

# **Fraudulent Practices and the Implications for Corporate Accountability: A Qualitative Analysis at PT Tiga Pilar Sejahtera Food Tbk**

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## **ABSTRACT**

*This article was created by reviewing the case of fraudulent actions made by PT Tiga Pilar Sejahtera Food Tbk. The purpose of this article is to identify the problems of fraud in the preparation of financial statements at PT Tiga Pilar Sejahtera Food Tbk. The author uses the literature study method which involves reviewing and critically evaluating literature sources to understand and describe the latest research developments related to the topic taken. The result of this article is that the company was found to have manipulated the financial statements based on an investigation by Ernst & Young Indonesia (EY) in 2018 due to a significant decline in stock prices. The conclusion of this article is that PT Tiga Pilar Sejahtera Food Tbk is subject to imprisonment for 3 years, which is reduced by the defendant's detention period.*

**Keywords:** *Audit, Financial statement, Fraud, Manipulation*

## **ABSTRAK**

*Artikel ini dibuat dengan meninjau kasus tindakan kecurangan yang dibuat oleh PT Tiga Pilar Sejahtera Food Tbk. Tujuan pembuatan artikel ini adalah untuk mengidentifikasi problematika kecurangan dalam pembuatan laporan keuangan pada PT Tiga Pilar Sejahtera Food Tbk. Penulis menggunakan metode studi literatur yang melibatkan peninjauan dan evaluasi kritis terhadap sumber literatur guna memahami serta menggambarkan perkembangan penelitian terkini terkait*

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*topik yang diambil. Hasil dari artikel ini adalah perusahaan tersebut diketahui melakukan manipulasi terhadap laporan keuangan berdasarkan investigasi yang dilakukan oleh Ernst & Young Indonesia (EY) pada tahun 2018 karena adanya penurunan harga saham yang signifikan. Kesimpulan dari artikel ini adalah PT Tiga Pilar Sejahtera Food Tbk dikenai pidana penjara selama 3 tahun yang dikurangi dengan masa tahanan terdakwa.*

*Kata kunci: Audit, Laporan keuangan, Kecurangan, Manipulasi*

## INTRODUCTION

In the current era of globalization, the business world is facing intense business competition which forces (Srinivas, 1995; Faizah, 2019) companies to carry out their business activities more effectively and efficiently. Technological advances and economic developments make access to information faster and easier to access, including financial report information. Financial reports are the main information for external parties which are a source of capital for a company to be able to develop its business. Therefore, companies are flocking to do everything possible to attract external parties to invest capital in their companies, one way is by 'beautifying' financial reports through fraud (Bahar & Setiawan, 2022)

Fraud is a latent danger that threatens the world. Research results from the Association of Certified Fraud Examiners (ACFE) Global show that every year an average of 5% of an organization's revenue becomes victims of fraud (Chapter, 2016). In Indonesia itself, there have been many cases of fraud regarding financial reports that have occurred in the past decade. One example of a company that has recently committed fraud or cheating in financial reports is PT Tiga Pilar Sejahtera Food Tbk (TPSF), which operates in the food business industry and is a go-public company that has been listed on the Indonesia Stock Exchange since 2003. PT Tiga Pilar Sejahtera Food Tbk is known to have manipulated financial reports based on an investigation carried out by Ernst & Young Indonesia (EY) which conducted an audit again in 2018 of the financial reports of PT Tiga Pilar Sejahtera Food Tbk for the 2017 financial year.

According to (Putri, 2012), fraud is deliberate deception that causes losses without the injured party realizing it and provides profits for the perpetrator of the fraud. Fraud generally occurs because there is pressure to commit fraud or encouragement to take advantage of existing opportunities and there is a (generally accepted) justification for the action. In financial reporting practices, fraudulent statements generally begin with misstatements or earnings management from quarterly financial reports that are considered insignificant. However, in the end it developed into massive fraud and resulted in materially misleading annual financial reports (Rezaee and Riley., 2010).

An auditor's ability to detect fraud is an auditor's ability to develop information searches when detecting indicators of something that is not appropriate or actions that could cause harm to other people (Gizta et al., 2019). Therefore, auditors must have analytical abilities and the capacity to detect fraud or violations that could harm the audited entity or related parties. Through the discovery of these indicators, auditors can take steps to avoid or minimize potential risks and losses (Listyawan, 2020).

A financial report is a report that shows the current financial status or within a certain period which is used as information for decision making. Assets, liabilities, equity, income and costs are part of the financial statements (Ardila, 2019). Decision makers can analyze a company's financial performance, detect patterns, and make informed decisions to plan for the future by studying financial reports. The quality of information in financial reports is considered good if it provides clear information and meets the needs of decision makers, does not contain misleading terms or large errors, and can be relied upon for comparison with previous periods (Chudri et al., 2023). Therefore, it is very important for companies to maintain the quality of information in their financial reports through transparency and accountability, full disclosure, internal and external audits, error correction, training and

communication, as well as consistency in choosing accounting policies (Sakha et al., 2023).

Audit is a process carried out by a competent and independent person to collect and assess evidence regarding measurable information from an entity (unit) with the aim of considering and reporting the level of conformity of the measurable information with predetermined criteria. According to Hasnati (2022), audits are classified into internal audits and external audits. Internal auditors are auditors who operate within a company to assist management in carrying out their duties, such as reviewing the effectiveness of the internal control system, preventing fraud, and making recommendations to management for improvement. Meanwhile, external auditors work for public accounting businesses that offer services to clients, such as shareholders or related parties (Sakha et al., 2023).

The success of an audit is not only determined by the quality of the evidence obtained, but also by the auditor's ability to maintain his integrity and independence during the audit process. In addition, auditors are also responsible for detecting and assessing risks that could endanger the accuracy and dependability of the audited data. Auditors must have a thorough understanding of the audited entity and its operating environment to identify potential risks and develop effective audit strategies. Shamki & Alhajri, (2017) revealed that audits are designed to provide adequate assurance regarding the achievement of efficiency, effectiveness, equality, ethics and environmental issues in the preparation, implementation, and evaluation of public policies. Therefore, audits are also useful in encouraging government accountability and openness. Transparent and easily accessible audit findings can spur policy improvements and encourage active community participation in decision making.

## **RESEARCH METHODS**

This research uses the literature study method. Literature study is a research method carried out by reviewing existing and ready-to-use data, researchers do not carry out research by taking data directly. The collection of literature study data comes from existing results or literature. So, researchers do not collect data directly. Researchers will collect several types of reference data sources, after which the reference data sources will be read one by one and then reviewed and reviewed according to the research topic raised. In this research, researchers will examine two pieces of literature or journals, namely: Study: Financial Report Fraud and PT Case Analysis. Three Pillars of Prosperous Food. Tbk with Financial Shenanigans. In this way, the researcher will collect and analyze the data that has been researched in the two journals and then present it in the form of a study related to the source of the topic raised by the researcher, in this case the Analysis of Fraud Cases, Manipulation of Financial Reports at PT Tiga Pilar Sejahtera Food Tbk, finally the researcher will draw conclusions based on existing data and supported by evidence obtained at the data reduction and data presentation stages.

## **RESULTS AND DISCUSSION**

In the financial management of PT Tiga Pilar Sejahtera Food Tbk, a number of irregularities were discovered. Ernst & Young Indonesia (EY) Public Accounting Firm conducted a fact-based investigation report which ultimately found a number of irregularities and financial management practices for the 2017 financial year. This investigation was held since December 20 2018 and Ernst & Young Indonesia found financial records in the form of ledgers, details transactions, and other financial data that looks different from the recording used by financial auditors in auditing financial reports (Solikhin & Parasetya, 2023).

Based on the decision of the JAKARTA SELATAN District Court Number 1028/Pid.Sus/2020/PN JKT.SEL Ernst & Young Indonesia found several comparisons between internal data and the audited 2017 financial reports. There were allegations of overstatement, aka excessive reporting of IDR 4 trillion in the trade receivables account, inventory, and fixed assets of the Three Pillars Group (TPSF). There was also an

overstatement of IDR 662 billion in the sales account and IDR 329 billion in the EBITDA of the Tiga Pilar food entity subsidiary. There are allegations that there was a flow of funds amounting to IDR 1.78 trillion using various schemes from the Tiga Pilar Group to parties suspected of being affiliated with the old management. The flow of funds comes from disbursement of loans from the Tiga Pilar Group from several banks, disbursement of time deposits, transfer of funds via bank accounts, as well as financing expenses from affiliated parties carried out by the Tiga Pilar Group (Rumapea et al., 20022).

Ernst & Young Indonesia also found that the old management did not make adequate disclosures to relevant stakeholders regarding relationships and transactions with affiliated parties. This has the potential to violate the Decree of the Chairman of the Capital Market and Financial Institutions Supervisory Agency No. KEP-412/BL/2009 concerning Affiliate Transactions and Conflicts of Interest in Certain Transactions. As a result of the manipulation or engineering of financial reports carried out by PT Tiga Pilar Sejahtera Food Tbk, the Panel of Judges at the South Jakarta District Court read out the decision to Budhi Istanto Suwito and Stefanus Joko Mogoginta whose names were registered in the South Jakarta District Court with number 303/Pid.B/2020 /PN JKT.SEL and 304/Pid.B/2020/PN JKT.SEL by public prosecutor Leonard S Simalango, SH on 20 July 2020. In this decision, the Panel of Judges stated that the defendant Budhi Istanti Suwito had legally and convincingly committed not a crime of fraud and participating in an evil conspiracy, not a crime of money laundering by imposing a prison sentence of 3 years reduced by the defendant's prison term and ordering the defendant to remain in detention.

The panel of judges also read out the decision in the case of Stefanus Joko Mogoginta, who had been legally and convincingly proven to have participated in committing the crime of fraud and taking part in an evil conspiracy to commit the crime of money laundering with the same sentence, namely imprisonment for 3 years, reduced by the defendant's prison term. and ordered the defendant to remain in detention (Susanto, 2020). Both of them are former directors of PT Tiga Pilar Sejahtera Food Tbk who have been proven to have committed criminal acts with the chronology in 2017, there were acts of fraud by two subsidiaries of PT Tiga Pilar Sejahtera Food Tbk which were involved in selling rice by producing rice that did not match the label description. The two companies are PT Indo Beras Unggul and PT Jati Sari Rezeki.

On July 20, 2017, as a result of this action, AISA's share price experienced a significant decline. Facing this incident, the company management intended to manipulate the 2017 financial reports which had been audited by KAP Aryanto Amir Jusuf and Mawar. In this process, it was revealed that there was an inflated fund of 5 trillion in the accounts receivables, inventory and fixed assets of PT Tiga Pilar Sejahtera Food Tbk in the 2017 financial year. Apart from that, there was also a flow of funds with an unclear scheme from the company to other parties. affiliated with the old management. So, in October 2018, an Extraordinary General Meeting of Shareholders (EGMS) was held which was initiated by the commissioners. The shareholders present agreed and decided to form new management.

Fraud committed by PT Tiga Pilar Sejahtera has harmed a number of parties related to falsification of data information. As a result of falsifying information, companies must be responsible to stakeholders and must accept a decline in their image of credibility by the public (Kolk & Pinkse, 2006). Fraud is a crime that is highly combated in the world of finance, especially accounting and auditing. Regarding the causes, according to the book entitled *Fraud Examination*, there are 3 factors, or what is usually called the fraud triangle, which cause fraud to occur in someone.

Kassem & Higson, (2012) Pressure in the Fraud Triangle theory refers to the motivation or intention of an individual or legal entity to engage in fraudulent acts. The urge to commit fraudulent acts can arise when a person or legal entity faces various financial problems, such as debt, installment payments, electricity bills, a luxurious lifestyle, and other financial needs. This situation can trigger someone to commit fraud, such as embezzling company funds or criminal acts of corruption aimed at personal gain.

Apart from that, individuals can also falsify or manipulate company data if they feel that the work targets set are unrealistic. High work demands or pressure from superiors can also be a cause of fraud. For example, in a situation where an employee feels squeezed by a deadline or a target that is difficult to achieve, they may feel stressed and driven to take abusive actions, such as entering false buyer data.

Once pressure or the desire to cheat arises, someone will try to look for opportunities to cheat. For example, a staff accountant may realize that financial audits are not performed every day. Inability to supervise and lack of Standard Operating Procedures (SOP) are opportunities that can be exploited to commit fraud. With this, someone will see this as an opportunity to commit criminal acts of corruption against company funds. Therefore, it can be concluded that the opportunity for fraud will be greater if there is no good internal company supervision. Opportunities for fraud may also arise when an employee has the responsibility to perform two or more tasks simultaneously. For example, the marketing team is also responsible for compiling financial reports and handling payment claims from vendors. In such situations, there is an opportunity for fraud, such as corruption or illegally increasing costs from vendors.

When cheating, someone will try to justify (in this case lying) so that they are not caught. Apart from that, someone who cheats may also think that the cheating they are doing is right. Because, he will convince himself to replace the money taken later. The fraud triangle is needed by companies to analyze the motive or possibility of fraud. Employees who are caught committing fraud usually give many reasons to justify their actions. The aim is that the fraudulent acts committed can be understood or forgiven. The reason most often given is the issue of salary not being in line with the job. There are also those who argue that they want to give bonuses to subordinates because the bonuses given by the company are too small.

## **CONCLUSION**

PT Tiga Pilar Sejahtera Food Tbk was involved in an overstatement case related to fraudulent manipulation of financial reports for the 2017 financial year. In an investigation report conducted by Ernst & Young Indonesia, it was revealed that there was an inflated fund of 5 trillion in trade receivables, inventory and asset accounts. still PT Tiga Pilar Sejahtera Food Tbk in the 2017 financial year. Then there was a flow of funds with an unclear scheme from the company to parties affiliated with the old management. The case of PT Tiga Pilar Sejahtera Food Tbk was caused by a significant decline in share prices, so that the old management of PT Tiga Pilar Sejahtera Food Tbk overstated the annual financial report of PT Tiga Pilar Sejahtera Food Tbk (AISA) which was audited by KAP Amir Abadi Jusuf, Aryanto, Mawar, and Partners (Affiliates of RSM International) so that the financial reports prepared by PT Tiga Pilar Sejahtera Food Tbk can attract the attention of investors who are interested in investing in their shares. However, when confirmed by CNBC Indonesia regarding RSM Indonesia's involvement in auditing AISA's 2017 financial report, RSM Indonesia Advisor Rahmat Waluyanto admitted that he was not directly related to the audit, saying that he was not handling the audit at that time, which caused a skeptical assessment by the public regarding KAP.

Even though the role of auditors is very important in preventing and detecting fraud in companies. With the case of PT Tiga Pilar Sejahtera Food Tbk, the Panel of Judges at the South Jakarta District Court read out the verdict to Budhi Istanto Suwito and Stefanus Joko Mogoginta stating that the defendant Budhi Istanti Suwito had legally and convincingly committed no crime of fraud and participated in a criminal conspiracy. money laundering by imposing a prison sentence of 3 years reduced by the defendant's prison term and ordering the defendant to remain in detention. The panel of judges also read out the decision in the case of Stefanus Joko Mogoginta, who had been legally and convincingly proven to have participated in committing the crime of fraud and taking part in an evil conspiracy to commit the crime of money laundering with the same sentence, namely imprisonment for 3 years, reduced by the defendant's prison term. and ordered the defendant to remain in custody.

As an auditor, the attitude that must be taken regarding fraud cases is to take appropriate action and in accordance with professional ethics. The auditor must ensure that the audit is carried out thoroughly and carefully and remains independent and objective in conducting the audit. If there are signs of fraud, the auditor must report it to the authorities and provide clear and specific recommendations to the company to improve their internal control system in order to prevent fraud in the future. In addition, auditors must maintain professional integrity and ensure that audits are carried out with high integrity and objectivity. As a large company, it should be more honest in producing quality financial reports. Large companies should also be able to choose honest and trustworthy managers for the company's future progress.

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