Assessment
	There is	There is n't	There is	There is n't	
1		√	√		Quite Adequate
2		√	√		Quite Adequate
3	√			√	Quite Adequate
4	√			√	Quite Adequate
5		√		√	Inadequate
6		√	√		Quite Adequate
7		√		√	Inadequate
8	√			√	Quite Adequate
9		√		√	Inadequate
10		√		√	Inadequate

Source: Processed author

##### 4.1.1 Attributes of Reject Fraud Policy

Based on the results of the study, it can be concluded that the Attributes of reject fraud Policy is "**Quite Adequate**". PT. ABC Gresik regency does not yet have an integrated anti-fraud fraud policy in fraud control which includes Prevent Tangents Policy, Early Detection and Handling of Fraud that can secure the company's assets and compliance with legislation. Nevertheless, in the application of this one attribute, the company has made real efforts in tackling fraud both strategically and operationally.

##### 4.1.2 Accountability Structure Attributes

The data in this study assess the extent of PT. ABC Gresik district has clearly and effectively shared its responsibility in coordinating the implementation of fraud control plan in all activities as part of anti-fraud strategy.. Based on the results of the study, it can be concluded that the Attributes of The Accountability Structure is "**Quite Adequate**". The structure of the Fraud Control Organization has not been formed, but in the daily implementation related to the efforts to handle fraud that occurred, the task is charged to the Crime Scene Department and MR led by the Manager who is in the coordination of the Corporate Secretary.

#### 4.1.3 Standards of Conduct and Discipline Attributes

Research data is used to assess whether organizations have established policies, standards, systems, and procedures related to employee behavior and discipline to support strategies to combat fraud/irregularities. Based on the results of the study, it can be concluded that the Attributes of Standards of Behavior and Discipline are "**Adequate Enough**". PT. ABC already has Guidelines for Business and Work Ethics but has not specifically defined and regulated the provisions related to fraudulent behavior including the imposition of sanctions if employees violate the provisions or commit fraud. The application of sanctions imposed is regulated only in relation to violations of Business Ethics and Work Ethics and has been disseminated to all employees.

#### 4.1.4 Fraud Risk Management Attributes

Research data is used to assess the adequacy of size or tools and processes that have been determined by PT. ABC to identify, analyze, and evaluate the risk of possible fraud or irregularities in certain units or areas or fields, and whether PT. ABC Gresik regency has developed an action plan to manage the risk of possible fraud/irregularities. Based on the results of the study, it can be concluded that the Attribute of Fraud Risk Management is "**Quite Adequate**". The Company has performed risk management functions related to operational risk only. The attributes of fraud risk management that have been implemented by PT. ABC has a special part or division in charge of the risk management process, the part or department that handles risk management is supported by a policy or SOP of risk management, has an independent structure or section to monitor the risk management process, namely the Risk Committee under the Board of Commissioners.

However, in the application of fraud risk management attributes, the Company has not implemented Risk review in terms of adequacy of internal controls owned to prevent or mitigate the impact of each of these risks, the creation of a database of fraud events as input for the fraud risk management process, analysis of trends in mode/ location / perpetrators, creation of risk profile reports and conveying them to interested parties.

#### 4.1.5 Attributes of Employee Care

Data on employee concerns to assess the extent of PT. ABC Gresik district has implemented an action plan to increase the concern of all employees to the possibility of incidents of misconduct/irregularities. Based on the results of the study, Employee Care Attribute is "**Inadequate**". The existence and application of this attribute has not been maximal in PT. ABC.

Based on the above conditions, we can recommend to PT. ABC for the Company to periodically conduct surveys of all employees related to employee understanding of fraud and employee concern to participate in fraud control.

#### 4.1.6 Fraud Event Reporting System Attributes

The data obtained is an assessment of whether the company has adequate internal reporting rules or mechanisms for fraud or irregularities and whether it has been implemented in an effective way. Based on the results of the study, it can be concluded that the Event Reporting System fraud in PT. ABC "**Quite Adequate**", the existence and application of attributes of the system of justice fraud reporting in PT. ABC's been going well. For the mechanism of reporting fraud events has also been disseminated to all employees, among others by placing banners and displaying on the company's website.

The Company has also established formal rules in the form of related Board of Directors Decisions related to WBS Procedures, Gratification Control, Handling of Consumer Complaints, although the fraud incident reporting system has not regulated in detail the mechanism on reporting and handling of violations allegedly committed by senior leaders or top executives of the Company and for whistleblowers to obtain information about the development of cases or problems reported.

#### 4.1.7 Whistleblower Protection Attributes

The data obtained is used to assess whether the organization has developed appropriate mechanisms and policies in order to support and protect those who convey information about events indicating fraud.

Based on the results of the research, it can be concluded that the existence and implementation of the attributes of whistleblower protection by PT. Gresik Regency ABC **"Inadequate"**. This can be seen from the company specifically does not have provisions on The Protection of Whistleblowers related to reporting of fraud incidents, but in the Whistle Blower System (WBS) Guidelines have been regulated a Whistleblower Protection Policy that states the fraud WBS Team protects whistleblowers from intimidation, threats from the supervisor of the whistleblower so as not to jeopardize his work performance. Based on the results of clarification on wbs management regarding the implementation of fraud incident reporting system in the past period, WBS managers do not document complaints or information or minutes in writing. According to WBS managers this is done to protect the confidentiality of whistleblowers. Such policies can be considered weak in proving.

#### 4.1.8 Attributes of Customer and Community Concern

This data is to assess the adequacy of actions taken by the organization to increase customer and community concern for the organization's ongoing efforts related to the prevention and control of fraud / irregularities. Based on the results of the research, Attributes of Customer and Community Concern is **"Quite Adequate "**. The Company has sought customer and public concern regarding anti-fraud policies, among others through a) social media (Instagram Company) containing the message "Not receiving Gratification"; b) national mass media (Kompas daily) in the form of advertisements on the Rejection of Gratification; c) The company's website/official website on WBS; d) Company Annual Report. However, in applying the attributes of public concern, the company has never conducted a Customer Satisfaction Survey related to the Reject Fraud Policy announced by the company.

#### 4.1.9 Attributes of Investigative Procedures

Research data is used to assess the extent to which organizations have designed and developed investigative policies, standards and guidelines for dealing with incidents that indicate fraud or irregularities from start to finish. Based on the results of the research, Attributes of Investigative Procedures at PT. ABC is **"Inadequate"**. The company has not specifically had investigative procedures. In addition, the results of proven investigations (risk events) have not been utilized as inputs for the risk management process.

In the application of investigative procedure attributes in PT. ABC, investigators have conducted interviews with Department of Security officials. Against Work Instruction 05-xxx about investigators and investigators there is still a weakness that there is no workflow and supporting form to be able to complete the assignment according to the Work Instruction.

#### 4.1.10 Disclosure to External Parties

The data obtained is used to assess the extent to which the organization has established and implemented rules on reporting incidents of fraud or irregularities to outside authorities. Based on the results of the study, The Attribute of Disclosure to External Parties is **"Inadequate"**. The Company formally does not yet have 1) Policies or provisions governing the disclosure of fraud incidents to parties outside the company namely the Police, Prosecutors and Corruption Eradication Commission; 2) Policies governing fraud criteria (value of losses, perpetrators, types of fraud) to be reported to external parties. In its implementation, formal reporting is so far made by the Internal Audit Compartment, Department. The Legal Department is addressed only to the President Director.

## **5. Conclusion**

Based on the Results of Research and Discussion can be obtained conclusions as follows:

The attributes of the Anti-fraud policy, Accountability Structure, Fraud Risk Assessment, Employee Care, Fraud incident reporting system, Whistleblower protection are considered adequate and attributes of Customer and community care, Disclosure to external parties, Investigation Procedure and Standards of behavior and discipline are considered not adequate. So that there are no attributes that are deemed adequate

Therefore, it is necessary to recommend improvements that can be made by the management of PT. ABC Gresik District to design, develop and implement the attributes of a Fraud Control Plan that can be relied on in preventing, detecting, and following up on any allegations or events that indicate fraud.

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