

Company Culture As An Alternative Solution To Prevent Fraud In Workplace

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ARTICLE INFO	ABSTRACT
<p>Keywords: fraud, fraud behavior, fraudster, corporate culture</p> <p>How to cite: Prasetyo, Handoyo., Company Culture As An Alternative Solution To Prevent Fraud In Workplace. <i>Veteran Law Review</i>. 2(1). 21-32</p>	<p><i>The company is one of the supporting factors for national economic and development, contributors to foreign exchange and taxes to the state and provides jobs and workplaces needed by many people to fulfill their daily needs, so that their presence in daily life cannot be ignored and has become a necessity which is non-negotiable. Along with the development of the corporation which is increasing its operational activities, opportunities arise to conduct unethical behavior carried out by some employees to obtain additional benefits illegally by utilizing their position and experience in the workplace (called The Trust Violator Officer). Many attempts were made to prevent and overcome fraudulent behavior, but the authors offer one more solution to prevent behavior fraud in the workplace, which focuses more on the root problem of the emergence of fraud behavior, namely by fixing the character of new employees by early instilling the company's noble culture that contains universal good norms, in which a commitment is also made to take actions based on business ethics and work ethics. With the development of this anti-fraud commitment early on when new employees are accepted and start work, it is hoped that it will cut the fraud learning chain which traditionally flows from senior to junior fraudsters.</i></p> <p>Copyright ©2019 VELREV. All rights reserved.</p>

1. Introduction

Fraud grew up along with corporate developments that grew rapidly today as institutions that play an important role in economic activity in Indonesia. Fraud accompanies the existence of law as an impartial referee in guarding corporate development and activities that requires a set of norms and rules so as not to kill each other, but the law will make all business actors work together to create business opportunities and benefits that can be enjoyed by all business actors (corporation).

But fraud will always behave like a parasite that grows wild on the trunk of a tree, sucking up the energy and substances of tree growth until it dries up and leaves it in trouble facing a hard life. Always fraud will not disappear because it thrives on fertile lands. Fraud can also be likened to termites which gnaw home slowly but surely, noiseless and relentless know no time, until the house they occupy collapses into useless debris.

Likewise with occupational fraud that the author focuses on research (the author does not examine fraud in the government, better known as corruption) will always continue between generations, without any preventive drugs because the environment creates habits and lessons for potential perpetrators.

This fraudulent behavior has a huge loss for companies considering fraud perpetrators, generally called Fraudster¹, where they are people who are trusted to manage the company according to their expertise with good remuneration, but then they turn out to take advantage of opportunities and facilities and positions given for the benefit and personal benefit (The Trust Violator Officer).

From the results of the Indonesian fraud survey conducted by the Indonesian Chapter of the Certified Fraud Examiners (ACFE) in collaboration with the White Collar Crime Research and Prevention Center (P3K2P) in 2016², respondents stated that the most fraud in Indonesia was corruption and caused losses for each corruption acts averaged Rp. 100 million to Rp. 500 million per case. The Federal Bureau of Investigation even states that fraudulent behavior losses in the United States are estimated at more than US \$ 40 billion per year, a figure that is extraordinary³.

Based on April 2018 data published by the ACFE for the Asia-Pacific region⁴, the losses incurred due to fraud in the workplace are an average of US \$ 236,000 and it takes an average of 18 months to detect fraud. The data was obtained from 220 cases reported in the Asia-Pacific region, where Indonesia ranks second with 29 cases after Australia with 38 cases.

From the ACFE report, three categories of fraud in the company can be known, namely:

- a. Asset misappropriation causes an average loss of US \$ 180,000;
- b. Corruption, the loss caused by an average of US \$ 500,000 and
- c. Presentation of a Financial Statement with an average loss of US\$700,000.

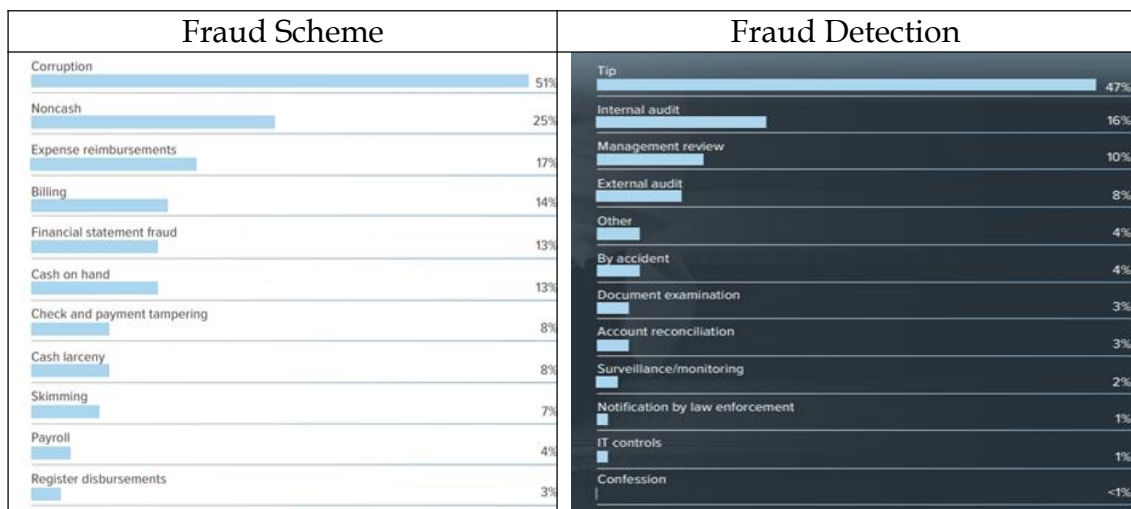
¹ English Language & Usage. (2018). *What is the general name for someone who does fraud*. Retrieved November 18, 2018 from <https://english.stackexchange.com/question>.

² ACFE Indonesia Chapter. (2016). *Survey Fraud Indonesia*. Retrieved November 18, 2018 from <https://acfe-indonesia.or.id/survei-fraud-indonesia>.

³ Brumell Group. (2015). *The Fraud Triangle : A Framework for Spotting High-Risk Fraud Situations*. Retrieved November 18, 2018 from <http://www.Brumellgroup.Com/News/The-Fraud-Triangle-Theory>.

⁴ ACFE. (2018). *Report to the Nations, 2018 Global Study on Occupational Fraud and Abuse, Asia - Pasific Edition*. Retrieved November 18, 2018 from <https://www.acfe.com/uploadedFiles>.

The fraud scheme and how to detect fraud in the company are through a mechanism:



Considering the impact of fraud that is very detrimental to the company in particular and the country in general, the author was moved to conduct research on the issue of fraud and how efforts can be made to mitigate fraud behavior so that the company becomes clean when all employees and administrators are trusted by shareholders to carrying out their duties and obligations with the principle of fiduciary duty can run well for the achievement of the aims and objectives of the company when it was founded by its founders.

Based on the description on Background The problem above, the author identifies that the root of the problem that occurs in fraud behavior lies in Fraudster or Trust Violator Officer itself, thus the authors formulate the problem is how the corporate culture is developed so that it can overcome the root causes of fraud so that companies can identify and prevent leakage early without waiting for the fraud to occur?

Author hopes that this scientific study, carried out from the company's internal point of view, will be able to reveal the side of discussion and other perspectives in seeing, observing and drawing conclusions on the phenomena that occur, thus formulating appropriate solutions to overcome the problems that arise.

Thus, this research is expected to open the horizon in answering the main problems of how to implement corporate culture on an ongoing basis, will foster good character in employees to always act according to obedience and compliance with applicable rules and regulations (good corporate governance) and thus will ultimately increase the sense of appreciation and respect for oneself as the most perfect creature of life created by God Almighty.

2. Method

This research is classified into normative legal research qualifications that are descriptive analytical. Normative legal research is usually the study of written documents / data using secondary data sources in the form of legislation, court decisions, legal theory and opinions of scholars. Descriptive analysis research is used to systematically explain the legal basis or principle that is relevant to the legal facts in question, and analyze itself an event / event to explain the relationship between the legal basis and the legal facts, and show the obstacles that may occur. Normative legal research whose data (secondary) is obtained through library research.

The data in this study as secondary data, obtained through library research / library research (library research). Secondary data sources in this research are:

- a. Primary legal material, namely legislation and jurisprudence.
- b. Secondary legal materials, namely textbooks, research reports, scientific articles, papers, journals, and research reports.
- c. Tertiary legal material. This material is used as a guideline for reviewing primary legal materials and secondary legal materials, obtained from dictionaries, bibliographies, and encyclopedias.

The data needed in the study was collected with several data collection tools, namely study documents or library materials, namely a tool for collecting data through written data using content analysis.

At the end of the paragraph, the author/s should end with a comment on the significance concerning identification of the issue and objective of the research.

3. Results

Rather fail with honor than succeed by fraud (Sophocles). This anti-fraud quote put forward by the Greek poet implies a very essential meaning that fraud behavior no longer emphasizes human dignity and honor as the most perfect creature of God, only for the sake of self-interest to pursue satisfaction with endless material needs.

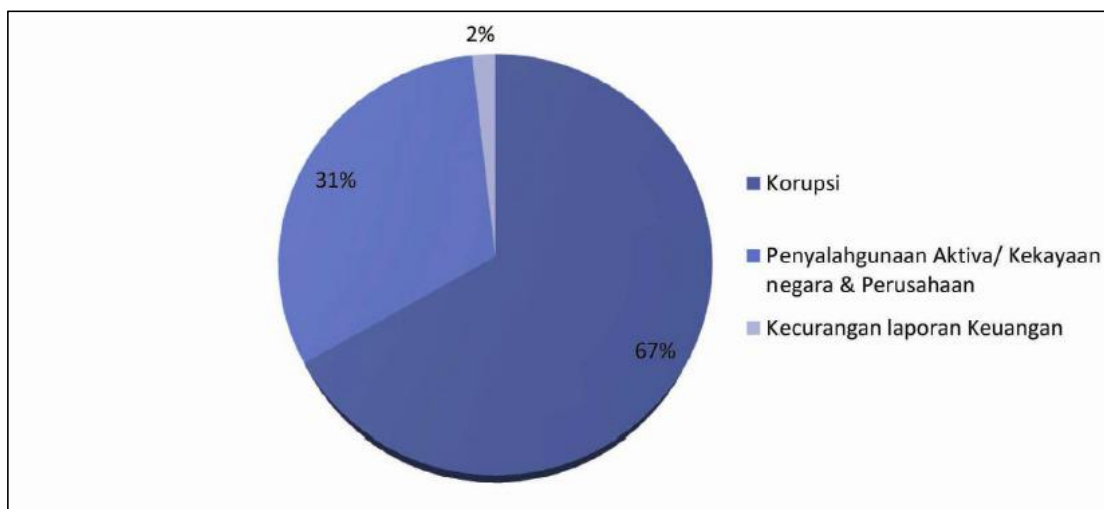
Fraud as a form of crime causes huge losses for companies where fraudsters work in particular and the country in general. According to the ACFE Indonesia Chapter, fraud is a growing problem today. The current fraudsters are not only limited to the upper class, but many have touched the lower layers of employees.

The 2016 Fraud Indonesia Survey conducted by ACFE Indonesia Chapter , the profile of most fraudsters is between the ages of 36 to 45 years, with a position as a middle management or level manager, working for more than 10 years and with the most undergraduate and master education level. With

this background, it will be easier to commit fraud because fraudsters have known the company better.

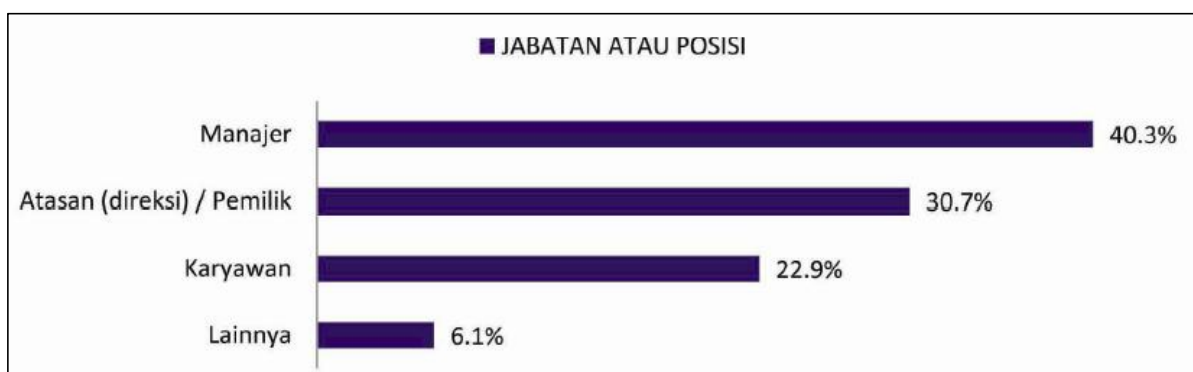
The Fraud Indonesia Survey 2016 also suggested the motivation to commit fraud was to desire luxurious behavior (extravaganza life style), and there were three forms of fraud behavior, namely:

- a. Corruption, 67%
- b. Misuse of State and Company Assets / Wealth, 31% and
- c. Financial Report Fraud, 2 %



Another report stated by the Fraud Survey concerns the position of Fraudster, namely:

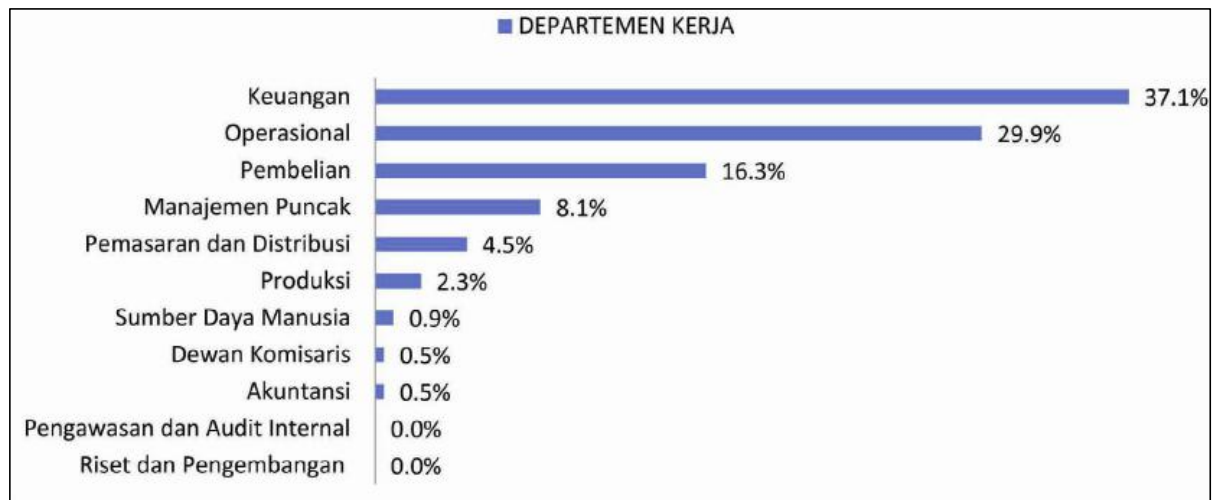
- a. Manager, 40.3%
- b. Boss (directors) / owner, 30.7%
- c. Employees, 22.9% and
- d. Others, 6.1%



The part where fraudsters work are :

1. Finance, 37.1%
2. Operations, 29.9%
3. Purchases, 16.3%
4. Top Management, 8.1%
5. Marketing and Distribution, 4.5%
6. Production, 2.3%

7. Human Resources, 0.9%
8. Board of Commissioners, 0.5%
9. Accounting, 0.5%



From the Fraud Survey, it can also be seen the tendency of signs of Fraud behavior:

1. Luxury, 30.4%
2. Having a close relationship with a buyer or supplier, 13.1%
3. Smart attitude and behavior, 9.4%
4. Pressure from the family for success, 8.1%
5. Not satisfied with a low salary, 7.8%
6. Financial difficulties, 7.8%
7. Don't like to share tasks with fellow employees, 6.7%
8. Excessive pressure from within the company / organization, 4.6%
9. Always refusing to take leave, 3.1%
10. Instability in the environment, 2.5%
11. Complaints are not given authority or authority, 1.8%
12. Family problems, 1.4%
13. Angry, suspicious, and enduring, 1,2 %
14. Legal problems in the past, 0.7%.
15. Problems related to work in the past, 0,7%
16. Drug problem,0.7%.



As is known, fraud is not only carried out by employees of a corporation, but it is also often done by the Corporation itself to cover corporate financial losses by manipulating corporate financial data so that the corporation produces good performance. Fraud does not only occur in small-scale corporations in poor countries, but also occurs in large companies in rich countries throughout the world such as in the United States, Europe, China, India, and others. Thus, fraud is certainly not only detrimental to other corporations but also society and the state.

Fraud can generally occur under certain conditions, including:

- a. Employees are employed without thinking about their honesty and integrity;
- b. Employees who are believed to have personal problems that cannot be solved, usually financial, gambling and others;
- c. Management or employees may be pushed or under pressure that motivates them to commit fraud.
- d. Environmental condition, such as the absence of supervision, ineffective supervision, management that overrides supervision, is an opportunity to commit fraud.
- e. Those involved in fraud may find cheating in accordance with their code of ethics. Some people may have attitudes, characters, or values that allow them to intentionally commit dishonest acts.

The threat of fraud is anticipated by the company in various ways, ranging from improvement of standard operation procedures of the company, using

digital technology and automation, a tighter internal control system and various other safeguards. In this digitalization era, all company activities will always lead to modern technology to accelerate and synchronize all company needs so that all can be monitored through a dashboard that can be used by all stakeholders of the company. However, as sophisticated as the system created, humans will still play a major role because the system without operators, will not be able to run properly.

There are many studies that review and propose that the prevention and overcoming of fraud problems is carried out by a criminal approach. The 2003 Anti-Corruption United Nations Conference (Indonesia ratified it with Law Number 7 Year 2006), published several criminal acts that could be classified as criminal acts of corruption, namely:

1. Bribery of national public officials;
2. Bribery of foreign public officials and officials of international organizations;
3. Darkening wealth by public officials;
4. Trade influence;
5. Misuse of function;
6. Enriching yourself illegally;
7. Bribery in the private sector;
8. Embrace in the private sector;
9. Money laundering ;
10. Contracting relates to other matters stated in the convention;
11. Blocking the judicial process;
12. Criminal acts of inclusion and probation as stand-alone criminal acts.⁵

Thus it is clear that this fraud behavior problem has also received widespread attention internationally, and some behaviors such as trading the influence, misuse of functions, enriching themselves illegally, are fraudulent behavior and therefore need to be given a punitive punishment according to the prevailing law.

But there are also those who tackle fraud behavior through an internal approach through various methods from the lightest to the most severe, such as transferring fraudsters to subsidiaries or to other non-strategic place of work, releasing or even severing fraudster employment. There are companies that develop a reward system to maintain behavior by giving awards and recognition for success and punishment to reduce unwanted behavior, punishment is given as a form of dissatisfaction with the performance of fraudsters.

Even Marcus Felson, the author of the Routine Activity Theory that develops opportunity theory, illustrates that fraud crimes occur because of opportunities that are utilized in such a way by Fraudster, so the solution to handling fraud is to close the opportunity.

⁵ Atmasasmita, R. (2014). *Hukum Kejahatan Bisnis, Teori dan Praktik di Era Globalisasi*. Jakarta: Prenadamedia Group.

Performing acts that violate the law is a rational choice of fraudsters. Satjipto Rahardjo expressed his opinion regarding human behavior:

Human behavior is driven by the interests and interests of people are different, so we are faced with the problem of choices. Thus running the law is a choice, not an automatic job. Even sophisticated law cannot control the use of the law according to the willingness to do so. Then the law that is carried out depends on the point of entry of an interest.

Thus, if using the opinion of Satjipto Rahardjo, these Fraudsters deliberately and consciously choose their own deviant actions that harm the company but enrich themselves.

In this paper the author looks at it from another point of view, more basic perspective. The author observes that in dealing with this fraud problem, what must be done in synergy is through the approach of corporate culture awareness and improvement in terms of the character of the employees and management of the company. Corporate culture must continue to be developed from the most basic norms as a corporate philosophy such as the legendary Catur Dharma Astra philosophy, namely :

1. To be an asset to the nation.
2. To provide the best service to our customers.
3. To respect individuals and promote teamwork.
4. To continually strive fo excellence⁶

Citing the book of Code of Conduct PT. Astra International Tbk., one of the well-known companies that has so far been able to withstand all economic situations that have hit Indonesia, applies integrity charter, to both company managers / employees and business partners.

The Integrity Charter prohibits the receipt of compensation, special relations, capital participation, misuse of office authority and utilization of other benefits from business partners. And this integrity charter was instilled in two directions both for all employees and management of the company since the first day of work both as fresh graduates and pro hire, as well as business partners.

Business partners are expected to collaborate with the company to build an anti-fraud culture, by not giving rewards, promises and benefits in other forms in the hope that they can get projects or facilitate transactions with companies, or collaborate with fraudsters to commit unworthy behavior aimed at to get improper profits.

⁶ PT. Astra International. (2018). *Filosofi, Visi dan Misi*. November 20, 2018 from <https://www.astra.co.id/About-Astra/Philosophy-Vision-Mission>.

As a poison whose antidote has not yet been found, fraud must also be dealt with in an extra ordinary way, not with legal assertiveness but with an internal approach through simultaneous anti-fraud education instilled early so that later it will become a habit and a positive culture, as Steven Covey stated in his very famous book *The 7 Habits of Highly Effective People*, that he who sows deeds, he will reap a habit, who sows habit, he will sow character (the law of sowing and reaping).

In his book *Leaders and Change*, Hora Tjitra, Hana Panggabean and Juliana Murniati expressed their understanding of culture, namely:

Beliefs, values, norms, rules and traditions that are jointly owned by a group of people in a certain area and period of time. If the majority of the community believes that every activity in the community must be based on a plan that has been prepared, then self-discipline both in planning and implementation, is a prominent characteristic that develops in that culture.⁷ Hora Tjitra, Hana Panggabean and Juliana Murniati in his book also suggested that organizational change cannot be separated from the role of organizational culture, or in other words the existing organizational culture must be changed first to support organizational change.

Jacobus Busono, founder of Pura Group Indonesia, in his book *Servant Leadership & Pura's Way to Success, The Principle of Service in Leadership & the Way of Pura Towards Success*, suggests that:

Knowledge is indeed needed but must be accompanied by good character so that it can survive and continue to develop. In essence, knowledge is only a tool whose results depend on the characters who use it. If not accompanied by good character, knowledge is not effective, it can even be dangerous. There must be a balance between knowledge and good character. Character is an important factor in achieving success, 80% more achievement is supported by good character, while knowledge only supports 20%.

The corporate culture that is instilled early in every new employee who joins will cut the cultural learning chain of previous fraud, which seems to be a normal activity carried out in a transaction especially if the fraud behavior is not strictly prohibited in company regulations, giving rise to multi interpretations as if fraud is an act that does not violate company regulations.

For older generation employees, fraud behavior can be done by placing the employee in a position that is not directly related to activities that have the potential to cause fraud. Likewise, the existing business partners are required to have a firm commitment to always adhere to business ethics by not giving something in return to company employees.

⁷ Tjitra, H., Panggabean, H., & Murniati, J. (2013). *Pemimpin dan Perubahan, Langgam Terobosan Profesional Bisnis Indonesia*. Jakarta : PT. Elex Media Komputindo.

Under certain conditions, it is also possible to replace business partners with other business partners that are cleaner and do not use fraud attempts to get jobs from the company. By overcoming the source of the recipient, fraudsters will no longer be able to enjoy the benefits, it is hoped that one day the fraudster will be disrupted by itself.

According to the author, the development of corporate cultural commitment from an early age is the most important effort in dealing with fraud viruses that can easily be transmitted to the next generation who will not recover completely by treating the disease without correcting the root causes of the fraud disease. With the development of corporate culture, it is hoped that it will strengthen the mental attitude of prospective corporate leaders and increase the loyalty of the younger generation to companies based on professional behavior and with a clear conscience that without fraud, the future of employees will be better and more comfortable and will ensure continuity in the company's career. .

The development of corporate culture is carried out through character building trainings, soft skills training in addition to continuous anti-fraud training, which is prioritized given to new employees from the first day of work. Thus it will foster a belief that fraudulent behavior is unethical behavior which should not be carried out by remuneration employees and that all their employment rights have been fulfilled by the company.

4. Conclusion

From this research we can draw several conclusions related to efforts to prevent and prevent fraud behavior in the workplace, through the approach of developing a corporate culture that synergizes with other integrated efforts in the company by making improvements to the system and operational standards of the company.

The cultivation of corporate culture is carried out since new employees are recruited by the company, by providing soft skills training and self-motivation improvement, anti-fraud science training and also providing exemplary by superiors of employees in anti fraud actions that are continuously carried out while carrying out their duties and obligations company.

With the embedded culture of anti-fraud in the hearts of employees, it will provide benefits for both the company and the employees themselves and in the end the company will sustain and provide benefits to employees and their families.

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