

Implementation of Fraud Risk Management to Minimize Fraud Risk in Wanda Putra Kencana Surabaya

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Abstract

The purpose of this study is to identify the factors that lead to fraud in a commercial entity. The company that manufactures food, is the subject of this study. You will undoubtedly discover fraud done by connected parties when carrying out producing operations until sales. The owners and staff of production, sales, and delivery companies were observed, and interviews with them were conducted as major data sources for this study. This study provides evidence of fraud. The company should take early preventative measures to avoid risks (risks that are not anticipated by the company) from emerging. And with it, perhaps, the use of fraud risk management will help the business reduce current fraud. Implementing fraud risk management involves a number of processes, beginning with an analysis of the internal environment of the corporate organization, followed by the identification of the hazards (risks) that frequently occur so that risk identification and risk mapping may be done. The final point is how to control those risks. Overall, Wanda Putra Kencana's risk management has been fairly effective; the company has implemented physical control, monitoring, and enforcement, as well as rewards and penalties.

Keywords | Fraud risk management, Fraud risk, Manufactured control

INTRODUCTION

Cheating is activities that rely on deception to achieve a profit (Utomo, 2018). Fraud becomes a crime when it is mistaken for knowing the truth or concealing material facts to encourage others to act against them. For example, one company that has committed fraud is Enron. where Enron is an energy utility and trading company based in Houston, Texas, which committed one of the largest accounting frauds in history. where the occurrence of the fraud was that Enron Corp's managers manipulated the numbers that became the basis for obtaining the largest monetary compensation, the fraud in financial reporting resulted in Enron Corp having to accept very large losses, namely the company went bankrupt.

In Indonesia, several cases of fraud were also found, one of which was PT Kimia Farma Tbk. PT Kimia Farma Tbk is a BUMN whose shares have been traded on the stock exchange (Koroy, 2008). Where PT Kimia Farma Tbk was also found to be overstated in the financial statements. This case finally resulted in PT Kimia Farma Tbk being subject to sanctions of IDR 500 million in administrative sanctions, IDR 1 billion for the old directors and IDR 100 million for external auditors (Nurliasari & Achmad, 2020).

Fraud is also a serious threat to the sustainability of organizations globally, because fraud has a negative impact on profitability, economic growth, and corporate social welfare (Mwangi & Ndegwa, 2020). According to the Association of Certified Fraud Examiners (2016), in an Indonesian fraud survey it was stated that the types of fraud that were the most detrimental to Indonesia were 77% corruption, 19% misuse of assets and 4% financial statement fraud.



The fraud triangle highlights three elements that can be called root causes of "fraud" that are always present, no matter the type of fraud. The three elements are motivation, opportunity and rationalization. Where motivation is motivating related parties to commit fraud, and opportunities are factors that affect organizational structure, and factors such as lack of control or management ability to violate controls allow opportunities to commit fraud. Meanwhile, rationalization is that the fraudster justifies fraud in an acceptable way (Free, 2015).

Many studies have found that fraudulent practices that may occur in a company are often carried out by the company's employees themselves. Because employees have the ability to know how the company's system is running and have access to view company data. With this, employees also have the opportunity to commit acts of fraud.

Wanda Putra Kencana Enterprises is a Micro, Small and Medium Enterprises (MSMEs) engaged in the food sector, located in Surabaya (Wijaya, 2014). Where in carrying out production activities to sales, there must be fraud committed by related parties such as employees and others. With this, the company can detect fraud in the company. However, detecting through auditing small and medium businesses is very irrelevant because auditor services require a large amount of money. Therefore, the company itself can check through employee performance and check reports on purchases, sales and inventory. In addition, you can also implement Fraud Risk Management to prevent unwanted things from happening.

Risk management is a process of understanding and managing risks that may pose a threat to the organization, so that the organization can start planning for prevention of these threats so that the operational process of the organization can run smoothly according to its goals (Tendan, 2022).

Based on the concept of fraud risk management, qualitative data such as changes in employee behavior are very important for detecting fraud. Therefore we need an effort that can be done to minimize the occurrence of fraud by implementing Fraud Risk Management. With fraud risk management by carrying out prevention, detection, and response, it can estimate the risk of fraud that may occur and can find solutions earlier to prevent it so that the activities of business entities can operate smoothly according to their goals. Based on the discussion above, the authors are interested in discussing the effect of fraud risk on operational activities and knowing how much fraud can occur and can be resolved by implementing fraud risk management.

Based on the background described above, there are several problem formulations that will be discussed, including:

- 1) What fraud risks might occur at the Wanda Putra Kencana?
- 2) What are the steps taken to implement fraud risk management at the Wanda Putra Kencana, especially in the production department, as well as the sales and delivery department?
- 3) How can fraud risk management be applied to the Wanda Putra Kencana in preventing or minimizing fraud?

THEORETICAL BASIS

Fraud

According to the Black Law Dictionary in Suryana & Sadeli (2015), fraud is a difference in an inaccurate statement of a truth that is not in accordance with real facts, so that it can result in a person or organization carrying out an activity that harms other people. Generally, these mistakes are made consciously and intentionally and most of them are criminal acts. In addition, according to Priantara (2013) that fraud itself is an activity that is not in accordance with applicable regulations or laws and is also usually carried out by internal or external parties from the agency's environment with the motive to gain personal benefits or group interests, either directly or indirectly, the action will cause harm to other people (Mustofiyah et al., 2022).

Fraud can be interpreted as an act that shows irregularities and is categorized as illegal or unlawful which is carried out intentionally and is used to achieve certain goals. Examples of such actions include committing fraud or providing false data and information to related parties, both within the agency and outside the agency, as well as taking advantage of existing opportunities to control other people's property, intellectual rights or assets. This action will automatically cause harm to the other party. Based on the definitions described above, it can be concluded that fraud is an act committed by a person or group systematically and intentionally to gain advantage in a situation which will then have a negative impact.

According to The Association of Certified Fraud Examiners (ACFE) that fraud is classified into three levels called the Fraud Tree (Binus, 2020), that is:

- 1) Asset Misappropriation, where includes the misuse of company assets or other parties. Deviations from these assets are the easiest form of fraud to detect, because this fraud can be measured or is tangible.
- 2) False statements or fraudulent statements, which include behavior carried out by officials or executives of a company or government agency with the aim of covering up actual financial conditions by carrying out financial engineering in the presentation of their financial statements. This is done to gain profit and this action will certainly cause harm to other parties.
- 3) Corruption, which is the most difficult type of fraud to detect, because it involves cooperation with other parties such as bribery and corruption. This action is the most common occurrence in developing countries where law enforcement is weak and there is still a lack of awareness of good governance. This type of fraud often cannot be detected because the parties involved in the incident or working with the perpetrator also enjoy benefits (a symbiosis of mutualism), so that they will participate in covering up the truth. Other acts related to this type of fraud include abuse of authority, bribery, illegal receipts, and economic extortion.

Meanwhile, according to Albrecht (2012), fraud is classified into five types, namely:

- 1) Theft committed by employees, either directly or indirectly to the company (Employee Embezzlement or Occupational Fraud)
- 2) Biased information provided by top management in the company's financial statements (Management Fraud)



- 3) Investment fraud committed by investment (Investment Scams)
- 4) In the case of shipping goods, the company incurs costs at high rates (Vendor Fraud).
- 5) In order to get something more than it should be, the customer commits fraud to the seller (Customer Fraud)

Fraud Triangle Theory

According to Tuanakotta (2011: 105) that the Fraud Triangle Theory is a form of depiction of a model that describes what are the factors that cause an individual or group to commit fraud. The concept of the Fraud Triangle Theory was first described by Donald R. Cressey in 1953. Cressey in Tuanakotta (2011; 105) is in line with Skousen et al. (2009) suggests that fraud has 3 characteristics, namely pressure, opportunity, and rationalization.

Pressure

Pressure is one of the driving factors behind individuals or groups in the end committing acts of fraud. This factor is usually caused by the pressures of life experienced by actors with economic motives and so on in real life and ultimately encourages someone to commit fraud. This factor more specifically can be divided into 4 types including:

a. Financial Pressure

Caused by financial factors as the main driving force for an individual to commit acts of fraud, for example due to being in debt, economic losses, requiring large amounts of funds in a relatively short time, and even because of greed.

b. Personal Financial Need

In general, it can be caused by addiction to drugs and alcohol, having a gambling habit or for family living expenses.

c. Financial Targets

The cause of individuals committing acts of fraud is because of fear of not getting recognition by the surrounding environment for wealth or position, not feeling satisfied with the job they have, excessive fear of losing a job and so on.

d. Other Pressure

This pressure can come from other things that have been mentioned, such as the need to live in an established manner, please your partner or family, and several other factors.

Opportunity

According to Pravitasari (2016), the factor of this opportunity or opportunity is one of the factors that causes fraud to occur because perpetrators can see loopholes so that perpetrators can freely carry out their actions because they know the weaknesses of the system in the agency or environment. Then in the auditing standard guidelines (SAS) number 99 it is explained that the opportunities for fraud that are commonly found in financial reports can be classified into three types of conditions including:

a. Nature of Industry

Companies that are involved in the industrial sector where the estimation level and scale are large tend to pose a much greater risk as well. This happens because companies on this scale have transactional activities with parties who are seen as having important

influence and on a large scale so that if an act of fraud occurs it will cause a domino effect that is so massive and prone to manipulation within the company's elements. Of course, this is in line with research conducted by Lou & Wang (2009) where the higher the company has transactional activity, the greater the possibility of fraud.

b. Ineffective Monitoring

It is a condition in which a company does not have personnel or departments that should function as supervisors to ensure that the operational activities and performance of the company are in accordance with the goals and standards set. According to research from Andayani (2010), the lack of functioning or the absence of a supervisory function in a company causes the vulnerability to fraud or fraud to occur so that both employees and management can see loopholes for them to practice fraud for personal or group gains or on the other. otherwise it will be very detrimental to the company.

c. Organizational Structure

If a company has an organizational or management structure that is quite complex but can be said to be unstable in the sense that there are frequent changes in office holders in a relatively short time, the company is quite vulnerable to fraud (Skousen et al., 2009). This problem is very prone to occur when there are frequent changes in the company towards the end of the tenure of a position holder, so interested parties commit fraud trying to maximize the bonuses they will get by practicing earnings management. In general, there are several other reasons behind individuals and groups committing fraud related to this factor, including:

- 1) Weak existing control systems both internally and externally in the environment or related organizations.
- 2) Assessment of the quality of personnel performance that is not up to standard
- 3) There is a failure in following up both the perpetrators and actions that lead to fraud.
- 4) Lack of implementation of adequate information systems.
- 5) There is apathy, indifference, and lack of belonging to an environment or organization.
- 6) Weak implementation of the existing audit system.

Rationalization

According to Pravitasari (2016), in this factor an individual usually has certain reasons and they tend to justify their actions even though they are criminal acts or the individual is influenced by their environment so that they rationalize their actions even though they are criminal acts and even against the law. Then, if we look at the audit standard guideline No. 70, it explains that the occurrence of a conflict of interest between the management of the company and the current auditor as well as the previous auditor can be categorized as an indication of fraudulent practice.

Internal Audits

Internal audit or internal inspection is an independent assessment function within an organization that aims to evaluate and test the activities of the organization being carried out. The purpose of internal audit is to assist management in establishing effective accountability



by auditing and evaluation, as well as communicating the results of activities that have been accompanied by follow-up. There is a role of internal auditors, namely as follows.

- 1) Fraud prevention
- 2) Fraud detection
- 3) Fraud investigation

Fraud Risk Management

KPMG Forensic (2006), defining the meaning of Fraud Risk Management is a form of approach that functions to determine the extent to which organizations, business entities and agencies detect, regulate and overcome fraud risks that may arise in their operational processes so as not to hinder the main objectives of the organization or entity. According to research conducted by Moeller (2009), Fraud Risk Management has 3 functions including prevention, detection and response or investigation. According to the guidelines that we obtain in ISO 31000 (2009), the procedures that must be carried out in the realm of fraud risk management are:

- 1) Risk identification

This procedure itself includes the stages of finding, identifying and recording or documenting possible risks that may occur.

- 2) Risk analysis

This procedure has the objective of developing knowledge regarding the risk of fraud that occurs in order to obtain data related to evaluation results and what kind of follow-up should be taken immediately.

- 3) Risk evaluation

This process is carried out with the aim of obtaining a more adequate understanding of the characteristics of fraud risk so that evaluation and mitigation can be carried out immediately related to fraud risk management.

- 4) Risk mitigation

This procedure aims to ensure that the implementation of Fraud Risk Management is running according to what was previously planned.

IMPLEMENTATION METHOD

The discussion of this research is explanatory in nature, that is, it aims to find, examine and explain the causes and reasons, and the occurrence of fraud at the Wanda Putra Kencana for the production part and the part sales and shipping, while finding the right solution to minimize it. The type of research used is applied research because the research aims to implement fraud risk management at the Wanda Putra Kencana. related to the operational activities of the production department as well as the sales and delivery department, apart from that because other parts such as purchasing, and payroll are carried out by the owner. Wanda Putra Kencana is a small scale, so this research only discusses the extent of fraud risk management and does not extend to the fraud audit section. This risk management aims to be a development tool for business entities to minimize the occurrence of fraud that has an impact on the financial side of Wanda Putra Kencana. The object of research is the Wanda Putra Kencana. Data collection comes from production activities as well as sales and shipping activities in business entities.

This research was conducted on production activities and sales and shipping activities because researchers wanted to estimate the risk management associated with production activities and sales and shipping activities that exist in the Wanda Putra Kencana as a whole. The data used is data from previous researchers, namely Data collection comes from production activities as well as sales and shipping activities in business entities. This research was conducted on production activities and sales and shipping activities because researchers wanted to estimate the risk management associated with production activities and sales and shipping activities that exist in the Wanda Putra Kencana as a whole. The data used is data from previous researchers, namely Data collection comes from production activities as well as sales and shipping activities in business entities. This research was conducted on production activities and sales and shipping activities because researchers wanted to estimate the risk management associated with production activities and sales and shipping activities that exist in the Wanda Putra Kencana company as a whole. The data used is data from previous researchers, namely Wijaya (2014).

RESULTS AND DISCUSSION

Factors causing fraud at the Wanda Putra Kencana Surabaya

The risk of fraud that exists can arise due to several things, namely due to financial pressure (lack of money to meet daily needs). Weak controls that provide opportunities for fraud and finally rationalization that arises due to weak policies and the environment within the company. The following is a more detailed description of the rationalization, pressure, and opportunities that trigger fraud in the company:

Rationalization

One of the catalysts for fraud is rationalization. This justification relates to the business entity's internal control structure. An effective control environment creates a setting where proper conduct is upheld, employees are aware of their duties, and honest workers are compensated. Fraud opportunities will be decreased with effective control measures, such as clear consequences for employees. A culture of job swapping will develop if the owner does not clearly allocate the work that the employee is to complete. Because they believe they are superior to other employees, habits that give one person confidence can also induce them to rationalize. The positive relationships between coworkers may suffer as a result. Employees may conduct fraud and believe that their actions are justified as long as the owner is ignorant of what he is doing since they feel that they are trusted individuals who the owner has confidence in. In addition, the culture that promotes unrestricted enjoying of crackers or finished goods can contribute to rationality against fraud. This encourages rationalism, which holds that stealing business property as long as it is not excessive is not a problem, for instance, if a worker steals an inconsequential object (a pack of crackers). Because he just stole a packet of products and because the quantity was little and affordable, the employee who stole the items did not feel bad. The owner also doesn't care too much if the missing item doesn't make a big or material difference. Even while small-value theft will rise over time due to the culture that is in place, taking corporate property will become more sensible.



Pressure

There are numerous reasons that contribute to employee fraud at Wanda Putra Kencana. The high rate of inflation, the unmet UMR (average minimum wage), and other elements that may lead employees to engage in fraud are the main causes. If workers don't do well at the Wanda Putra Kencana, the owner also won't raise their pay. Additionally, the owner says that the wage rise only occurs once a year, so if the owner determines that the employee's work over the previous year was subpar, the compensation raise will not be made, then the pay raise is not implemented. Employees are under pressure from both internal and external corporate considerations, such as the demands of the employee's family and an inadequate salary, in addition to internal company concerns. Production staff at Wanda Putra Kencana make between IDR 700,000 and IDR 900,000 per month, while sales and delivery staff make between IDR 800,000 and IDR 1,000,000 per month. Giving employees a lower compensation might also put pressure on them since they may believe that their work is not being valued because no one is giving them the right feedback. Additionally, the Wanda Putra Kencana's production activities started around six in the morning. This rule may put employees under strain.

Opportunity

According to the company's internal control analysis, employees are more likely to commit fraud because of the Wanda Putra Kencana's opportunities. When considering the division of labor in manufacturing activities, it is evident that there is no distinct division of labor between the owner and the employees in this setting. Although the organizational structure has been prepared, Wanda Putra Kencana has not adhered to the organizational structure's separation of roles and responsibilities. The lack of a clear task assignment for employees to complete has both benefits and drawbacks. On the one hand, employees believe that the owner has given them the flexibility and trust to work in whatever capacity, and this might help to improve their perception of the company. The freedom set, however, can also have a bad effect when employees are allowed to work however they choose because they lack a feeling of accountability for their actions. For instance, in the fish processing industry, people do not want to work hard and prefer to work casually. He didn't grind all the way to the fine since he thought it wasn't his job.

Additionally, production workers are capable of fraud with regard to faulty goods. Employees may have the opportunity to commit fraud by reporting that production goods are defective or defective even though the production goods are not defective or defective and the employee takes the goods because the owner does not count the number of defective or defective items that exist before they are gathered together. It's up for grabs. In addition, the owner's need that the sales and delivery departments to perform totals or calculations every two days permits staff members to misappropriate sales proceeds.

Steps to implement Fraud Risk Management at Wanda Putra Kencana Surabaya

In implementing fraud risk management, steps such as:

- 1) Conduct risk identification, which is the first step to overcome or minimize risks at the Wanda Putra Kencana. What needs to be done is to identify the risks that exist, especially in production, sales and delivery.

The following is a risk of fraud at the Wanda Putra Kencana:

a) Production Department

The risks that arise in the production department of the Wanda Putra Kencana are employees who steal raw materials and finished goods, intentionally produce fish without finely grinding, chat during working hours causing defective production, not reporting defects, employees eliminating inventory, chatting during working hours which results in overtime.

b) Sales and Delivery Department

The risks that exist in the sales & delivery department are employees who sell finished goods belonging to other people/companies, customers who do not pay off debts, lapping, use of company vehicles for personal gain, employees buy finished goods at special prices and then resell them.

2) Perform a risk assessment based on Boynton's materiality calculation, 5%-10% of the company's net profit. So far, Wanda Putra Kencana has never conducted a risk assessment. Therefore, after carrying out a risk assessment, risk mapping will be carried out.

3) Conduct risk mapping to determine whether risks are classified as high (high), medium (medium) or low (low) risks.

The following are the results of risk mapping at the Wanda Putra Kencana:

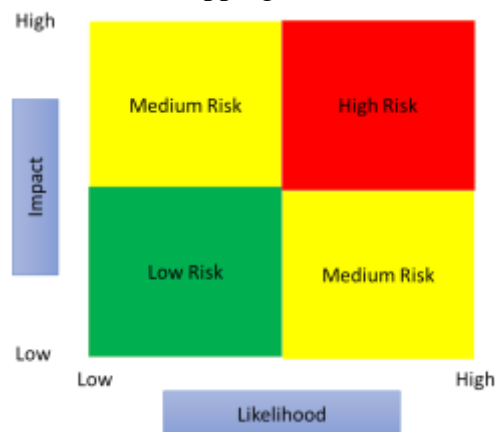


Figure 1. Risk Mapping

a) Low risk

From the risk mapping it can be seen which risks are classified as high (high), medium (medium) or low (low). Based on the risk mapping, it can be seen that the risk which is classified as low is only found in the sales & delivery department which is related to fraudulent employees who buy finished goods at a lower price and then resell them. For risks that are classified as low (low), risk management can be carried out by accepting existing risks, because these risks have a low impact and probability or likelihood of occurring.

b) Risk that is classified as medium (medium risk)

For risks that are classified as medium (medium risk), namely risks that have a low impact but have a high probability or a high possibility or vice versa, there are in the production section related to the theft of raw materials and finished goods, allowing fish that are not finely ground to continue to be produced, not reporting defects, risk of loss of equipment/inventory, chatting during working hours resulting in additional working hours (overtime). While the risks in the sales and delivery department are related to employees selling goods belonging to other people or companies, lapping, using company vehicles for personal purposes.



c) High risk (high risk)

The last risk is a risk that Wanda Putra Kencana needs to prioritize and pay special attention to because this risk has a high probability or possibility of occurrence and also a high impact (high risk). These risks, among others, in the production section related to work time corruption by chatting. As for the sales and shipping department related to the existence of customers who do not pay off debts. With this, the company can find out the risk rating of all existing risks. So the company can know which risks to pay attention to.

4) The form of risk management carried out by the company.

After knowing which risks need to be considered first, risk management will be carried out. Based on the risk management in the production department, as well as the sales and shipping department, it can be seen that Wanda Putra Kencana is experiencing difficulties in carrying out some ideal risk management according to COSO. This is largely due to costs and unsupported human resources. For example, for the risk of customers not paying off debts, according to COSO this risk must be controlled and mitigated (eliminating risks that arise), but the recommended risk management is to minimize these risks. This is because to eliminate this risk to 100% will be very difficult. The company cannot carry out full supervision so that this risk can only be minimized so that the company's losses are not too large. Not all ideal risk management according to COSO is contrary to the company's recommended risk management. Most of these risk management have in common. For example, lapping risk. Therefore it is very necessary to implement fraud risk management for the Wanda Putra Kencana. Existing fraud risks need to be managed properly to avoid losses.

Fraud Risk Management that can be implemented by the Wanda Putra Kencana Company

The following is Fraud Risk Management that can be implemented by the Wanda Putra Kencana in the production department as well as the sales and delivery department, namely:

a) Production section

Table 1. Fraud prevention measures that can be implemented by Wanda Putra Kencana in the production department.

Possible Risks	Risk Classification	Action prevention
There is theft of raw material and products so (finished goods)	Medium Risk	The owner regularly periodically (1 month once) do stock recording (physical control) agar could reduce the opportunity for employee do fraud
Loss of equipment or inventory	Medium Risk	Do supervision the employee through a hidden camera (CCTV)
Careless moment process production, so that produce a quality product which less good	Medium Risk	Selective in recruiting employees and do evaluations for employees regularly and periodically for make sure the results of employee

		performance are already in accordance
No report of product disabled (defect)	Medium Risk	Do an inspection of the product which already done produced
Chat moment working hours	Medium Risk	Do supervision employees through the hidden camera (CCTV) and selective in direct or employee
Corruption timework that is done by the employee	High Risk	Must exist rewards and punishment performance employees, so that could reduce pressure employee at a time as motivation for an employee for upgrade their performance, so can obtain a reward

Based on the table above, there are several preventive actions that can be taken by companies to minimize and prevent fraud that may occur in the production department. However, even if the above actions are taken, it does not guarantee 100% that fraud can be prevented in its entirety. Companies still have to carry out better and tighter internal controls, as well as improvement and improvement of controls in each activity, because fraud can occur even if there is only a very small gap.

b) Sales and delivery department

Table 2. Fraud prevention measures that can be implemented by Wanda Putra Kencana in the sales and delivery department

Possible Risks	Risk Classification	Action prevention
An employee who buys the product so (finished goods) at a price which cheaper and sells it in return	Low Risk	Do separation duty between sales and reception, and record sales as well as do inspection preparations regularly and routine
Lapping	Medium Risk	Do separation duty and apply recording accountancy on account customer which do purchase regular credit
Use vehicle company for personal needs	Medium Risk	Set the activity control and monitoring to reduce fraud possible
Customer who does not pay a debt	High Risk	Do control activities related to authorization credit limit customer



Based on the table above, there are several preventive actions that can be taken by companies to minimize and prevent fraud that may occur in the sales and delivery department. However, the actions above do not guarantee 100% that fraud can be prevented in its entirety. For example, at the risk of customers not paying off debts, the company can determine the provision of credit limits to customers based on customer categories, namely (1) new customers and customers who are often in arrears on debt are not given the right to make purchases above the credit limit, while (2) customers who make purchases routinely (more than 1 year) obtain the right to make purchases above the credit limit and the addition of the limit can be discussed with the company.

All actions certainly have their own advantages and disadvantages, because in the end everything will return to the individual who carries it out. The human factor is the most common obstacle factor. The nature of human greed is also one of the main factors that triggers someone to commit acts of fraud in order to gain personal gain. If a system has been designed properly, if it is run by individuals who are careless and disobedient, then this predetermined system will not work properly. Therefore, it is also necessary to recruit selective employees in order to prevent fraud. Well-managed companies implement effective screening policies to reduce the likelihood of hiring people with low levels of honesty.

CONCLUSION

Wanda Putra Kencana's business is a business engaged in the food sector, which is located in Surabaya. In line with the operational process of Wanda Putra Kencana's business, it has opportunities for fraud to occur because in carrying out production activities to sales and shipping it does not have strong enough internal controls to avoid fraud that may be carried out by related parties such as employees and third parties. other related. In addition, fraud will also occur if there is a lack of concern for existing strategies to deal with various problems that may occur and weak business environment conditions which will eventually lead to fraud in the business.

The application of Fraud Risk Management in Wanda Putra Kencana's business is a strategy that really helps businesses in their business operational processes because it can minimize the occurrence of unwanted things and even the occurrence of losses for the company. Because every organization in the process of running its business is difficult to avoid risks. With this in mind, implementing Fraud Risk Management is really needed by Wanda Putra Kencana's business because businesses can plan solutions earlier to prevent the impact of risks that may occur.

Through Fraud Risk Management, you can find out the risks involved in Wanda Putra Kencana's business. Where the relatively low risk is in the sales & delivery department which is related to employee fraud in buying finished goods at a cheaper price and reselling them. However, there are risks that are classified as moderate in the production department, namely the theft of raw materials and finished goods, allowing fish that are not finely ground to continue to be produced, not reporting defects, risk of losing equipment/inventory, chatting during working hours that end have to work overtime. While the risks in the sales and delivery department, namely the existence of employees who sell goods belonging to other people or companies, the presence of lapping, the use of business vehicles for personal purposes. There is a high risk in the production section which is related to the corruption of

work time by chatting. As for the sales and shipping department related to the existence of customers who do not pay off debts.

Based on this, the business can find out the risk rating of all existing risks so that the company can know which risks must be considered. After implementing fraud risk management at the Wanda Putra Kencana company, researchers hope that the owner can make improvements to expedite existing activities in the company, so that it is hoped that there will be no more fraud committed by both employees and related external parties (customers). There are recommendations given to prevent or minimize fraud at Wanda Putra Kencana, namely:

- 1) Re-checking the production department and sales and shipping department.
- 2) Performing improvement and improvement of internal control at the Wanda Putra Kencana, especially in the production section and storage warehouse section.
- 3) Make improvements and improvements to the controls in every activity in the production and sales and shipping departments.
- 4) Implementing fraud risk management in order to be able to assess and manage the risks that may occur in every part and existing operational activities. So that the Wanda Putra Kencana Company can find out how to manage existing risks before these risks occur, so that these risks do not happen to the company in the future.
- 5) In implementing fraud risk management, steps are needed such as identifying risks, then risk assessment based on the calculation of 5% to 10% of the company's net profit, after that risk mapping is used to determine whether the risk is classified as low, medium or high, and finally the form risk management carried out by the company.

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