

# Mitigating Fraud Risk at the Directorate General of Taxes

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## ABSTRACT

This study identifies potential fraud schemes, evaluates risk controls, and discusses anti-fraud strategies using a case study of the Directorate General of Taxes in Indonesia, conducted by exploring phenomena related to fraud risk in the scope of business processes. By using fraud triangle theory and rational choice theory, this research extends the literature by providing evidence that fraud can be prevented by increasing the probability of fraud-scheme detection. This study examines potential tax revenue activities rarely examined in the literature. Our results conclude that, out of 25 fraud scenarios, five were categorized as high risk and 11 were medium. This study discusses appropriate mitigation measures of residual fraud risks at the organizational level. Furthermore, we evaluate relevant anti-fraud strategies, both implemented and non-implemented.

**Keywords:** *fraud-risk assessment, tax collection, fraud, anti-fraud program*

## 1. INTRODUCTION

The Indonesian Directorate General of Taxes (DGT) implemented tax reforms to promote corruption-free governance. Tax revenues fuel the state administration function, and, since 2014 taxes have increased with GDP. However, even with the gross increase, tax effectiveness has declined (DJP 2017). Thus, if tax ratios can be maintained more optimally, revenues will be higher. Part of the problem is fraud (Ghura 1998), inefficiency, and corruption (Rizal 2011). Based on interviews, fraud cases at DGT have not been handled well. DGT requires fraud-risk assessments to help focus attention on mitigation (Bell 2010) and to support anti-fraud strategies (KPMG 2014).

Fraud can occur in nearly all business processes. DGT business processes include tax auditing, tax-revenue extraction, collection, services, extensification, etc. (DJP 2016). This research focuses on two main business processes: tax collection and revenue extraction. These

- What fraud schemes are likely to occur in tax collection and extracting at the DGT?
- How can fraud risk assessment be conducted to address both of these activities?

were chosen because they present the highest inherent risks, the most significant transaction volume, the most associated activity characteristics, and the highest number of disciplinary actions.

The fraud triangle theory provides three key factors affecting the desire to defraud the public: pressure, opportunity, and rationalization (Cressey 1953). To minimize fraud behavior, the rational choice theory (Becker 1974) predicts that fraud can be prevented by increasing the probability/possibility of early detection. The application of good internal controls, such as whistleblowing systems (WBS), codes of ethics, and internal audits, can reduce fraud potential. This study introduces a fraud-risk assessment at DGT to assist in identifying fraud risks. Our results will allow better design and implementation of anti-fraud measures.

### 1.1. Research Questions and Objectives

We aim to answer three research questions:

- How do relevant anti-fraud programs mitigate fraud risk?

This study discusses fraud scenarios that may occur in business-process cycles. We analyze fraud-risk

assessments and evaluate the implementation of anti-fraud programs. We further discuss anti-fraud programs appropriate to the organization.

### **1.2. Research Contributions**

Ellet (2009), in a case study, explained that evaluation, problem solving, decision making, and rule determination were key to mitigation. Furthermore, action plans were provided for mitigation (Wasistha, Yuniasih & Shauki 2018). This study contributes to evaluation and problem solving, specifically at the DGT. We evaluate fraud-handling processes and discuss how mitigation steps relevant to the organization.

This study fills a research gap related to fraud risk assessment in tax collection activities, including the ethical extraction of potential revenues. This study also answers Alfurqan (2017), who identified fraud risks in other business processes and designed an internal audit division structure. Furthermore, we contribute a more general implementation of fraud risk assessment in the government tax sector.

## **2. LITERATURE REVIEW**

### **2.1. Fraud Triangle Theory**

According to fraud triangle theory, the occurrence of fraud is caused by three factors: pressure, rationalization, and opportunity. Pressure creates the incentive for fraud. Rationalization is an attitude or a set of ethical values that allow a person to commit fraud behavior. It is well known that opportunity is an enabler (Cressey 1953).

The first assumption of this study is that fraud is possible anywhere. Position and authority, in turn, create real opportunities that can trigger fraud behaviors. Personal financial problems also create financial pressures that open fraudulent opportunities. Given the right opportunities, rationalization can create the necessary justification.

### **2.2. Rational Choice Theory**

Rational-choice theory predicts that fraud can be prevented by increasing the likelihood of detection (Becker 1974). Thus, personal decisions to engage in fraudulent activities require a cost-benefit analysis. If an individual believes that the expected benefit is less than the expected cost, a rational individual will choose to not act.

We argue that the application of WBS will increase the probability of fraud detection, so that individuals will tend

to avoid fraudulent activities. Fraudsters, therefore, will reconsider their actions.

### **2.3. Fraud-risk Assessment**

Fraud has several definitions. According to Black's Law Dictionary, fraud is...

A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment. Fraud is a tort, but in some cases (esp. when the conduct is willful) it may be a crime (Nicke 2003).

Regarding fraud types, the Association of Certified Fraud Examiners (ACFE) identified three types of fraud, based on actions (i.e., the fraud tree): asset misappropriation; fraudulent statements; and corruption (Padgett 2015). These are then divided into eight types: conflicts of interest, bribery, illegal gratuities, economic extortions, theft or fraudulent disbursement of cash, falsified inventories, larceny, and net worth/income overstatements and understatements. One method of managing fraud is to identify various fraud schemes for mitigation and to apply effective controls. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) described this activity in a fraud risk assessment framework. Based on the definition, fraud risk assessment is:

“A dynamic and iterative process of identifying and assessing risks relevant to the organization.” (Cotton, Johnigan & Givarz 2013).

This definition provides a generalized understanding that fraud risk is dynamic and repetitive. Additionally, adjustments can be made according to the complexity and objectives of the organization. When conducting a risk assessment, one should consider the scheme/fraud scenarios that might occur in the organization to obtain an appropriate anti-fraud standpoint for the organization. As stated by COSO in Alfurqan (2017), a fraud-risk assessment process comprises the steps illustrated in Figure 1.



Figure 1. Fraud-risk Assessment Process

2.4. Anti-fraud Strategy

An effective anti-fraud strategy should be based on the results of a fraud risk assessment. An anti-fraud strategy may include preventive, detective, or investigative strategies, described as follows:

- Preventive anti-fraud strategies include fraud awareness, codes of conduct, training, etc.
- Detective anti-fraud strategies include the implementation of WBS, key fraud indicators, special audit procedures, etc.
- Investigation is carried out via relevant and sufficient data collection, intended to reject or support allegations (Vona 2008).

2.5. Previous Study

Research conducted by Alfurqan (2017), regarding fraud-risk assessments of procurement business processes, resulted in 23 identified schemes. These were useful in designing relevant anti-fraud strategies. In another study, understanding fraud schemes ensured better audit planning (Gao, Srivastava & Mock 2008). Widoretno (2016) proved that the role of internal auditing contributed to the realization of good corporate governance. Research in the banking sector revealed that fraud risk management had a positive relationship with banking performance (Hussaini 2018). In another study, the fraud-risk assessment (FRA) was found to positively affect auditors' evaluation of evidence and assessment (Rose & Rose 2003).

2.6. Research Process

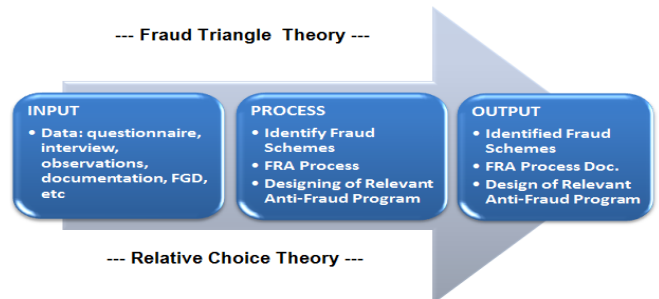


Figure 2. Research Process

Figure 2 describes the research framework used in this study.

3. RESEARCH METHOD

3.1. Research Strategy and Approach

Case studies were carried out by exploring phenomena related to business-process fraud risk at DGT. For case studies, research was conducted systematically and was organized to produce information about a topic, focusing on limitation, events, and phenomena (Stake 2000). Additionally, we use a qualitative method.

3.2. Data Collection

Data in this study were obtained from primary and secondary sources. Primary data were obtained from questionnaires, interviews, observations, and focus-group discussions (FGD), whereas secondary data were obtained from documentation. A questionnaire in this study was used to complement and encourage the scope of interview questions. The questionnaire was adapted from the ACFE Fraud-Risk Assessment Tool module. The results from the questionnaire were then quantified according to the specific theme content as material for deepening the material in the subsequent research process, including interviews and observations. The number of respondents in the questionnaire was planned to be 300, representing ~30 DGT regional offices in Indonesia. At each DGT regional office, 10 tax office employees from the Medium Tax Office and the Small Tax Office (e.g., staff, tax collectors, tax auditors, account representatives, middle executives), having a tenure of more than 10 years, were engaged as respondents.

This study used semi-structured in-depth interview techniques. In-depth interviews obtained richer complex information, especially those from opinions, attitudes, experiences, etc. Interviews were conducted at DGT

headquarters units, regional offices, the Medium Tax Office, and the Small Tax Office, sampled by job criteria and work periods. The observations were carried out by directly observing the activities occurring in a business process or as part of the activities of the object under study. Focus group discussions were conducted to strengthen and validate the results of interviews.

### **3.3. Data Analysis**

When analyzing the data, this study used content and thematic analysis techniques. Primary data were obtained from the population of DGT employees, including various positions (i.e., staff, tax bailiffs, account representatives, tax auditors, internal auditors, investigators, chief executives). This study used data validity techniques, including trustworthiness. As stated by Krisyantono (2006) and Alfurqan (2017), the validity of trustworthiness data is a test of truth and honesty of a subject. The answers were also analyzed and were validated against the results of FGD and other data sources.

We implemented a fraud risk assessment by analyzing schemes and scenarios that could occur at any organization, focusing on business processes having the highest tendency of fraudulent occurrence. Furthermore, measurements were taken regarding the effectiveness of inherent controls, such that residual risks, were obtained for future handling. Designing and implementing an anti-fraud strategy sufficient and relevant for the organization could potentially eliminate all residual risks.

### **3.4. Unit of Analysis**

This research was conducted at the DGT, which focused on two main business processes: tax collection and revenue extraction. Two activities were chosen as the objects of research after preliminary research at the DGT. The basis for selection included high inherent risk, significant transaction volume, characteristics, and number of disciplinary sentences.

In tax collection activities, starting from the issuance of a warning letter (*Surat Teguran*), a distress warrant (*Surat Paksa*), and Polytechnic Information Management System letters, which include confiscation of taxpayer assets. The confiscation process is carried out on immovable and movable assets, which can include blocking a taxpayer's bank account. Auctioning taxpayer assets occurs next (*Keuangan Kementerian* 2013).

## **4. RESULTS AND DISCUSSION**

### **4.1. Results**

The main purpose of this research was to summarize and discuss the research findings from the four research instruments used (i.e., questionnaires, interviews, observations, and FGDs). The questionnaire was conducted in March 2019, whereas interviews, observations, and FGDs were conducted in April 2019.

#### **4.1.1. Research Finding**

The questionnaire in this study was distributed to 300 respondents. Only 163 were returned (54.33% response rate). Interviews provided various identification techniques for fraud schemes, controls, handling processes, anti-fraud programs, etc. Observations provided information on the business process activities. Documentation represents a collection of internal and external regulations and academic studies related to business-process activities. We also obtained historical data on the implementation of internal audits, disciplinary penalties, etc. Next, the FGD was conducted to validate the questionnaire, interview, and observation findings. See the Appendix.

### **4.2. Discussion**

#### **4.2.1. Identification of Fraud Schemes and Scenarios.**

Fraud schemes and scenarios were collected from all research instruments, including historical information and other sources. Fraud schemes and scenarios are described in Tables 4 and 5 in Appendix A. In both tables, the fraud schemes included bribery, conflicts of interest, illegal gratuities, extortion, thefts of cash, falsification of information/documents, misuse of information data, misuse of assets, kick-backs, management override, etc.

#### **4.2.2. Conducting Fraud-Risk Assessment**

When conducting a fraud-risk assessment, the fraud schemes and scenarios were assessed to determine their levels of likelihood and significance. One factor that influenced the likelihood assessment was the possibility of risks occurring based on historical information, whereas

the significance (impact) assessment was based on financial losses and organizational reputation.

The results of these assessments are presented in the inherent vulnerability level matrix in Tables 1.a and 1.b, with detailed information presented in Tables 4 and 5 in the Appendix. Tables 1.a and 2.b. show eight high-level fraud schemes, 12 of medium levels, and the rest at low levels.

**Table 1.a.** Inherent Vulnerability Level Matrix for Tax Collections

SIGNIFICANCE LEVEL	LIKELIHOOD LEVEL				
	IMPROBABLE	REMOTE	OCCASIONAL	PROBABLE	FREQUENT
NEGLIGIBLE	Negligible	Negligible	Low	Low	Low
MINOR	Negligible	Negligible	Low	Low	Low
MODERATE	Low	Low 6,8	Low	Med 2,3,12	High
MAJOR	Low	Low 4,5	M 9,10,11	Hig 13,14	H 1
CATASTROPHIC	Low	Medium	Hig 7,15	High	High

**Table 1.b.** Inherent Vulnerability Level Matrix for Extracting Potential Tax Revenue

SIGNIFICANCE LEVEL	LIKELIHOOD LEVEL				
	IMPROBABLE	REMOTE	OCCASIONAL	PROBABLE	FREQUENT
NEGLIGIBLE	Negligible	Negligible	Low	Low	Low
MINOR	Negligible	Negligible	Low	Low	Low
MODERATE	Low	Low 7	Low	Med 2,5	High
MAJOR	Low	Low	M 3,4,8,9	Hig 1,10	High
CATASTROPHIC	Low	Medium	High 6	High	High

The next step assessed residual risk vulnerability by evaluating the effectiveness of internal controls in each fraud scheme and evaluating potential residual risk. Residual risk was defined as the risk remaining after the implementation of internal controls, requiring further handling. The results of residual risk assessment are presented in Column (6) of Tables 4 and 5 in Appendix A.

After assessing the residual risk vulnerability level, the risk probability level (the level of possibility of fraud from residual risk) was determined. This calculation was achieved by calculating the residual vulnerability level

and likelihood. The risk probability level map is shown in Tables 2.a and 2.b.

**Table 2.a.** Risk Probability Level for Tax Collection

LIKELIHOOD LEVEL	RESIDUAL RISK LEVEL			
	NEGLIGIBLE	LOW	MEDIUM	HIGH
IMPROBABLE	Improbable	Improbable	Improbable	Improbable
REMOTE	Improbable	Remote	Remo 4,5,6	Remote
OCCASIONAL	Improbable	Remo 8,11	Occa 9,10,15	Occasio 7
PROBABLE	Improbable	Occas 2,12	Proba 3,14	Probabl 13
FREQUENT	Improbable	Occasional	Probable	Frequer 1

**Table 2.b.** Risk Probability Level Matrix for Extracting Potential Tax Revenue

LIKELIHOOD LEVEL	RESIDUAL RISK LEVEL			
	NEGLIGIBLE	LOW	MEDIUM	HIGH
IMPROBABLE	Improbable	Improbable	Improbable	Improbable
REMOTE	Improbable	Remote 7	Remote	Remote
OCCASIONAL	Improbable	Remote	Occ 3,4,8,9	Occasional 6
PROBABLE	Improbable	Occasional	Proba 2,5	Proba 1,10
FREQUENT	Improbable	Occasional	Probable	Frequent

The final stage of risk assessment includes the assessment of overall levels of risk from residual risk via the combination of risk probability and impact, presented in Tables 3.a. and 3.b.. In these tables, overall residual risk, which must be addressed, were those having high and medium levels (according to DGT risk appetite), including seven high level risks and 11 medium-level risks. These results serve as guidelines for management to perform mitigation actions on each fraud risk.



**Table 3.a.** Overall Residual Risk Ranking in Tax Collections

SEVERITY LEVEL	PROBABILITY				
	IMPROBABLE	REMOTE	OCCASIONAL	PROBABLE	FREQUENT
NEGLIGIBLE	Negligible	Negligible	Low	Low	Low
MINOR	Negligible	Negligible	Low	Low	Low
MODERATE	Low	Low 6,8	Lo 2,12	Med 3	High
MAJOR	Low	Low 4,5	9,10,11,14	High 13	High 1
CATASTROPHIC	Low	Medium	Hi 7,15	High	High

**Table 3.b.** Overall Residual Risk Ranking in Extracting Potential Tax Revenue

SEVERITY LEVEL	PROBABILITY				
	IMPROBABLE	REMOTE	OCCASIONAL	PROBABLE	FREQUENT
NEGLIGIBLE	Negligible	Negligible	Low	Low	Low
MINOR	Negligible	Negligible	Low	Low	Low
MODERATE	Low	Low 7	Low	Medium 2,5	High
MAJOR	Low	Low	Medium 3,4,8,9	High 1,10	High
CATASTROPHIC	Low	Medium	High 6	High	High

DGT was determined to have a risk appetite only at negligible and low levels. Therefore, all risks that were in the medium and high levels must be responded to and mitigated by avoiding, transferring, or reducing them.

In the fraud risk assessment of the two business processes, out of 25 fraud schemes/scenarios identified there were seven fraud schemes having high risk and 11 fraud schemes having medium risks.

**4.2.3. Relevant Anti-fraud Program Design.**

The fraud risk assessment showed that the organization faces residual risk exposure that must be addressed immediately. Based on interviews, management prefers prioritizing risk mitigation by risk reduction. This includes increasing internal control so that the risk levels are reduced to an area of risk appetite. This option is more rational because of cost efficiency, effectiveness, and timeliness. Thus, this study discusses seven high-level fraud risks and 11 medium-level fraud risks. A summary of the improvement design is presented in Column (7) of Tables 4 and 5 in the Appendix.

Additionally, this study evaluates the implementation of anti-fraud program strategies that are appropriate for the organization, both regarding prevention and detection. The anti-fraud program strategy design was based on the results of the fraud risk assessment and evaluation results of the previous implementation of anti-fraud strategies (internal controls, WBS, codes of ethics, etc.) and anti-fraud program strategies that have never been implemented.

**4.2.3.1. Preventive Anti-Fraud Program Strategy**

**a) Build Effective DGT Internal Audit**

Good internal audits support anti-fraud programs (Petraşcu & Tîeanu 2014). The results of questionnaires and interviews indicated that the effectiveness of internal controls and the role of the internal audit function at DGT were not maximized. 37% of the respondents stated that the internal controls applied by DGT were less effective; 46% stated that the organization did not have effective internal audits. Furthermore, interviewees stated that the organization faced structural problems, including the lack of independence, because it was only an echelon IV unit. The weak position of the unit was susceptible to interference. Regarding resources, the number of internal audit staff was relatively small (~19 people) in the compliance testing section without proper internal auditor certification. This condition persisted for the internal audit, supervising around 40,000 employees in 350 office units. Nevertheless, the internal audit's work was assisted by the Internal Compliance Unit in each tax office, but was limited to monitors and administrators.

This study concluded that the internal audit unit was structurally responsible to the DGT and functionally responsible to the supervisory/commissioner committee (Alfurqan, 2017). This relates to the need for research to design a good and independent internal audit division structure. IIA (2009) stated that threats to independence and objectivity must be managed at the individual auditor level, which must be free from interference, especially within the scope of the audit and reporting tasks. The phenomenon of independence can be explained by the fraud triangle theory, in that, if the internal auditor unit is not independent, it will present an opportunity for senior/top managers to use their influence to interrupt the fraud handling process.

The effectiveness of the internal audit's role can be increased by increasing the human resource capacity. Internal audit implementation must be appropriate for the size of the organization and operations of the organization (Deloitte 2009). The improved internal audit capacity will have a positive effect on internal audit performance in detecting fraud, such as the ability to use analytical

reviews (Hillison, Pacini & Sinason 1999). Rational choice theory predicts that fraud can be prevented by increasing the probability of detection (Becker 1974). Historical data for 2017 showed that the implementation of internal audits at DGT did not detect fraud well. Detection was carried out only through the complaints process, WBS, external audits, etc.

b) Code of Ethics and Tone at the Top

DGT implemented a code of ethics using the rules of nine obligations and eight prohibitions for employees, including cultural programs. The results of the questionnaire indicated that 4% of respondents felt that their superiors/senior management neither encouraged nor demonstrated ethical behavior. Additionally, 25% stated that their superiors/senior management did not seem to care or did not respect the behavior of good employees. Moreover, 73% stated that they knew there were employees that did not like their superiors.

The code of ethics should be implemented holistically, starting with the frequency of socialization. The implementation of a cultural audit should be carried.

c) Strengthening Human Resource Policies Related to the Preventive Anti-Fraud Strategy

A human resource policy that support the preventive anti-fraud strategy presents employees with the obligation to take annual leave. The results of the questionnaire show that 8% of respondents validated that annual leave was emphasized by management.

Organizations should implement annual leave policies in support of fraud detection. A red flag related to this is found with employees that are too protective of their work area.

d) Know Your Customer

Although DGT has implemented the “know your employee program: DGT has never implemented a “know your customer” or “know your taxpayer” program Results indicate that the definition of taxpayers is very important, culturally. This factor can be used to anticipate the potential for kickbacks, bribes, and gratuities. From our interviews, when the first tax bailiff submits a distress warrant to taxpayers, the opportunity is often used by taxpayers to discontinue further tax collection actions. This opportunity gap can be avoided if the tax collector knows the taxpayer's organizational track record. This program would be more effective when coupled with a customer awareness program, used to increase awareness and the possibility of fraud detection.

e) Make effective anti-fraud procedures.

About 37% of respondents said that business processes in the organization did not meet appropriate internal controls. This condition allows an evaluation of whether the procedures in business processes are carried out with proper internal controls. In rational choice theory, the existence of internal controls that effectively detect fraud in every business process can undermine the intentions of fraudsters.

f) Attestations

Anti-fraud activities have never been performed at the DGT. According to attestation, there DGT employees are obligated to make statements that agree with provisional instructions. In 2019, employees attested that they applied a code of ethics, did not accept bribes, reported WBS when aware, etc.

g) Other anti-fraud programs.

Fraud risk awareness, employee background checks, investigations, etc., are important. Proactive investigation aims to identify and control fraud risks.

4.2.3.2. Detective Anti-fraud Program Strategy

a) Mystery Shopping

Mystery shopping is a tool for organizations to measure service quality, compliance, ethical codes, and organizational cultures. Mystery shoppers can detect fraudulent behaviors. Posing as taxpayers, internal auditors can ask specific questions relating to employee integrity. Questions focus on areas having high fraud risks based on assessments. Fraud actors tend to carry out their actions in areas having a low risk of detection, in accordance with rational choice theory.

b) WBS.

Interview results indicated that there were many aspects needing to be addressed by management to strengthen WBS policies and procedures. WBS rules and policies are good determinants of success. Current employees have a tendency to fear identifying fraud through the WBS, because of fears of confidentiality, retaliation, etc. Additionally, informants felt a dilemma. Although the application of WBS has a good impact on the organization, people worried about being regarded as traitors.

Cordis and Lambert (2017) showed that WBS regulations had an important role in fighting corporate fraud. Expansion and strengthening protections of reporters should be increased, including information security and protection from retaliation. Regarding deontological theory, the disclosure of truth is an obligation. Therefore, a staff member must share WBS information. The teleology theory explained that whether

an action was based on its ultimate goal, a false assumption is that the WBS will damage the esprit de corps, because WBS improves the achievement of goals. Additionally, the procedure for granting rewards to reporters must remain confidential to prevent disclosure. There is, therefore, a great need for a no-sanctions policy for misguided or false reporting.

#### c) Key Fraud Indicators & Red Flags

Another way to detect fraud is to identify the existence of red flags. Every concealment of fraud must be related to the existence of a red flag. The application of red flags in organizations can encourage the creation of an effective detection process. Therefore, building a fraud red flag process into an audit plan is important (Vona 2008). The results of questionnaires showed that, as many as 57% reported information related to personal debt/credit problems, 23% reported that there were employees that consumed alcohol, and 39% reported that there were employees having risky business interests that could conflict with official tasks. These activities did not necessarily lead to fraudulent behaviors, but they should be monitored. With the fraud triangle theory, fraud is often committed in response to the presence of pressures (e.g., large personal debt).

## 5. CONCLUSION AND IMPLICATION

The results of this study indicated that there were 25 fraud scenarios identified regarding tax collection and revenue extraction. Fraud risk assessment in this scenario concluded that there were seven scenarios having high residual fraud risks, and 11 with medium levels. This research prioritized the handling of residual fraud risk at high and medium levels so that we could reduce the level of organizational risk. Evaluation and discussion was carried out for the design of the appropriate control design for residual fraud risk.

This study evaluated and discussed anti-fraud strategies relevant to the organization by evaluating anti-fraud program strategies previously implemented, proposing strategies that have not yet been implemented. Our anti-fraud program strategy design was comprised of preventive and detective strategies. Preventive strategies include the construction of effective internal audits, improved ethical codes, tone at the top, customer knowledge, etc. The detective strategy included mystery shopping, a whistleblowing system, key fraud indicators, etc. The success of this anti-fraud strategy relied on the awareness and active role of all parties.

This research indicated that there were still many aspects that needed to be addressed by DGT to strengthen fraud handling. The expected research implications state

that the DGT should further enhance and implement anti-fraud program strategies, especially using fraud risk assessments with the necessary steps for mitigation. DGT must, for example, improve their internal audit functions via increased human resources and optimization of independence in the organizational structure. DGT should also carry out periodic fraud risk assessments to mitigate risks caused by changes in the organization's business environment and processes.

## 6. RESEARCH LIMITATIONS

This study was only carried out on two business processes: tax collection and potential tax revenues. This research was limited to the focus of fraud schemes in an internal management perspective. This study also only proposed the design of controls of residual fraud risk at the medium and high levels. Some informants were reluctant to disclose knowledge of fraud schemes, although they had previously been assured of confidentiality.

### 6.1. Suggestion for Further Research

Fraud identification can illustrate fraud risk. Further research is expected to be used to holistically design audit procedures and anti-fraud programs.

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