

**AN ANALYSIS OF EMPLOYEE FRAUD AND EFFECTIVENESS OF APPLIED
MANAGEMENT STRATEGIES TO PREVENT FRAUD AT
PT. BANK SULUTGO MARINA PLAZA BRANCH MANADO**

*ANALISIS FRAUD DAN EFEKTIVITAS STRATEGI MANAJEMEN DALAM PENCEGAHAN FRAUD PADA
PT. BANK SULUTGO CABANG MARINA PLAZA MANADO*

by:

Olivia Mashita Djamaluddin

Faculty of Economics and Business,
International Business Administration (IBA) Program
University of Sam Ratulangi Manado

email: omashita@gmail.com

Abstract: Employee fraud has been acknowledge as one of the principal threat to the development of banking sectors worldwide. No company is immune to fraud. This research analysed fraud risk factors and any applied fraud prevention management strategies at PT. Bank Sulut Marina Plaza Manado. A qualitative method was applied in this research. Data was collected by means of purposive sampling method through interview of ten selected respondents. This research revealed that factors of pressure, opportunity, psychology, were of potential red flags of fraud at PT. Bank Sulut Marina Plaza Branch Manado. The risk level of fraud of pressure factor was at level of higher, comparing to high level for opportunity and medium level for psychology factors. Moreover, the nature of employee fraud at PT. Bank Sulut Marina Plaza Branch Manado could occur in a simple form with a single causal factor or in a collaborative form. Four factors of good recruitment procedures, good workplace condition, good salary and incentives, and internal control systems had been significantly effective to prevent fraud at the Company.

Keywords: *fraud, pressure, opportunity, psychology*

Abstrak: *Fraud menjadi ancaman nyata dalam perkembangan dunia perbankan, dan tidak satupun perusahaan terlepas dari ancaman tersebut. Penelitian ini menganalisis faktor-faktor resiko fraud dan berbagai strategy pencegahan yang berlaku pada PT. Bank Sulut Cabang Marina Plaza Manado. Penelitian ini menggunakan metode kualitatif dimana data dikumpulkan berdasarkan kriteria tertentu melalui wawancara terhadap sepuluh responden terpilih. Ditemukan dalam penelitian ini bahwa: faktor insentif/ tekanan, kesempatan, psikologi merupakan tanda bahaya terjadinya fraud di perusahaan tersebut. Tingkat resiko fraud disebabkan oleh faktor tekanan adalah terkategori tinggi dibandingkan faktor kesempatan yang terkategori cukup tinggi dan faktor psikologi yang terkategori sedang. Karakteristik fraud di Perusahaan ini dapat hadir dalam bentuk sederhana dengan satu faktor penyebab atau bersifat kolaboratif. Empat faktor berupa prosedur rekrutmen yang baik, kondisi tempat kerja yang menyenangkan, besaran gaji yang kompetitif dan pemenuhan hak-hak pegawai, serta sistem kontrol internal yang berlaku berperan signifikan dalam pencegahan terjadinya fraud di PT. Bank Sulut Cabang Marina Plaza Manado.*

Kata kunci: *fraud, tekanan, kesempatan, psikologi*

INTRODUCTION

Research Background

Fraud has been acknowledged as one of the principal threat to the development of the banking sector worldwide (Akinyomi, 2012). The increasing of technology for both productive and managerial business functions raises new issues related to fraud and internal control. Fraud is on an increasing trend and if left unchecked can be resulted in the significant losses to employers (Zauwiyah and Mariati, 2008).

Bank fraud is the use of fraudulent in order to obtain money, assets, or other property owned or held by a financial institution or to obtain money from depositors by fraudulently representing to be a bank or financial institution (Black, 1979). In association to fraud there is a concept of Counterproductive Work Behaviour (CWB). This concept of CWB is regarded as an occupational crime, in which organizational members misbehave at work for their own benefit, victimizing employers and customers (Kwok, *et al.*, 2005). It is also defined as any intentional behaviour on the part of an organization member viewed by the organization as contrary to its legitimate interests (Gruys and Sackett, 2003), or is categorised as property-based and production-based violations of acceptable workplace standards, implicit and explicit (Mikulay, *et al.*, 2007).

No company is immune to fraud. Banking fraud may have its characteristics, and it is not surprising that each bank develops its management strategy to achieve its goals. In the high competitive era of financial businesses today, banks have to improve their own management strategies. A bank with a good management strategies should take into consideration of any conditions that may contribute employee to commit fraud or if this exists there should be efforts to manage related factors to fraud. A qualitative research had been conducted to analyse risk factors committing employee and the effectiveness of applied management strategies to prevent fraud at PT. Bank Sulut Marina Plaza Manado. It was expected that results of this research might be useful for the Bank to improve its management strategy, and to some extents, results of this research might contribute to a comprehensive knowledge of fraud existing and operating in this typical financial business.

Research Objectives

In order to answer the identified problems, the following two research objectives are formulated:

1. Identify and analyse any potential factors or conditions (fraud risks) that contribute to employee fraud at PT. Bank Sulut Marina Plaza Manado;
2. Identify and analyse effectiveness of any applied strategies to prevent effectively employee fraud at PT. Bank Sulut Marina Plaza Manado.

THEORETICAL REVIEW

Employee Fraud

Fraud, like other crime, can best be explained by three factors. These factors are a supply of motivated offenders, the availability of suitable targets, and the absence of capable guardians (Cohen and Felson, 1979). Additionally, the intensity of desire and the perception of opportunity are personality variables. The balance between desire and opportunity moves. Temptation to steal fluctuates with individual temperament and situation. Employee fraud is a use of fraudulent means to take money or other property from an employer. It consist of three phrases: (1) the fraudulent act, (2) the conversion of the money or property to the fraudster's use and (3) the cover up. Employee fraud or organizational fraud is also defined as a form of employee dishonesty that causes losses to the organization. All formed of occupational fraud are clandestine, violate the employee's fiduciary duties to the organization, and are committed for the purpose of direct or indirect financial benefit to the perpetrator, and cost the employing organization assets, revenues, or re-service (Holtfreter, 2004).

Concept of Fraud Triangle

The term fraud triangle was first introduced by American Sociologist, Donald R. Cressey (Ulvog, 2010; Wilkinson, 2013), who worked extensively in the fields of criminology and white-collar crime. In more specific, ACFE (Association of Certified Fraud Examiners) defines occupational fraud as "The use of one's occupation for personal enrichment through the deliberate misused or misapplication of the employing organization's resources or assets".

Based on the concept of fraud triangle there are three stages for a worker's decision to commit workplace fraud. The first step is the pressure on the individual, which is the motivation behind the crime. The second step is the opportunity to commit fraud, which is the means by which the individual will defraud the organisation. In this stage the worker sees a clear course of action by which they can abuse their position to solve the perceived non-shareable financial problem in a way that – again, perceived by them – is unlikely to be discovered. The third step is the ability rationalise the crime, which is the final stage in the fraud triangle. This is a cognitive stage and requires the fraudster to be able to justify the crime in a way that is acceptable to his or her internal moral compass.

Psychological factor may influence the way a person interprets the situation they are in this, in turn, will influence the action they choose to take. An explanation of psychological factor for fraud would appear simple greed and dishonesty. Recently, behavioural scientists have been unable to identify a psychological characteristic that serves as a valid and reliable marker of the propensity of an individual to commit fraud (Duffield and Grabosky, 2001). Numerous examples of attempts to distinguish people who will commit fraud (or who are predisposed to commit fraud given the right situation) from those who will not. These attempts include “honesty” or “integrity” testing aimed at measuring the trustworthiness of potential employees (Sackett and Harris, 1984; Ones, *et al.*, 1993).

The most common reason employees committed fraud had little to do with opportunity, but more with motivation the more dissatisfied the employee, the more likely he or she was to engage in criminal behaviour. One criminologist described the phenomenon as ‘wages in kind’. All of us have a sense of our own worth; if we believe we are not being fairly treated or adequately compensated, statistically we are at much higher risk of trying to balance the scales (Wells, 2001). Incentive/pressure is a motive a person experiences and believes in non-shareable with friends and confidants (Robertson and Louwers in DiNapoli 2008). Obviously not everyone who faces undue pressure commits fraud, but the higher the stress level, the more distracted and desperate an employee may become.

Previous Researches

Research by Zauwiyah and Mariati (2008) investigate the relationship between employee's attitude toward fraudulent behaviours at workplace and the control environment. Results of the regression analysis performed identify elements of the controlled environment that could influence employee's attitude toward employee fraud and thus highlight elements that should receive more attention. This research also documents that small assets misappropriations is one of such behaviours, although, if uncontrolled, could cause significant losses to organizations, and adequate codes of conducts and trainings are beneficial in influencing employee conceptions on the appropriate behaviour. Aftab and Javeed (2012) in their research on “The Impact of Job Stress on the Counterproductive Work Behaviour (CWB) a Case Study from the Financial Sector of Pakistan”, explore the impact of job stress on CWB and to quantify the relationship between job stress and CWB. The result shows that overall sample was facing job stress mainly due to huge deal of attention demanded by their work beyond normal jobs range, remember many things, excessive work load than normal work, force to work more by their supervisors and employers, poor communication, no appreciation receive from management, unfair performance evaluation system, inappropriate working conditions and inappropriate salaries and rewards. Modar (2013) researched on “Fraud Risk Factors and Audit Programme Modifications: Evidence from Jordan”. The study uses a structured questionnaire that was administered to senior level auditors in the largest Jordanian audit firms. The findings show that almost all of the 20 fraud risk factors included in the questionnaire were only slightly important (if not important), a finding that is arguably alarming.

RESEARCH METHOD

Type of Research

This research is categorised as a descriptive research. It was designed to depict perspectives and arguments from participants (interviewees) in an accurate way using qualitative approach, and a descriptive method was applied to present report of this research.

Place and Time of Research

This research was conducted at PT. Bank Sulut in Marina Plaza Manado. All informants/respondents were employees of the Company. Interview and discussion regarding to data collection was conducted during July 2013.

Research Procedure

As can be seen in Figure 1, this research was conducted to analyse related factors to employee fraud that included psychology, opportunity, incentive pressure, and fraud prevention factors of employee fraud that included internal control system, workplace condition, etc. The interplay between these two factors may contribute to employee fraud.

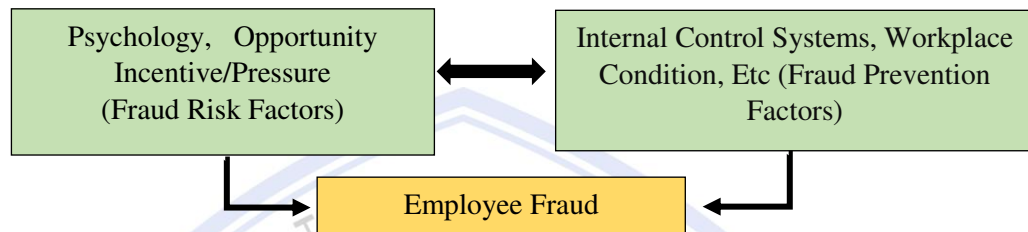


Figure 1. The Framework of the Research

Source: Data Processed 2013

Population and Sample

The population in this research were employees of PT. Bank Sulut Marina Plaza Manado. Purposive sampling method was applied to select ten (10) employees of PT. Bank Sulut Marina Plaza Manado. In Table 1 descriptions of each informant are described.

Table 1. Description of Informant

No.	Name	Sex	Job Starting Date	Job Descriptions
1.	Junike.P	F	March 2013	Customer Service
2.	Vini.W	F	March 2013	Customer Service
3.	Jessie.M	F	January 2011	Customer Service
4.	Honey.W	F	January 2011	Teller
5.	Stella.K	F	June 2010	Credit
6.	Ivan.P	M	March 2013	Credit
7.	Marini.M	F	March 2013	Credit
8.	Joice.T	F	July 2009	Customer Service and Teller
9.	Perez.P	M	September 2009	Credit
10.	Nick.L	M	March 2013	Credit

Source: Data Processed 2013

As can be seen in Table 1 that the informants were consisted of seven females and three males. Based on job description the informants could be divided into customer service (3 persons), teller (1 person), credit (5 persons), customer service and teller supervisor (1 person). There were differences in the job starting date among informants.

Type and Source of Data

In this research primary and secondary data were collected. Primary data were all information collected from interview and discussion with informants. These included employee fraud factors of psychology, opportunity, incentive pressure, and fraud prevention factors of internal control system, workplace condition, etc. Meanwhile, secondary data were all other information indirectly collected (Hair, *et al.*, 2001) or available in office documents, journals, textbooks, references, etc. Secondary data is useful to support primary data.

Data Collection Method

There are two approaches to qualitative data collection that include observation and interview (Hair, *et al.*, 2007). Interview was applied in this research and the following are four steps in interview adopted in this research: (1) Selecting sample of informants/interviewees; (2) Making appointment with the informants, introducing and explaining the research; (3) Interviewing informants for collecting information; (4) Analysing collected data.

Instruments

In this qualitative research the main instrument was the researcher or the person who was doing this research. Supporting tools used to collect data included writing tools, note book, and digital camera.

Definition of Research Variables

In this research several variables were used, and to avoid misinterpretation and to keep consistency, the following definition of each variable was adopted: (1) Employee Fraud: it is defined as a form of employee dishonesty that causes losses to the organization (Holtgreter, 2004), (2) Psychological factors: these will influence the way a person interprets the situation they are in this, in turn, will influence the action they choose to take (Duffield and Grabosky, 2001), (3) Opportunity: it is an occasion or situation that makes it possible to do something that you want to do or have to do, or the possibility of doing something, (4) Incentive/Pressure: it is a motive a person experience and believes (Robertson and Louwers in Aftab and Javeed, 2012).

Measurement of Research

Pattern, themes, and relationship to indicate and differentiate each of a series of the statements from the respondents about the stimulus objects had been define in this research in order to measure the research variable. The objective of qualitative data analysis is to identify, examine, compare and interpret patterns and themes (Hair, *et al.*, 2007).

Data Analysis Method

The most widely used approaches to conduct qualitative research are phenomenology, grounded theory, ethnography and case studies (Hair, *et al.*, 2007). In this research a case study approach was adopted to analysis the employee fraud in relation to factors of psychology, opportunity, incentive pressure, and factors of fraud prevention effectiveness in form of internal control systems, workplace conditions, etc. at PT Bank Sulut Marina Plaza Manado. Three steps in analysing qualitative data proposed by Miles and Huberman in Sekaran and Bougie (2009) were applied in this research. These three steps are: (1) Data reduction: it is conducted through coding and categorizing, (2) Data display: it refers to the way of presenting the data, (3) Drawing conclusion/verification.

RESULT AND DISCUSSION

Result

Psychological Factor

Two indicators of psychological factor, greediness and integrity or dishonest that generally contribute to worker's fraud were discusses during interview. Results of interview is summarised in Table 2.

Table 2. Responds of Informants on Psychological Factors

Interviewee	Psychological Factors	
	Greediness	Integrity or Dishonest
Infomant 1	Disagree (fully rejected)	Not all dishonest worker committed fraud
Informant 2	Disagree	Dishonest worker committed fraud; never commit fraud in whatever situation
Informant 3	Disagree (bad character)	Never commit fraud in whatever situation
Informant 4	Disagree (bad attitude)	Integrity and responsibility were in high priority
Informant 5	Disagree (bad attitude)	Dishonest worker committed fraud

Interviewee	Psychological Factors	
	Greediness	Integrity or Dishonest
Informant 6	Disagree (bad behaviour)	Dishonest worker committed fraud
Informant 7	Disagree	Dishonest worker committed fraud under certain conditions
Informant 8	Disagree	Dishonest worker committed fraud
Informant 9	Disagree (bad attitude)	Being honest worker was in priority
Informant 10	Disagree	No reason of being dishonest worker

Source: Data Processed 2013

Data in Table 2 indicates that all respondents disagree with greediness. Being a greedy worker according to informant 3,4,5,6 and 9 was a bad character or behaviour. Informant 1 stressed that she was fully rejected of greediness. In regarding to factors of integrity or dishonest, informant 1 believed that not all dishonest worker committed fraud. In contrast, informant 2,5,6,7 and 8 considered that dishonest worker might commit fraud. It was personal commitment for respondents 2 and 3 that they would not commit fraud. This respond seemed to be similar to the respond of informant 4, 9, and 10 who put being honest worker in high priority or no reason of being dishonest worker.

Opportunity

Three factors of opportunity were discussed during the interview. The first factor was the dimension of opportunity that was categorised qualitatively in four categories of much, moderate, few and absent. The second factor was type of opportunities recognised by informant. The third factor was the relationship between opportunity and fraud. Results of interview are summarised in Table 3.

Table 3. Responds of Informants on Opportunity Factors

Interviewee	Factors of Opportunity		
	Dimension	Types	Opportunity and Fraud Relationship
Informant 1	Much	Access to bank account of customer; receive money from customer	Positive correlation
Informant 2	Much	Access to bank account of customer; receive money from customer	Positive correlation
Informant 3	Much	Access to bank account of customer; receive money from customer	Positive correlation; workers might collaborate to do fraud
Informant 4	Medium	Plenty money on desk; Closed Circuit Television (CCTV) not always in operation	Positive correlation
Informant 5	Much	Collect money from debtor	Positive correlation
Informant 6	Much	Collect money from debtor	Weak positive correlation
Informant 7	Medium	Collect money from debtor	Weak positive correlation
Informant 8	Much	Access to bank account of customer; plenty money on desk	Positive correlation
Informant 9	Medium	Collect money from debtor	Weak positive correlation
Informant 10	Medium	Collect money from debtor	Positive correlation

Source: Data Processed 2013

As can be seen in Table 3 the dimension of opportunity factor was identified at medium level for informant 4, 7, 9, and 10, and it was identified at much level for the remaining informants. As staffs of customer service, informant 1,2 and 3 were all at the same level of dimension of much. But, it was not true for credit staffs on which informant 5 and 6 categorised their level of dimension at much comparing to level of medium for informant 7, 9 and 10.

Informant 1,2 and 3 who were customer service had the same types of opportunity that included accesses to bank account of customer and receiving money from customer. Informant 4 who was a teller, she justified two types of opportunity that included plenty money on the desk and CCTV not always in operation.

Informant 5,6,7,9 and 10 who were credit staffs identified similar types of opportunity that included illegal money collection from debtor. As supervisor of customer service and teller, Informant 8 classified types of opportunity into access to bank account of customer and plenty money on the desk.

The relationship between opportunity and fraud varied from weak positive to positive correlations. Informant 1,2,3,4,5, 8 and 10 agreed that the relationship was at level of positive correlation, which was identified by informant 6,7 and 9 at level of weak positive correlation.

Incentive/Pressure

In the interview types of incentive/pressure and the relationship between factors of incentive/pressure and fraud were discussed. Results of interview are summarised in Table 4.

Table 4. Responds of Informants on Factors of Incentive/Pressure

Interviewee	Incentive/Pressure Factor	
	Types	Incentive/Pressure and Fraud Relationship
Informant 1	Financial problem	Strong positive correlation
Informant 2	Financial problem; expensive lifestyle; addiction problem	Positive correlation
Informant 3	Expensive lifestyle	Strong positive correlation
Informant 4	Financial problems due to family responsibilities, debt requirements, maintaining a current expensive lifestyle	Maintaining expensive lifestyle the most pressure to do fraud
Informant 5	Pressure in general	Positive correlation
Informant 6	Poor income management	Strong positive correlation
Informant 7	Financial problem (family responsibility)	Weak positive correlation on unmarried/single worker
Informant 8	Financial problem (expensive lifestyle: shopping expensive goods, journey too often)	Strong positive correlation
Informant 9	Financial problem	Positive correlation
Informant 10	Financial problem (expensive lifestyle: shopping expensive goods to maintain social high class)	Positive correlation

Source: Data Processed 2013

No specific description was given by respondent 1 and 9 when they explained financial problem. Informant 2 pointed two causes of financial problem that included expensive lifestyle and addiction. Informant 3 stressed mainly the causes of financial problem was factor of expensive lifestyle. Other than expensive lifestyle, informant 4 identified causes of financial problem might be related to family responsibilities and debt requirements. Informant 6 tended to blame poor income management as the cause of financial problem. It was similar to informant 4, informant 7 related the financial problem to family responsibility. According to informant 8, an expensive lifestyle that caused financial problem might be the results of personal habits mainly in form of shopping expensive goods and often making journeys. Informant 10 put the reason for expensive lifestyle as a form of financial problem due to a person wished to maintain its social high class.

The relationship between incentive/pressure and fraud varied from weak to strong positive correlations with several concerning points for some informants. Informants 1, 3, 6 and 8 agreed that the relationship between incentive/pressure and fraud was at level of strong positive correlation. According to informants 2, 5, 9 and 10 this level was at positive correlation. Informant 4 believed that the most pressure factor that caused worker to commit fraud was of maintaining expensive lifestyle. In addition, informant 7 agreed that the relationship was at weak level for single or unmarried worker.

Internal Control System

Three factors of internal control systems were discussed during the interview. The first factor was type of internal control systems applied at the Company. The second was respondents' opinions on the quality of internal control systems. The last factor was the relationship between internal control system and fraud. Results of interview are presented in Table 5.

Table 5. Responds of Informants on Internal Control Systems

Interviewee	Internal Fraud Control Systems		
	Types	Quality	Internal Control Systems and Relationship
Informant 1	Internal control division	Good, strict	Almost impossible to do fraud
Informant 2	CCTV, internal control division, punishment	Good, strict	Almost impossible to do fraud
Informant 3	Security system, CCTV, internal control division	Strict	Almost impossible to do fraud
Informant 4	Internal control division, rules	Strict	Almost impossible to do fraud
Informant 5	Security system, CCTV, internal control division	Strict	Almost impossible to do fraud
Informant 6	Security system, CCTV, internal control division	Strict	Almost impossible to do fraud
Informant 7	Security system, CCTV, internal control division	Strict	Almost impossible to do fraud
Informant 8	Security system, CCTV, internal control division	Strict	Almost impossible to do fraud
Informant 9	Internal control division	Good, strict	Almost impossible to do fraud
Informant 10	Security system, CCTV, internal control division	Strict	Almost impossible to do fraud

Source: Data Processed 2013

All informants identified that internal control systems applied at the Company included internal control division, security system, and CCTV. Although, informants 1 and 9 identified there was only internal control division as type of internal control systems during the interview, it might not true that they could not know other internal control systems recognised by other informants. In the context of quality of internal control systems, informants 1, 2 and 9 described the quality of this factor was at level of good to strict. The remaining informant classified the quality of this factor was at strict level. According to informant 4 and 5, this level of internal control system related to regular check and control by the internal control division that was usually conducted at every 3 to 4 hours during the working time. There was also supporting control systems in form of security staffs who worked 24 hours, and the used of CCTV at every corners and rooms in the building. the quality level of internal control systems, all informants agreed that it was almost impossible for a worker to commit fraud. All informants understood well any consequences they could get once they did violation of the Company's rules.

Working Condition and Salary Rate

It was revealed in the interview that factor prevented employee from committing fraud was not only internal control systems, but also two other factors of workplace condition and the rate of salary. Responds of respondents to these factors are summarised in the following Table 6.

Table 6. Responds of Informants on Workplace Condition and Salary Rate

Interviewee	Workplace Condition	Salary Rate
Informant 1	Good	Satisfied
Informant 2	Good	Satisfied
Informant 3	Good	Satisfied
informant 4	Good	Satisfied
informant 5	Good	Satisfied
informant 6	Good	Satisfied
informant 7	Good	Satisfied
informant 8	Good	Satisfied
informant 9	Good	Satisfied
informant 10	Good	Satisfied

Source: Data Processed 2013

As can be seen in Table 6, all respondents agreed that workplace condition at PT. Sulut Marina Plaza Manado was good. All respondent were also satisfied with the rate of salary paid by the Company.

Discussion

Potential Risk Factors of Worker's Fraudulent

An analysis to three risk factors of psychology, opportunity and incentive/pressure indicated that these factors were potential to encourage employee of committing fraud. Risk levels of each of these factors are summarised in the following Table 7.

Table 7. Risk Fraud Levels of Psychology, Opportunity, Incentive/Pressure Factors

Fraud Related Factors	Risk Fraud Level
Psychology: (greediness, dishonest)	Medium (60% informants agreed on dishonest worker committing fraud)
Opportunity: (related to job functions; access to costumer's bank account, a lot money on desk, illegal money collection)	High (70% informants supported positive to strong positive correlations)
Incentive/pressure: (general forms, financial problems)	Higher (80% informants supported positive to strong positive correlations)

Source: Data Processed 2013

As can be seen from data analysis in Table 7, employees at PT. Bank Sulut Marina Plaza Manado were predisposed to fraud. Three related factors of psychology, opportunity and incentive/pressure influenced employee to commit fraud at different risk levels. There were some 80% of informant agreed that under pressure condition due to primarily financial problem, employees might commit fraud. The second risk factor of fraud was opportunity that related to employees' job functions (costumer service, teller, credit staffs or supervisor of costumer service and teller) on which some 70% considered that this factor might result in employee's fraudulent. Psychological factor in form of greediness and dishonesty behaviours was at medium risk level as this was supported by some 60% of informant. This condition indicated that factors of incentive pressure, opportunity and psychology could be markers or "red flags" of fraud at PT. Bank Sulut Marina Plaza Manado.

All crime is a combination of motive and opportunity. The opportunity to commit fraud is typically addressed through internal controls if the proper checks and balances exist, it is more difficult (though still not impossible) to defraud an organization (Wells, 2001). But, a informant in the interview identified that personal pressure in form of maintaining expensive lifestyle could be a single and the most factor supporting an employee to commit fraud. This might explain that workplace fraud could be in a simple form. Although it might not be significant revealed from the interview, there was a informant indicated that a criminal behaviour or fraud could not be a personal act. This could be resulted from a collaborative action that involve more than one person in the same division or inter-divisions. This was another sign of fraud risk at PT. Bank Sulut Marina Plaza.

Effectiveness of Applied Management Strategies to Prevent Potential Risks Fraud

Four main factors of recruitment procedure, working environment, employee's welfare and internal control systems applied by the Company to respond to any potential risks fraud. The effectiveness of each of these factors preventing employee from committing frauds are explained in detail in the following discussions.

Recruitment Procedure

The factor of greediness and dishonesty could be identified during the recruitment of employee. It was revealed during the discussion in the interview that all informant disagreed and some fully disagreed with greediness that was categorised as bad character or behaviour. Although there were various responds of informant to the relationship between dishonest behaviour and fraud, most responds believed that dishonest employee could commit fraud, and they were proud to not being dishonest employees. Several informant described of their opinions that they would not be dishonest employee in whatever situation and put integrity and responsibility at the main concern or priority.

It was considered that the way informant looked at the two factors of greediness and dishonesty could be basic or principal character of them. This personal character was expected to have been deliberated by Human Resource Division during the recruitment process. This was most probable to be the reason of having generous and honest employees. In practice, "honesty" or "integrity" testing might be aimed at measuring the trustworthiness of potential employees (Sackett and Harris, 1984; Ones, *et al.*, 1993). Psychological factor is of importance personal character of employee. This factor may influence the way a person interprets the situation they are in this, in turn, will influence the action they choose to take (Duffield and Grabosky, 2001).

Workplace Condition

Previous studies has reported the impact of organisational environment on employee fraud. For examples, employee theft has been found to be influenced by organisation's work climate (Appelbaum, *et al.*, 2006; Kulas, *et al.*, 2007). Job stress has become a major challenge for the organizations due to its immense occurrence. The employees work behaviour is greatly affected due to stress. It is understood that employees are the most important assets for the organizations due to their major role in running the organization effectively and successfully and cannot be treated like machines. The employees who experience less stress are more cooperative and serve as assets for an organization but when the organization ignored its employees stress and needs, and then the results are increased absenteeism, cost, low productivity, low motivation, and usually legal financial damages which eventually affect the employee work behaviour and lead him/her towards the CWB (Aftab and Javed, 2013). According to most informants, there was no reason to be fraudulent employees because they were pleased and had a good working conditions at PT. Sulut Marina Plaza Manado. They were simply said that they had never been under pressure working at the Company. At PT. Bank Sulut there was a Code of Conduct as part of GCG (Bank Sulut, 2013). This Code regulated of Employees Ethics and Attitudes.

Employee Welfare

All informants with different job positions satisfied with the rate of salary that they could be received, though there was no rate given during the interview. The salary rate that they could be received for every position was higher than the salary rate of other banks' employees. Moreover, all informant were impressive with any established beneficiaries provided by the Company. It was the commitment of PT. Bank Sulut to seek to establish best condition that every employee feels proud in carrying duty and achieving accomplishment altogether with the Company. Without hard work and support from the employees, Bank Sulut would fail to grow appropriately. Therefore, Bank Sulut continuously ensured and attempted to improve professional Human Resources management quality, concerning employees' aspiration and upholding as well as preserving the employees' rights (Bank Sulut, 2013).

Internal Control Systems

Committee of Sponsoring Organizations (COSO), fraud occurs in organisations especially due to weak control environment (Ziegenfuss, 2001). It is within COSO's framework, control environment sets the overall tone of the organisation with regard to the importance of internal control (Geiger, *et al.*, 2004). Other studies consider that control environment as the most important element and important fraud indicators. (e.g. O'Leary, *et al.*, 2006; Smith, *et al.*, 2005). All informant approved that there was no employee fraud at their working place. They came to an agreement that it was almost impossible to commit fraud under applied internal control systems. In addition, all respondent recognised that enforcement of Code of Conduct and any other occupational fraud was very strict. An employee who committed fraud could be fired. The way informant described internal control systems in form of existing internal control division, security system, using of CCTV, was not as simple as the real applied internal control systems by the Company as explained in the following discussion. Bank Sulut has a commitment to bring into reality of the concept of Good Corporate Governance (GCG), which in the implementation aims to improve performance of the Bank, protect the stakeholders and enhance compliance of regulation, law and ethical values which are generally prevailed on banking industry. Principally, GGC implementation on banking industry is highly important both for current and future period, due to risk and challenge faced by banking industry will always dynamic and complex in years (Bank Sulut, 2013). Throughout 2013, the Board of Commissioners received reports through the whistle blowing system mechanism. In handling those reports, the Board of Commissioners was obligated to receive and ensure that any violation of business ethics violation, code of conduct, corporate regulation and law could be processed immediately in fair and timely manner.

CONCLUSION AND RECOMMENDATION

Conclusion

In regarding to research objectives four major points has resulted in this research, as follows:

1. Three factors of incentive/pressure (in form of financial problems), opportunity (in form of access to bank account of costumer and illegal money collection from costumer), psychology (in form of greediness and dishonesty), were of potential red flags or signs of fraud at PT. Bank Sulut Marina Plaza Manado, and the risk level of fraud of incentive/pressure factor was at level of higher, comparing to high level for opportunity and medium level for psychology factors at PT. Bank Sulut Marina Plaza Manado;
2. Four factors of good recruitment procedures, good workplace condition, good salary and incentives, and internal control systems had been significantly effective to prevent employees at PT. Bank Sulut Marina Plaza Manado in committing occupational fraud.

Recommendation

In order to maintain the effectiveness of employee fraud prevention, the Company should ensure the following conditions would be achieved: recruitment procedure covering psychological test, good workplace condition, competitive or even good salary and other beneficiaries, and consistency in bringing into reality of the five principle of Good Corporate Governance (GCG) as well as the implementation all internal control systems.

REFERENCES

- Aftab, H., and Javeed, A., 2012. The Impact of Job Stress on the Counter-productive Work Behaviour (CWB): A Case Study From the Financial Sector of Pakistan. *Interdisciplinary Journal of Contemporary Research in Business*. Vol.4, No. 7. Pp. 590-604.
- Akinyomi, A.J., 2012. Examination of Fraud in Nigerian Banking Sectors and Its Prevention. *Asian Journal of Management Research*. Vol. 3, No. 1. Pp. 184-192.
- Appelbaum, S.H., Cottin, J., Pare, R., and Shapiro, B.T., 2006. Employee Theft: From Behavioural Causation and Prevention to Managerial Detection and Remedies. *Journal of American Academy of Business*. Vol. 9, No. 2. Pp.175-182.
- Bank Sulut, 2013, Growing In Regional Diversity. *Annual Report 2013*.
- Black, H. C., 1979, Black's Law Dictionary, 5th eds, St Paul Minnesota: West Publishing Co.
- Cohen, L. and Felson, M., 1979. Social Change and Crime Rate Trends: A routine Activity Approach. *American Sociological Review*. Vol. 44. Pp. 588-608.
- DiNapoli, T.P., 2008. State of New York Office of the State Comptroller. Retrieved at: https://www.osc.state.ny.us/localgov/pubs/red_flags_fraud.pdf. Accessed on Juli 2013.
- Duffield, G. and Grabosky, P., 2001, *The Psychology of Fraud*: Canberra: The Australian Institute of Criminology.
- Gruys, M.L., and Sackett, P.R., 2003. Investigating the dimensionality of counterproductive Work behaviour, *International Journal of Selection and Assessment*. Vol. 11, No. 1. Pp. 30-42.
- Hair, F. J., Money, H. A., Page, M., & Samouel, P., 2007. *Research Methods for Business*, Chichester: John Wiley and Sons Ltd. Inc.
- Holtfreter, K., 2004. Fraud in US Organisations: An Examination of Control Mechanism. *Journal of Financial Crime*. Vol. 12, No.1. Pp. 88-94.
- Kulas, J.T., McInnerney, J.E., Frautschy deMuth, R., and Jadwinski, V., 2007. Employee Satisfaction and Theft: Testing Climate Perceptions as a Mediator. *The Journal of Psychology*. Vol. 141, No. 4. Pp. 389-401.

- Kwok, C., Wing, T.A., and Ho, J.M.C., 2005. Normative controls and self-reported counterproductive behaviours in the workplace in China. *Applied Psychology: An International Review*. Vol. 54. No. 4. Pp. 456-475.
- Mikulay, S., Neuman, G., and Finkelstein, L., 2001. Counterproductive Workplace Behaviour. *Genetic, Social, and General Psychology Monographs*. Vol. 127, No. 3. Pp. 279-300.
- Modar, A., 2013, Fraud Risk Factors and Audit Programme Modifications: Evidence from Jordan. *Australian Accounting and Business and Finance Journal*. Vol. 7, No. 1. Pp. 58-77.
- O'Leary, C., Iselin, E., and Sharma, D., 2006. The relative Effects of Elements of Internal Control on Auditor's Evaluations of Internal Control. *Pacific Accounting Review*. Vol. 18, No. 2. Pp. 69-94.
- Ones, D.S., Viswesvaran, C. and Schmidt, F.L., 1993. Comprehensive Meta -analysis of Integrity Test Validities: Findings and Implications for Personnel Selection and Theories of Job Performance. *Journal of Applied Psychology*. Vol. 78. Pp. 679-703.
- Sackett, P.R., and Harris, M.M., 1984. Honesty Testing for Personnel Selection: A Review and Critique. *Personnel Psychology*. Vol. 37. Pp. 221-45.
- Sekaran, U. & Bougie, R. 2009. *Research Methods for Business: A Skill Building Approach* 5th eds. Chichester: Wiley.
- Smith, M., Omar, N., Sayd Idris, S.I.Z., and Baharuddin, I., 2005. Auditor's Perception of Fraud Risk Indicators: Malaysian Evidence. *Managerial Auditing Journal*. Vol. 20, No. 1. Pp. 73-85.
- Ulvog, J., 2010. Fraud Triangle. Non Profit Update: Non-profit Finance, Accounting, tax News. Retrieved at: <http://www.nonprofitupdate.info/fraud-triangle/>. Accessed on March 2013.
- Wells, J.T., 2001. Why Employees Commit Fraud. Retrieved at: http://www.Journal_ofaccountancy.com/issues/2001/feb/whyemployeescommitfraud.html. Accessed on April 2013.
- Wilkinson, J., 2012. The Fraud Triangle. *The Strategic CFO*. Retrieved on: <http://strategiccfo.com/wikicfo/the-fraud-triangle/>. Accessed on July 2012.
- Zauwiyah, A., and Mariati, N., 2008, The Control Environment Employee Fraud and Counterproductive Workplace Behaviour: An Empirical Analysis. *Communications of the IBIMA*. Vol. 3. Pp. 145-155.
- Ziegenfuss, D.E., 2001. The Role of Control Environment in Reducing Local Government Fraud. *Journal of Public Budgeting, Accounting & Financial Management*. Vol. 13, No. 3. Pp. 312-324.