

Fraud Prevention Measures at PT. Bank BJB, Bandung City

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Abstract: The purpose of this study is to discuss the Whistleblowing System, Internal Control and Fraud Prevention. This type of research uses verification. The population is all unit leaders at PT. Bank BJB Bandung City as many as 31 unit leaders. Sampling using saturated samples because the population is 31 unit leaders. This study processed statistical data using multiple regression analysis which was analyzed using IBM SPSS 25. This study found that the whistleblowing system and Internal Control affect fraud prevention. This study provides insight into the unit leader to improve whistleblowing systems facilities and internal control based on the input and experience of individual performance in improving fraud prevention.

Keywords: Whistleblowing System, Internal Control and Fraud Prevention

1. Introduction

Basically, every company's activity is inseparable from risks. Every activity of an organization must have uncertainties that are identical to risks, including the risk of fraud. The act of cheating is fraud that is intentionally carried out by a person or group of people so that it causes losses without realizing it by the injured party and provides benefits to the perpetrator of the fraud. Fraud generally occurs because of three main things, namely: pressure to commit fraud, opportunities that can be taken advantage of and the existence of justification for these actions (Sukadwilinda and Ratnawati, 2013).

Furthermore, the information quoted from the article www.kejati-jabar.go.id in 2018 states that West Java High Prosecutor's Office investigators detained the suspect who was a former employee of Bank Jabar Banten (BJB) related to the bad credit corruption case at Bank BJB, Cab Office. RSI Al Ihsan Kab. Bandung. Allegedly Bank Jabar Banten (BJB) Sub-Branch Office (KCP) Al-Ihsan Baleendah Islamic Hospital disbursing credit to debtors is not in accordance with applicable procedures and requirements. This case began in 2014 when the Bank Jabar Banten (BJB) Sub-Branch Office (KCP) of the Al-Ihsan Baleendah Islamic Hospital, Bandung Regency, provided Purna Bhakti Credit (KPB) facilities to 81 debtors. However, around May 2016, the credit to 81 debtors was declared bad by Bank BJB KCP RSI Al Ihsan Baleendah. Then Bank Jabar Banten (BJB) Sub-Branch Office (KCP) Al-Ihsan Islamic Hospital filed a claim with a claim of Rp. 10.56 billion to PT. PAN which then passed it on to the Insurance Consortium. It turns out that the claim was rejected by the insurance consortium on the grounds that the credit was not in accordance with the procedure and did not meet the requirements, such as the alleged fictitious credit in the form of the debtor's address was not found, the debtor had never applied for credit, the debtor's pension salary had not been disbursed through the bank, the original pension decree was not attached, and others. Due to this, it is suspected that the state / region suffered a loss of Rp. 10.56 billion (Doe, 2018;).

It can be understood that the occurrence of several acts of fraud in the form of corruption shows that the efforts to prevent fraud by PT. Bank BJB Bank is not yet optimal, so an activity is needed to prevent fraud. Fraud prevention in general is an activity carried out in terms of establishing policies, systems and procedures that help ensure that the necessary actions have been taken by the board of commissioners, management and other personnel in the company / organization to provide adequate confidence in achieving organizational goals, namely: operational effectiveness and efficiency. , reliability of financial reports, and compliance with applicable laws and regulations (Widiyarta et al., 2017; Garcia et al., 2019). Fraud prevention efforts will provide large savings because the costs of detection, investigation and judicial processes can be reduced or even eliminated (Wahyuni and Nova, 2018;).

One of the most effective ways to prevent and combat fraud is through a violation reporting mechanism. By implementing an effective whistleblowing system, it can minimize the occurrence of fraud due to organizational commitment regarding reporting protection policies, clear reporting mechanisms and evaluations and improvements made to increase the effectiveness of the whistleblowing system so that it will encourage whistleblower participation to be more courageous in reporting fraud they know. This means that the whistleblowing system is able to reduce a culture of silence towards a culture of honesty and openness which is

useful for preventing fraud. So the better the application of the whistleblowing system in the organization, the higher the level of fraud prevention (Wahyuni and Nova, 2018;).

Apart from the whistleblowing system, internal control is also an important factor that needs to be considered in efforts to prevent fraud. The relationship between internal control and fraud in a company is closely related. Fraud prevention can be done if internal control is more effectively implemented by the organization. Effective internal control will help protect assets, ensure the availability of reliable financial and managerial reporting, increase compliance with applicable rules and regulations, and reduce the risk of loss, deviation and violations. Internal control is very important to provide protection for entities against human weakness and to reduce the possibility of errors and actions that are not in accordance with the rules. Thus, the tendency of accounting fraud is influenced by the presence or absence of opportunities to do so. These opportunities can be minimized by the existence of effective internal controls. If the existing internal control is weak or ineffective, it will open up opportunities for employees to tend to commit fraud. This shows that if internal control is higher, the prevention of fraud will be higher (Wardana et al., 2017)

2. Literatur review

In making efforts to link the identified fraud risk with certain control activities. Control activities are part of the planning and implementation of anti-fraud programs and fraud risk control. If this step has been implemented, it is very important that organizational level communication and knowledge sharing are carried out (communication can be carried out with parties outside the organization, such as with vendors and customers so that fraud and collusion with third parties can be minimized and suspicious activities can be reported through the whistleblowing system).

According to COSO (The Committee of Sponsoring Organization of The Treadway Commission) in one of the components of the internal control structure that must be implemented, namely: control activities (control activities). In control activities, there are five procedures that must be in place, namely: segregation of duties, authorization system, independent checking, physical observation, documentation and recording. And in independent checking, all employees can realize that there will always be other people checking and monitoring their work (Setianto et al, 2008).

Fraud prevention can be done by implementing a whistleblowing system. Whistleblowing can occur from within (internal) and outside (externally). Internal whistleblowing occurs when an employee finds out about fraud committed by another employee and then reports the fraud to his superior. Meanwhile, external whistleblowing occurs when an employee finds out about fraud committed by a company and then notifies the public because the fraud will harm the community. This shows that if whistleblowing is implemented properly by employees, the prevention of whistleblowing will be even higher (Wardana et al., 2017). One of the whistleblowing efforts is by reporting violations, illegal acts or immoral actions to parties inside or outside the organization. This system is a platform or channel for whistleblowing to reveal and report fraud. This effort is carried out aimed at detecting, minimizing and then eliminating fraud or fraud committed by internal parties of the organization (Widiyarta et al, 2017).

H1: Whistleblowing System And Internal Controls Affect Fraud Prevention

One of the most effective ways to prevent and combat fraud is through a whistleblowing system. By implementing an effective whistleblowing system, it can minimize the occurrence of fraud due to organizational commitment regarding reporting protection policies, clear reporting mechanisms and evaluations and improvements made to increase the effectiveness of the whistleblowing system so that it will encourage whistleblowing participation to be more courageous in reporting fraud it knows. This means that the whistleblowing system is able to reduce a culture of silence towards a culture of honesty and openness which is useful for preventing fraud. So the better the application of the whistleblowing system in the organization, the higher the level of fraud prevention (Wahyuni and Nova, 2018).

H2: Whistleblowing System Affects Fraud Prevention

Internal control contained in an agency or organization does not only cover accounting and financial activities but includes all aspects of the organization's activities. Internal control is the first step in preventing fraud. Fraud prevention in general is an activity carried out in terms of establishing policies, systems and procedures that help ensure that the necessary actions have been taken by the board of commissioners, management and other personnel in the company/organization to provide adequate confidence in achieving organizational goals, namely the effectiveness and efficiency of operations. reliability of financial reports, and compliance with applicable laws and regulations (Widiyarta et al, 2017). If a company's internal control is weak, the possibility of errors and fraud is very large. Conversely, if internal control is strong, then the possibility of errors and fraud can be minimized. By

implementing internal control, it can protect company assets from fraud and of course help management in carrying out all its activities (Zarlis, 2018).

H3: Internal Control affects fraud prevention

3. Research method

This type of research is verification, which is knowing the causality relationship between variables through hypothesis testing and statistical calculations so that proof can be produced (Nazir, 2014). The population in this study were all unit leaders. Sampling using saturated samples in accordance with the population is 31 unit leaders. The research process uses multiple regression analysis.

4. Result and discussion

Analysis of the coefficient of determination

The coefficient of determination test is used to measure how far the model's ability to explain the variation of the independent variable on the dependent variable. Below will be presented the results of the determination coefficient test, which are as follows:

Table 1. Simultaneous Determination Coefficient

Model	R	R Square	Adjusted R Square
1	,799 ^a	,639	,613

Source: SPSS Output Results

The table above shows that the value of R Square (R²) is 0.639, which means that the variability of the dependent variable, namely the prevention of fraud which can be explained by the independent variables, namely the whistleblowing system and internal control variables in this study is 63.9%, while the rest is 36.1. % explained by other variables outside the research model.

Simultaneous Hypothesis Testing

The F test is a model feasibility test (goodness of fit) that must be carried out in linear regression analysis. Below will be presented the results of simultaneous hypothesis testing, which are as follows:

Table 2. Simultaneous Hypothesis Testing

		ANOVA ^a				
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14,706	2	7,353	24,774	,000 ^b
	Residual	8,310	28	,297		
	Total	23,016	30			

Source: SPSS Output Results

Based on the table above, the simultaneous significance value of the regression model is 0,000, this value is smaller than the significance level of 0.05, meaning that the whistleblowing system and internal control simultaneously affect fraud prevention.

There are several factors that can affect fraud prevention such as the whistleblowing system. One of the most effective ways to prevent and combat fraud is through a whistleblowing system. By implementing an effective whistleblowing system, it can minimize the occurrence of fraud due to organizational commitment regarding reporting protection policies, clear reporting mechanisms and evaluations and improvements made to increase the effectiveness of the whistleblowing system so that it will encourage whistleblowing participation to be more courageous in reporting fraud it knows. This means that the whistleblowing system is able to reduce a culture of silence towards a culture of honesty and openness which is useful for preventing fraud. So the better the application of the whistleblowing system in the organization, the higher the level of fraud prevention.

Apart from the whistleblowing system, there are also internal control factors. Internal control is the first step in preventing fraud. Fraud prevention in general is an activity carried out in terms of establishing policies, systems and procedures that help ensure that the necessary actions have been taken by the board of commissioners, management and other personnel in the company / organization to provide adequate confidence in achieving

organizational goals, namely the effectiveness and efficiency of operations reliability of financial reports, and compliance with applicable laws and regulations. If a company's internal control is weak, the possibility of errors and fraud is very large. Conversely, if internal control is strong, then the possibility of errors and fraud can be minimized. With the implementation of internal controls, it can protect company assets from fraud and of course help management in carrying out all its activities.

Partial Hypothesis Testing

This test basically aims to show how far the influence of one independent variable individually in explaining the dependent variable. Below will be presented the results of partial hypothesis testing using multiple linear regression analysis, namely as follows:

Table 3. Partial Hypothesis Testing

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	,225	,341		,659	,515
Whistleblowing System	,443	,147	,444	3,008	,006
Pengendalian Internal	,449	,151	,440	2,980	,006

Source: SPSS Output Results

Whistleblowing System Affects Fraud Prevention

Based on the results of the partial test on the regression model, the significance value of the whistleblowing system is below 0.05, it can be concluded that the whistleblowing system affects the prevention of fraud. The results of this study are supported by the theoretical basis of the previous discussion which states that fraud prevention can be done by implementing a whistleblowing system. Whistleblowing can occur from within (internal) and outside (externally). Internal whistleblowing occurs when an employee finds out about fraud committed by another employee and then reports the fraud to his superior. Meanwhile, external whistleblowing occurs when an employee finds out about fraud committed by a company and then notifies the public because the fraud will harm the community. This shows that if whistleblowing is implemented properly by employees, the prevention of whistleblowing will be even higher. One of the whistleblowing efforts is by reporting violations, illegal acts or immoral actions to parties inside or outside the organization. This system is a platform or channel for whistleblowing to reveal and report fraud. This effort is carried out with the aim of detecting, minimizing and then eliminating fraud or fraud committed by internal parties of the organization.

One of the most effective ways to prevent and combat fraud is through a whistleblowing system. By implementing an effective whistleblowing system, it can minimize the occurrence of fraud due to organizational commitment regarding reporting protection policies, clear reporting mechanisms and evaluations and improvements made to increase the effectiveness of the whistleblowing system so that it will encourage whistleblowing participation to be more courageous in reporting fraud it knows. . This means that the whistleblowing system is able to reduce a culture of silence towards a culture of honesty and openness which is useful for preventing fraud. So the better the application of the whistleblowing system in the organization, the higher the level of fraud prevention.

Internal Control Affects Fraud Prevention

Based on the results of the partial test on the regression model, the significance value of the whistleblowing system is below 0.05, it can be concluded that the whistleblowing system affects the prevention of fraud. The results of this study are supported by the theoretical basis in the previous discussion which states that the relationship between internal control and the problem of fraud in a company is closely related. Fraud prevention can be done if internal control is more effectively implemented by the organization. Effective internal control will help protect assets, ensure the availability of reliable financial and managerial reporting, increase compliance with applicable rules and regulations, and reduce the risk of loss, deviation and violations. Internal control is very important to provide protection for entities against human weakness and to reduce the possibility of errors and actions that are not in accordance with the rules. Thus, the tendency of accounting fraud is influenced by the presence or absence of opportunities to do so. These opportunities can be minimized by the existence of effective internal controls. If the existing internal control is weak or ineffective, it will open up opportunities for employees to tend to commit fraud. This shows that if the internal control is higher, the prevention of whistleblowing will be higher.

Internal control contained in an agency or organization does not only cover accounting and financial activities but includes all aspects of the organization's activities. Internal control is the first step in preventing fraud. Fraud

prevention in general is an activity carried out in terms of establishing policies, systems and procedures that help ensure that the necessary actions have been taken by the board of commissioners, management and other personnel in the company / organization to provide adequate confidence in achieving organizational goals, namely the effectiveness and efficiency of operations, reliability of financial reports, and compliance with applicable laws and regulations. If a company's internal control is weak, the possibility of errors and fraud is very large. Conversely, if internal control is strong, then the possibility of errors and fraud can be minimized. With the implementation of internal controls, it can protect company assets from fraud and of course help management in carrying out all its activities.

5. Conclusion

Based on the results of research and discussion, the following conclusions were obtained:

1. Improve the whistleblowing system by upholding the ethics and climate in the company for all company information and policies. Increase the commitment of company leaders in implementing the whistleblowing system by providing convenience to whistleblowing in submitting information on suspected fraud reports, as well as providing guarantees of protection and ensuring the confidentiality of whistleblowing. In addition, follow up quickly any reports of alleged violations with.
2. Improve internal control by increasing the awareness and commitment of company leaders in supervising operational activities. Increase the activity of identifying every possible risk to minimize the risk of fraud. Perform strict and thorough verification of every transaction that occurs in operational activities. Increase the use of information and communication systems in coordinating between divisions in an organized manner. In addition to ensuring that there is no follow-up from management on the audit findings in the field.
3. Improve fraud prevention by increasing monitoring activities for all operational activities. Increase the activity of examining or reviewing employee performance as a form of evaluation. Companies must be more transparent in order to uphold healthy corporate governance. In addition, companies need to provide ongoing training and educational policies to the company's internal authorities in order to improve the competence of internal auditors in carrying out the internal audit function in the company.

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