

```
return form.attr('method'),  
data: hash,  
callback: f_callback,  
force_exec: form.hasClass('on-ajax-force') ? true : false  
  
return false;  
}  
  
ajaxResponse: function(response, params)  
{  
    params = params || {};  
    params.force_exec = params.force_exec;  
    params.callback = params.callback;  
    params.prm_processing = params.prm_processing;  
  
    var regex_all = new RegExp('^(.*)$');  
    var matches = [];  
    var match = '';  
    var elm;  
    var data = response.data;  
  
    if (params.prm_processing) {  
        if (typeof(params.prm_processing) == 'function') {  
            params.prm_processing(response, params);  
        }  
    }  
}
```

Haryono Umar  
Magda Siahaan



# Fraud Theorem's

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Magda Siahaan



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## FRAUD THEOREM'S

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Ditulis oleh:

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# Preface

**W**ith the increasingly widespread and sophisticated acts of corruption, researchers, academics, practitioners, and students have difficulty finding references to the theories that cover every act of fraud and corruption. So far, they have used other theories related to supervision, auditing, governance, and activities in managing organizations where violations have occurred. The publication of the “Fraud Theorem’s” will be the primary reference in developing, researching, supervising, managing risk, and preparing anti-fraud policies. With this theory, corruption eradication efforts have a clear vision that will be the basis for every strategy. Enforcement and prevention activities are increasingly brightly lit so that each annual achievement can be measured in absolute terms and carried out with complete control. Both feedforward control (supervision before the implementation of activities and organizational operations), concurrent control (supervision during the implementation of activities and operational programs and activities), as well as feedback control (supervision after the completion of the implementation of activities and programs where there may be many mistakes so that the goals and targets are not achieved as they should). The presence of this book can contribute to the country’s joint effort to fight corruption and improve its dignity as a clean and victorious country in the eyes of the international community. Thus, the hope of realizing “Golden Indonesia 2045” is increasingly evident.







# TABLE OF CONTENTS

PREFACE ..... iii

TABLE OF CONTENTS ..... v

**CHAPTER I**

INTRODUCTION—1

**CHAPTER II**

CRIME FINANCE—13

2.1. Fraud ..... 13

2.2. Classification Fraud..... 26

2.3. Why do good people get caught up in fraud and Corruption? ..... 45

**CHAPTER III**

**FURTHER WITH CORRUPTION—59**

3.1. Chronology of PT Timah’s Corruption ..... 95

3.2. Illegal Logging..... 102

3.3. Massive and Indiscriminate Exploitation of Natural Resources ..... 102

3.4. Indiscriminate Disposal of Waste into the River and Sea ..... 107

3.5. Surface and Soil Content Pollution ..... 109

3.6. Pollution from Transportation Smoke..... 111

3.7. The rampant use of various ozone-depleting substances ..... 113

3.8. Global Warming ..... 114

3.9. Chronology of the 4G BTS Project..... 119

3.10. Impact of Corruption ..... 122

3.11. The Impact of Corruption on Development ..... 127

3.12. Corruption Increases Poverty ..... 144

3.13. Corruption’s Impact on Culture..... 148

**CHAPTER IV**

**FRAUD THEOREM’S—161**

4.1. Fraud Theorem’s..... 165

4.1.1 Power ..... 173

4.1.2 Conflict of Interest..... 229

4.1.3 Containment..... 242

**CHAPTER V**

IMPLEMENTATION OF THE FRAUD THEOREM’S—317

5.1. Power..... 329

5.2. Conflict of Interest Measurement..... 332

5.3. Fraud Detection ..... 337

    5.3.1 Corruption Detection Using the HU Model..... 342

    5.3.2 HU-Model Explanation ..... 346

5.4. Outer Containment..... 362

5.5. Contribution to Corruption Prevention..... 363

**CHAPTER VI**

CLOSING—367

LITERATURE..... 385

ABOUT THE AUTHOR ..... 391





## CHAPTER I

# INTRODUCTION

**T**he state's primary goal is to realize welfare, security, tranquility, and legal certainty for all its citizens, without exception. Whatever the form of state, be it a republic, kingdom, or other state, it is established by acclamation of all components of the nation for the happiness of living together in cooperation to utilize all the country's wealth. All components of the nation need the state in an area to realize the various interests (*interests*) of these components. As a forum for the various interests of its members, the state is an institution that is neutral and impartial, stands above all groups, and functions to serve the interests and benefits of the entire community regardless of the background of these groups. The existence of a state is intended to organize, maintain, and provide security for the community for the common welfare. State neutrality is needed to foster national unity and integrity so that the people will be sincerely and consciously willing to be governed toward the country's success in achieving national goals.

The formation of a state begins with a group of people who have a common desire to achieve a common goal. Of course, the people of the country feel confident that their interests will be fulfilled by their country. However, the more advanced and modern a country becomes, the more heterogeneous its society becomes, and of course, the interests of the people will be fulfilled and diverse as well. In such conditions, the wisdom of state managers is required to maintain their neutrality status. Suppose the state only serves the interests of one or



several groups. In that case, other groups who feel their interests are neglected (marginalized) will question the legitimacy of the governing state administrators.

To run a country, state administrators need authority or *power*. Power needs to be owned by state administrators to carry out their functions in providing services to the community in a neutral manner. As long as power is exercised to fulfill its obligations, the community will widely support state administrators. However, in the implementation of power, which is a mandate, *abuse of power* occurs and is more focused on the interests of the group than the interests of society (public). *Machiavelli* considers the state only an organization of power, ruling techniques to cultivate and move it. He stated this based on his life experience when the Italian state was divided by the cruelty of kings who competed for power for personal and group interests.

The Republic of Indonesia was proclaimed on August 17, 1945, after a long struggle full of heroics and blood for more than three hundred and fifty years throughout the country from young to old, from men to women, from Sabang to Merauke, from villages to cities, and all walks of life. All worked together and felt one in the struggle to expel the invaders from Mother Earth, the Earth of birth, the Earth inherited by the ancestors to be managed, maintained, and utilized for the most significant benefit of all in a thick brotherhood. The struggle had become the official agenda of the Indonesian nation at that time with only one *mission statement*, namely the Independence of the Archipelago, to achieve the national goal of a *gemah ripah loh jinawi* Indonesia. The struggle of the freedom fighters was carried out selflessly, motivated to realize an independent, sovereign, and characterful Indonesian state.

Establishing a country requires a struggle that is not easy, full of blood and tears and physical and mental struggles. Its people need the state to provide guarantees and protection for their survival and as a place to depend on millions of people to carry out their lives while in the world. Therefore, a successful state can provide *public goods* in the form of security, benefits, welfare, and comfort to the people, which is the main component of the state. The people's disappointment will cause the state's weakness and lead to the destruction of the country. Thus, establishing a state is not accidental but through a long process and continuous and



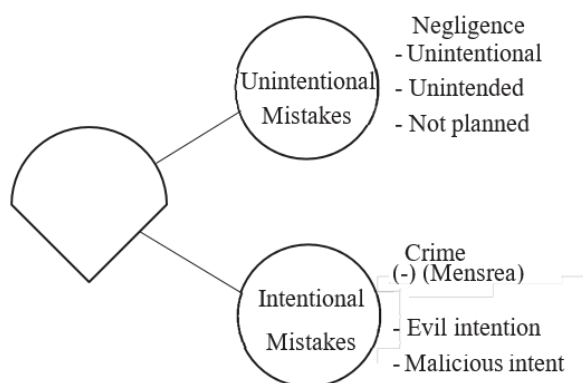
## CHAPTER II

# CRIME FINANCE

### 2.1. Fraud

Indeed, humans often make mistakes on both small and large scales. Various forms of mistakes color human life at home, where he works, and in his interactions with society. Sometimes, humans make mistakes without realizing them; indeed, they do not want to do wrong or do not intend to make mistakes, but still, these mistakes occur. Such mistakes are referred to as negligence or mistakes. Such unintentional and negligent mistakes may profoundly impact the person, the organization, or other parties.

Based on empirical data, humans tend to be more selfish in opening their success and goodness as widely as possible; their success and goodness close their various failures and badness tightly. That then encourages information gaps to make it easier for power holders to manipulate various information needed by the public (the real mandate owner). According to Jensen and Meckling (1976) and Watts and Zimmerman (1986), this action is known as earnings management, a form of *agency problem* that occurs due to differences in interests between shareholders and management, each seeking to maximize its utility. According to agency theory, management will choose specific methods to obtain profits, which is the motivation of agency theory. That will affect the quality of reported earnings, as earnings do not reflect actual economic performance.



**Figure.** Mistakes

Although it is only negligence, if it results in the death of someone, then it can also be subject to criminal punishment with a maximum penalty of 5 years or a maximum of one year of confinement (Article 359 of the Criminal Code). Likewise, Article 474 paragraph (3) of Law No. 1 of 2023 states that every person who commits negligence or culpability and results in the death of another person will be punished with a maximum penalty of 5 years or a maximum fine of 500 million Rupiah. According to D. Schaffmeister, N. Keijzer, and E. PH. Sutorius, there are two schemes of negligence or culpa, namely:

1. **Culpa Lata**, which the perpetrator realizes but acts appropriately. That kind of negligence is where the perpetrator understands that his/her actions are wrong and realizes a risk may occur due to the mistake but does not try to correct it while hoping that the adverse risk will not occur. Even though he did not prepare the risk management. Such negligence can be haphazard (*roeke-loos*), lack of calculation, not thinking long, negligent (*onachtzaam*), and ignoring the bad things that will happen due to the wrongdoing. Negligence or culpa that is realized but still ignored and continues to be neglected without implementing risk management in order to avoid bad possibilities that will befall. To maintain the possibility of bad things that are detrimental, risk management has been practiced a lot, namely:
  - a. Identify potential risks that have adverse consequences. Risk identification activities are used to determine *critical points* in a series of activities

A decorative graphic at the top of the page features a metallic chain running diagonally from the left towards the right. In the background, there is a red triangle with a yellow exclamation mark inside it, set against a dark, textured background with blue and red hues.

## CHAPTER III

### FURTHER WITH CORRUPTION

**I**n the Preamble of the 1945 Constitution. It states that the purpose of the Republic of Indonesia is to (1) protect the whole nation and all the people of Indonesia, (2) to promote the general welfare, (3) to educate the nation, and (4) to participate in creating a world order based on independence, lasting peace, and social justice. Thus, the formation of the Unitary State of the Republic of Indonesia is intended to meet the needs of all Indonesian people, namely a just and prosperous life. Namely, people who can independently fulfill their basic needs, including education, health, employment, and social life reasonably. This hope should not be impossible to realize considering the various conditions that are very supportive have been provided by God Almighty for all of us:

- The 1982 United Nations Convention on Land and Sea (UNCLOS) states that the country of Indonesia is a unity of 17 thousand islands and the waters that unite them. With this convention, Indonesia became the sixth continent, the “Indonesian Maritime Continent.”
- Indonesia’s strategic position is not only on the equator but also a large archipelago with more than 17,480 islands spanning an area of 1,922,570 km<sup>2</sup>, of which 69% is filled with tropical forest plants that are always green throughout the year and are very useful to be the lungs of the world. About 90% of world trade is supported by sea transportation, and most of these vessels must pass through Indonesian waters to save costs and time. That

poses a significant potential risk of theft and other criminal acts such as drug trafficking, terrorism, smuggling, and others.

- It is rich in natural resources ranging from oil, gas, geothermal coal, tin, gold, copper, uranium, and other mining, plantations, and marine wealth that is still largely untouched by human humans. For information, Indonesia is the second discoverer of oil after the first oil discovery in Pennsylvania, USA, in 1829. During the Second World War, Indonesia became the largest oil and gas producer in the eastern world.
- The productive-age population is so large that it has potential in terms of consumption and production. From 2010 to 2045, Indonesia will receive a demographic dividend. At that time, the number of productive-age people will be huge, which, if well prepared, will be a great strength for Indonesia to compete with other world powers.
- The diversity of culture and heritage from prehistoric times to the Second World War. The many ethnicities, tribes, races, and languages in Indonesia have made Indonesia rich in culture and heritage in the form of countless wonders of the world.

With these conditions, an advanced and dignified country in the world arena. The national development goals set out in the RPJP 2025-2045 are feasible for Indonesia to achieve. Facts show that Indonesia has become the target of many foreign parties: Zengish Khan, Portuguese, French, English, Dutch, and Japanese. They tried exploiting spices, oil and gas, forests, and other countries' wealth, especially with the current development that the world needs both renewable and non-renewable energy. Indonesia is a gathering place for energy, such as oil, gas, geothermal, nickel, uranium, etc. Article 33, paragraph 3 of the Indonesian Constitution states that the Earth and the natural resources contained therein belong to the State and are used for the greatest prosperity of the people. This God-given development capital must be adequately managed to provide maximum benefit for achieving national goals.

All development steps should be directed towards the goal of a just and prosperous society. Starting from the determination of policies, the elaboration of policies taken, the implementation of development policies, and the



## CHAPTER IV

# FRAUD THEOREM'S

**T**he issue of corruption is not only a legal issue, but many aspects must be addressed if we are to realize a prosperous, clean, and dignified Indonesia as envisioned by the nation's heroes, not to mention the various cases of bribery involving the executive, legislative, and judicial elites, such as the case of the former Chairman of the Constitutional Court, the case of the former Chairman of the Regional Representative Council, the case of the former Chairman of SKK Migas, the case of the Chairman of Political Parties and members of the House of Representatives, the case of Ministers, Governors, Regents and Mayors who have not yet shown symptoms of decline, even more aggressively and rampant everywhere. Almost every week The public is presented with information on hand-catching operations (OTT) by the KPK against officials who commit the crime of bribery.

Many corruption cases are related to the management of State and regional finances and, especially, to the implementation of government procurement of goods and services. More than 70 percent of corruption cases that law enforcement officials (KPK, Attorney General's Office, and Police) have handled in recent years mainly concern Article 2 and Article 3 of law number 31 of 1999 j.o law number 20 of 2001 concerning criminal acts of corruption.

The predicate of a corrupt country pinned by Transparency International is certainly very unfavorable for Indonesia, especially in relation to economic growth. In addition, the impact of corruption is very broad. Like a dangerous



virus, corruption can cause a widespread outbreak of social and economic conditions. Corruption is any form of abuse of authority and power with the aim of enriching oneself or one's circle that is kept secret from other parties outside that circle.

Corruption is a national problem that is very detrimental to national development. It has been agreed that corruption is an extraordinary crime whose impact is very detrimental to society. According to Law Number 31 of 1999 concerning the Eradication of Corruption, which was later refined by Law Number 20 of 2001 concerning amendments, it is explained that corruption is not only detrimental to state finances but also a violation of the social and economic rights of society at large. State finances are all state assets in any form, separated or not separated, including all parts of state assets and all rights and obligations arising from being in control management and accountability of state institution officials, both at the central and regional levels, as well as those in the control, management, and accountability of State-Owned Enterprises/Region-Owned Enterprises, foundations, legal entities, and companies that include state capital, or companies that include third party capital based on agreements with the government.

Recent developments show that many corruption cases are related to bribery. In addition, corruption is also still very widespread in the management of State and regional finances and especially in the implementation of government procurement of goods and services. More than 70 percent of corruption cases that have been handled by law enforcement officials (KPK, Attorney General's Office, and Police) in recent years mainly involve Article 2 and Article 3 of Law Number 31 of 1999 j.o Law Number 20 of 2001 concerning Corruption. In addition to the procurement of goods and services, corruption also occurs in relation to bribery, extortion, gratuities related to licensing, budget management, exploitation of natural resources, the buying and selling of positions, and buying and selling of influence exhibited by some unscrupulous executive, legislative and judicial officials.

The law has stated that corruption is an extraordinary crime, along with terrorism, drugs, and other crimes that harm the public. The KPK Law states: "...widespread and systematic corruption is a violation of the social and economic



## CHAPTER V

# IMPLEMENTATION OF THE FRAUD THEOREM'S

**F**raud and corruption have taken many victims, especially in various organizations and governments that are not serious about eradicating them. In the Criminal Code (KUHP), article 378 defines fraud as a fraudulent act with the intention of unlawfully benefiting oneself or others by using a false name or false dignity, by deception, or a series of lies, moving others to hand over goods to him, or to give debts or write off receivables (Government of the Republic of Indonesia, 1958).

A person commits fraud to obtain wealth or finance through the application of fraud or deception. Fraud is defined as various forms of fraud that occur in the administration of the organization, including its resources, deliberate fraud, taking office assets, falsifying accounts, misappropriation, charging the organization with various things that have no basis, and others (Lanham, 1987). According to (West & Bhattacharya, 2016), fraud occurs, among others, through the presentation of information (reports) that are not of quality, namely irrelevant, invalid, inaccurate, not timely, or not full disclosure. The presentation of unqualified information will mislead users of the information because they will make inappropriate decisions (unethical decision-making). Decision-making will be influenced by internal factors such as level of education, gender, experience, and others.

Meanwhile, external factors that also influence can be in the form of time pressure, performance that must be met, and so on. Fraud will indeed harm other parties, such as organizations, individuals, governments, countries, and nations. For the perpetrators of fraud, their actions are in order to obtain the economic and financial benefits that they crave. Fraud can benefit individuals, both those who commit and those who only facilitate or organizations that have related programs and activities. Individual benefits can be direct in the form of money and goods taken individually or jointly, with or without banking facilities. Other benefits received indirectly (indirect) in the form of promotions or facilities which in the end will also be related to financial problems and goods.

Meanwhile, fraud that benefits the organization is usually direct in the form of financial gain. To smooth out the fraud, people or organizations usually use or manipulate the accounting data presented related to the resources owned (funds, cash, assets, debts, capital, etc.), the revenue achieved in a period, the various costs incurred for that period, and the profits achieved. That is done by deliberately falsifying or by utilizing accounting techniques such as income smoothing, earning management, or others. All of this is done to manipulate information so that it looks as if it is high-performing even though it is not. Various major cases that occurred in large companies, such as the Enron scandal, the Worldcom scandal, and others, were carried out through engineering and manipulation of accounting information. Likewise, what happens to fraud in public organizations is usually covered by engineering and manipulating financial or accounting data and transactions, such as making work handover minutes (BAST) for a building construction that does not match its physical condition so that the state spends more than it should. Likewise, on the state revenue side, officials record tax or non-tax revenues less than they actually are, so the state loses its rights to these revenues. Embezzlement of cash receipts, theft of assets, and matters that cause an organization to pay for goods or services it does not receive are also practices that many auditors find in government administration. That is the most essential thing in the quality of accounting information for the community, considering that accounting information is one of the public goods (public goods), which, of course, can have a major effect on society.



## CHAPTER VI

### CLOSING

**S**o far, fraud theory has not been developed regarding the things that cause fraud, such as the Fraud Triangle, Fraud Diamond, and Fraud Star. The three models of the causes of fraud have been developed from 1953 until 2016 following the development of cases that are increasingly complex and sophisticated and increasingly difficult to prevent and eradicate. Therefore, the problem of fraud has become a world problem and a joint concern to eradicate it because it causes significant disruption to world economic growth. Fraud has become a transnational crime by utilizing high technology and various global activities.

Fraud eradication efforts have been very progressive, namely prosecution efforts starting from public complaints, investigations, investigations, prosecutions and executions. With the launch of the “**Fraud Theorem’s**”, it is hoped that it can raise anyone’s awareness that fraud is very dangerous to weaken generation after generation so that it will bring down a country.

### The Fraud Triangle



**The first is the Fraud Triangle.** Cressey (1953), a criminologist in Rasha Kassem and Andrew Higson (2012), has researched the various causes that encourage a person to commit a criminal act.

From the results of this research, the public began to recognize the fraud triangle as the cause of deviations or actions of a person committing criminal acts. The following figure explains the fraud triangle as introduced by Cressey in 1953.

Fraud Triangle Source: Wells, J. T., 2005. Principles of fraud examination. Hoboken, New York: John Wiley and Sons.

From the picture above, it can be seen that Cressey has identified three main causes of someone committing fraud, namely pressure, opportunity, and rationalization. These three things together will strengthen the individual's drive to commit fraud even though sometimes the logic and views of the community suit to believe why he did the despicable act. We are often surprised by the emergence of various corruption cases committed by people who have been known to the public as good figures, highly educated, have prestigious positions, with honourable status, and even have much wealth. There have been many officials with doctoral degrees and even professors who have been proven to have committed criminal acts of corruption, which, logically, they must have known was a bad thing. We have also become accustomed to hearing that high-ranking officials such as ministers, members of the House of Representatives, law enforcers, regional heads, government officials and state-owned enterprises, civil servants and the private sector have also been proven to have committed acts of corruption. Of course, this is a big question mark for the public. What else is missing



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## ABOUT THE AUTHOR

### **Prof. Dr. Haryono Umar, Ak., CA., MSc**



Haryono Umar has been a professor of economics accounting since 2012. He is specifically engaged in the field of forensics, both in the academic side of the Tridarma of higher education (teaching, research, and community service) and in real practice in the eradication and prevention of corruption. In the academic world, many products and publications related to fraud, corruption, and forensics have been issued both on a national and international scale so far. Likewise, in practice, he has consistently demonstrated an anti-corruption spirit in every period of

his service. He served as Chairman of the Corruption Eradication Commission (KPK) for the period 2007-2011. In government, he also gave his color in building anti-corruption supervision when he was trusted as Inspector General of the Ministry of Education and Culture in 2012- 2015. Well, at that time, he received optimal support from the leadership of the ministry, which became a reference for many parties in building clean and anti-corruption government institutions. Haryono Umar argues that the division (classification) of fraud in three forms, consisting of fraudulent financial reporting, misappropriation of assets, and



corruption, can only be applied to the private sector. Haryono Umar also believes that the eradication of corruption has been misguided. That is due to the absence of a clear vision of corruption eradication. Haryono Umar has won many awards, including the **Bintang Mahaputera Utama, which** he received in 2015 from the state. Other awards include the **MURI World Record** in 2020 and **Satya Lencana X, XX, and XXX Years**.

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### **Dr. Magda Siahaan, MPd., MAk., CA., Ak.**



Doctor of Accounting from Padjadjaran University in 2023, Magda Siahaan began her work experience as a practitioner in a national company in the fields of accounting, finance, operations, quality assurance, audit and business development. These various experiences support Magda Siahaan as a Lecturer starting in 2015 at the Karawang Technical College and then from 2019 until now as a lecturer and researcher at the Trisakti School of Management. This alumnus of the Trisakti

School of Economics continued and completed his education in 2012 at the Jakarta State University, majoring in Master of Education and Master of Accounting in 2019 at Trisakti University. The various certifications he has include Chartered Accountant, Certificate in Audit Committee Practices, Certificate in Data Analytics, Associate Certified Public Accountant and also the State Register of Accountants. The formal and non-formal educational background, as well as the work experience are the basis for Magda Siahaan to consistently conduct research in the fields of audit, business, and management accounting. Apart from being a researcher, Magda Siahaan is also active as a reviewer in several reputable national and international journals.

```
var regex_all = new RegExp('');  
var matches = [];  
var match = '';  
var elm;  
var data = response.data || {}
```

```
if (params.pre_processing) {  
    if (typeof(params.pre_processing) == 'function') {  
        params.pre_processing(params.pre_processing_data, params.pre_processing_options);  
    }  
}
```

# Fraud Theorem's



With the increasingly widespread and sophisticated acts of corruption, researchers, academics, practitioners, and students have difficulty finding references to the theories that cover every act of fraud and corruption. So far, they have used other theories related to supervision, auditing, governance, and activities in managing organizations where violations have occurred. The publication of the "Fraud Theorem's" will be the primary reference in developing, researching, supervising, managing risk, and preparing anti-fraud policies. With this theory, corruption eradication efforts have a clear vision that will be the basis for every strategy. Enforcement and prevention activities are increasingly brightly lit so that each annual achievement can be measured in absolute terms and carried out with complete control. Both feedforward control (supervision before the implementation of activities and organizational operations), concurrent control (supervision during the implementation of activities and operational programs and activities), as well as feedback control (supervision after the completion of the implementation of activities and programs where there may be many mistakes so that the goals and targets are not achieved as they should). The presence of this book can contribute to the country's joint effort to fight corruption and improve its dignity as a clean and victorious country in the eyes of the international community. Thus, the hope of realizing "Golden Indonesia 2045" is increasingly evident.



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