SINOMICS JOURNAL
International Journal of Social Science, Education, Communication and Economics
ISSN (e): 2829-7350 | ISSN(p): 2963-9441

Analysis of Cash Flow Shenanigans on PT. Pertamina (Persero) Tbk

Natalis Christian[1], Fiona Vinelia[2], Juwenni[3], Michael Learns Tay[4], Meliesa Chandrawati[5]
Universitas Internasional Batam, Indonesia
E-mail: natalis.christian@uib.ac.id[1], 2042136.fiona@uib.edu[2], 2042076.juwenni@uib.edu[3], 2042141.michael@uib.edu[4], 2042049.meliesa@uib.edu[5]

Abstract

Currently, In Indonesia, there are a rising number of instances of financial figures being fraudulently altered. An alleged corruption case occurred from 2009 to 2012. Where, PT Pertamina Patra Niaga entered into a non-cash fuel sale and purchase agreement with PT Asmin Koalindo Tuhup. This study aims to analyze the alleged corruption case that happened to PT Pertamina and analyze fraud cases using cash flow shenanigans. Secondary data for this study was obtained from PT Pertamina (Persero) Tbk's official website. The financial statements of the company for the years prior to, during, and following the fraud will be compared in this study to draw conclusions. The majority of the ratio proves that PT Pertamina experienced a decline in business in 2009. Where as PT. Pertamina needs more time to sell their inventoryand collect their receivable.

Keywords *Cash flow shenanigans, financial statement, PT Pertamina*

INTRODUCTION

Reports can be used as a decision-making guide for company management and investors, so that in order to convince and attract investors, companies try to continue to maintain financial reporting standards that investors like so that various levels of damage to financial reports continue to emerge. Financial statement fraud is an act that is deliberately carried out to present materially wrong information in financial reports (Christian et al., 2022). One of the cases of fraud on financial statements that occurred at PT Pertamina Tbk.

As a result of the fraud incident, the Pertamina company experienced a loss. Apart from that, in this study, we will analyze the handling cases based on cash flow crimes with the aim of seeing the details of what kind of handling was carried out and how it happened with a comparison over the three (3) years of PT Pertamina Tbk's financial statements.

Several studies examine ways to manipulate, detect, and prevent cash flow fraud (Tarjo et al., 2023). However, research is still rare that predicts manipulation of cash flows using financial crimes. Misstatements in financial statements are usually carried out using techniques contained in cash flow shenanigans. The cash flow shenanigans ratio is used in research as a red flag in financial crime (Tarjo et al., 2023).

Pertamina Company (Persero) is one of the State-Owned Enterprises engaged in the oil and gas sector. To carry out its main business, the company has six subholdings which are engaged in upstream, refinery & petrochemical, commercial & trade, gas, electricity & renewable energy, and shipping. In addition, through its other subsidiaries, the company also does business in insurance, health services, aviation, and property development. The company Pertamina (Persero) in 2009 - 2012 was investigated for committing acts of corruption in the procurement of liquefied natural gas (LNG). State losses in this case are interpreted as Rp. 451,663,843,083.20 or Rp. 451 billion. Therefore, research was conducted to analyze fraud committed by PT Pertamina (Persero) Tbk using the cash flow shenanigans

technique. The purpose of this report is to analyze cash flow reports in PT. Pertamina and to see the shenanigans that occurred in the cash flow report that caused losses to the state that occurred from 2009 to 2012.

LITERATURE REVIEW

Cash Flow Statement

The cash flow statement is a report that presents information on sources, uses, changes in cash and equivalents during an accounting period (Tanjung, 2009). This report can provide information on the company's ability to generate cash from operating activities, investments, settlement of obligations and dividends (Hery, 2013).

Cash flow can be categorized into 3 activities, namely operations, investing, and financing. Each activity has different cash inflows and cash outflows. In operating activities, generally cash comes from receipts from customers, receipts from interest income and other income. While cash out is for payments to suppliers, employees, operations, interest expenses, and so on. Furthermore, in investing activities, cash comes in from the sale of fixed assets and cash out of the acquisition of fixed assets, payment of advances for fixed assets, and so on. The last part is financing activities which consist of receiving from loans, paying loans, paying dividends, paying financial charges, and so on (Schilit et al., 2018).

Financial Shenanigans

According to Schilit et al. (2018), Financial shenanigans are defined as actions taken by management to provide investors and financial readers with a perception of the company's good financial performance and economic health. Financial shenanigans consist of earnings manipulation shenanigans, cash flow shenanigans, key metric shenanigans, and acquisition accounting shenanigans. Financial shenanigans are used in names accounting flexibility, but its abuse remains unrevealed ultimately eroding shareholder value (Christian & Jully stella, 2021). The method that is often used by an accountant in his fraudulent actions is by making fake journal entries to hide misappropriation of assets (Christina et al., 2021).

Companies manipulate financial reports to give the perception that the company's performance is good and worthy of investment. Cash flow shenanigans can be manipulated from the emergence of the idea of transferring all desired cash inflows to the operations department and transferring unwanted cash outflows to other sections, namely investment and financing so that the results of a perfect cash flow statement are obtained (Schilit et al., 2018). There are 3 strategies to detect cash flow shenanigans.

Cash Flow Shenanigans 1 Diverting cash inflows from financing to operations. There are several techniques for diverting cash inflows from financing to operations, namely recording fake operational cash flows from ordinary bank loans, increasing operational cash flows by selling receivables before the billing date, and inflating operational cash flows by falsifying sales of receivables.

Cash Flow Shenanigans 2 Transfer operational cash outflows to other departments. Examples of four methods used to transfer operating cash flow to other departments are inflating operating cash flow with boomerang transactions, capitalizing normal operating

expenses improperly, recording inventory purchases as an investment outflow, and shifting operating cash outflow from the statement of cash flows.

Cash Flow Shenanigans 3 Increase operational cash flow using unsustainable activities. The four techniques used in these shenanigans are Increase operating cash flow by paying vendors more slowly, increase operating cash flow by collecting from customers faster, increase operating cash flow by purchasing less inventory, and increase operating cash flow by one-time gains.

METHOD

This study uses a drafting scheme in the form of a case study, where the case study used comes from one of the companies listed on the Indonesia Stock Exchange (IDX). The research was conducted using qualitative and quantitative data approaches, where qualitative data is research data in the form of sentences or pictures and not in the form of numbers or numbers (Sugiyono, 2017). And quantitative data involves ratio numbers in the analysis of company financial statements. This research uses secondary data sourced from the official website of PT Pertamina (Persero) Tbk. The company's financial statements in the year before the fraud occurred, the year the fraud occurred, and after the fraud occurred will be compared in this study to obtain conclusions.

RESULTS AND DISCUSSION

Case Chronology

This case started with searches that were carried out in three offices of PT. Pertamina Patra Niaga and PT. Asmin Koalindo Tuhup on Wednesday 9/11/2022 which was carried out by Bareskrim Polri. This search is carried out to search for evidence and/or other evidence as evidence for an investigation. The corruption case at PT Pertamina allegedly took place from 2009 to 2012 which allegedly resulted in state losses reaching IDR 451 billion. The results of the investigation prove that there have been unlawful acts and abuse of authority that enrich themselves or other people or corporations. For losses to state finances as referred to in article 2 and or article 3 of Law No. 31 of 1999 as amended by Law no. 20 of 2001 concerning the Eradication of Criminal Acts of Corruption Jo article 55 paragraph (1) 1 of the Criminal Code. PT Asmin Koalindo Tuhup did not carry out its payment obligations, resulting in the occurrence of bad debts in the implementation of the 2009-2012 Industrial Fuel sale and purchase agreement (Hutasuhut & Raharjo, n.d.).

This corruption case that occurred from 2009-2012 started with a sale between PT. Pertamina Patra Niaga with PT Asmin Koalindo Tuhup for a non-cash fuel sale and purchase agreement. Initially, the contract for the 2009-2010 period involved an agreement of 1,500 kiloliters of fuel/month. But in 2010-2011 there was an increase in the volume of shipments to 6,000 kiloliters of fuel/month. In 2011-2012 there was an increase to 7,000 kiloliters of fuel/month (Kumparan, n.d.).

Technical analysis of cash flow shenanigans at PT Pertamina Tbk in 2009

a. Piutang usaha (lanjutan)

Mutasi saldo penyisihan piutang ragu-ragu atas piutang usaha dari pihak yang mempunyai hubungan istimewa adalah sebagai berikut:

a. Trade receivables (continued)

Movements in the allowance for doubtful trade receivables from related parties is as follows:

	2009	2008	
Saldo awal	(643.503)	-	*Beginning balance*
Laba selisih kurs	79.182	-	*Foreign exchange gain*
Penyisihan selama tahun berjalan	-	(643.503)	*Allowance during the year*
Saldo akhir	**(564.321)**	**(643.503)**	***Ending balance***

Source: (Pertamina, 2009)
Figure 1. CALK Year 2009 No. 38 "Balances and Transactions with Related Parties"

c. Mutasi penyisihan penurunan nilai atas piutang usaha adalah sebagai berikut:

c. Movements in the provison for impairment of trade receivables are as follows:

	2010	2009	
Saldo awal	(971,795)	(666,317)	*Beginning balance*
Penyisihan selama tahun berjalan	(19,094)	(325,702)	*Provision during the year*
Pembalikan penyisihan terkait PT Elnusa Tbk dan PT Patra Dok Dumai, Anak Perusahaan yang tidak dikonsolidasikan lagi	-	2,881	*Reversal of provision involving the deconsolidated Subsidiaries PT Elnusa Tbk and PT Patra Dok Dumai*
Pembalikan penyisihan atas piutang yang terbayar - bersih	-	17,343	*Reversal of provision involving collected receivables - net*
Saldo akhir	**(990,889)**	**(971,795)**	***Ending balance***

Source: (Pertamina, 2010)
Figure 2. CALK Year 2010 No. 7 "Trade Receivables - Third Parties"

8. PIUTANG USAHA - PIHAK KETIGA (lanjutan)

c. Mutasi penyisihan penurunan nilai atas piutang usaha adalah sebagai berikut:

8. TRADE RECEIVABLES - THIRD PARTIES *(continued)*

c. Movements in the provison for impairment of trade receivables are as follows:

	2011	2010*	1 Januari/ *January* 2010*	
Saldo awal	(952,062)	(919,668)	(666,317)	*Beginning balance*
Penurunan nilai selama tahun berjalan	(554,886)	(32,394)	(273,575)	*Impairment during the year*
Pembalikan penurunan nilai atas piutang yang terpulihkan - bersih	443,362	-	20,224	*Reversal of impairment on the recovered receivables - net*
Selisih kurs	(156)	-	-	*Foreign exchange difference*
Saldo akhir	**(1,063,742)**	**(952,062)**	**(919,668)**	***Ending balance***

* Disajikan kembali (lihat Catatan 4) — *As restated (refer to Note 4)**

Source: (Pertamina, 2011)
Figure 3. CALK Year 2011 No. 8 "Trade Receivables - Third Parties"

Based on data taken from the Notes to the Financial Statements of PT Pertamina for 2008 to 2011, it can be seen that from 2008 to 2009 there was a ratio for impairment of allowance for trade receivables by -49% and in 2009 to 2010 there was a decrease in the normal limit in the value of allowance for impairment of receivables business with a ratio of -94%, but when compared to the ratio from 2010 to 2011 there was a very significant increase in the value of allowance for impairment of trade receivables with a ratio of 2806%. Figures with this ratio cause PT Pertamina (Persero) Tbk to experience potential bottlenecks in paying its business receivables and are suspected of having committed acts of corruption in very large numbers by the Criminal Investigation Police. This type of fraud is included in cash flow shenanigans No. 3 Boosting Operation using Unstainable Activities. The

ISSN (e): 2829-7350 | ISSN(p): 2963-9441

emergence of a very significant increase in the provision for impairment of trade receivables can be caused by manipulated sales in 2009, where PT Pertamina won an international tender process to take over the management rights of ROC Oil Company Australia in the Basker Manta Gummy (BMG) oil block. However, on May 27, 2009, the board of commissioners of PT Pertamina was unable to fulfill the sale and purchase agreement from the tender that was won and continued with the takeover process, so that the BMG block was officially closed because it was considered uneconomical to continue. This fact resulted in a loss for PT Pertamina of IDR 568 billion.

Apart from that, ratio analysis is carried out using the ratios of Days Payable Outstanding (DPO), Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), operating cycle, and cash conversion cycle.

2008	DPO (Days Payable Outstanding)	=	$\frac{20,467,943}{592,316,092}$	x	365	=	12.61 days
2009	DPO (Days Payable Outstanding)	=	$\frac{22,441,755}{326,354,827}$	x	365	=	25.10 days

Source: author

Figure 4. Comparison of DPO 2008 and 2009

From the results above, it can be concluded that in 2009 companies need more time to pay their suppliers, which can help maintain cash flow. Compared to 2008 which only took 13 days.

2008	DSO (Days Sales Outstanding)	=	$\frac{32,341,512}{558,154,915}$	x	365	=	21.15 days
2009	DSO (Days Sales Outstanding)	=	$\frac{27,482,418}{371,523,783}$	x	365	=	27.00 days

Source: author

Figure 5. Comparison of DSO 2008 and 2009

According to the DSO comparison results, PT Pertamina took 27 days in 2009 to collect payments from customers, which can tie up cash and potentially impact liquidity.

2008	DIO (Days Inventory Outstanding)	=	$\frac{40,011,834}{592,316,092}$	x	365	=	24.66 days
2009	DIO (Days Inventory Outstanding)	=	$\frac{52,390,787}{326,354,827}$	x	365	=	58.59 days

Source: author

Figure 6. Comparison of DIO 2008 and 2009

DIO provides information on how effectively a company can manage inventory. PT Pertamina in 2009 needed a longer time than in 2008 to sell existing inventory.

2008	24.66	+	21.15	=	45.81
2009	58.59	+	27.00	=	85.59

Source: author
Figure 7. Comparison of operating cycle 2008 and 2009

Next comes the operating cycle, generally a shorter operating cycle is preferred because it shows that the company can turn its investment into cash more quickly, allowing for increased liquidity and faster reinvestment of funds. However, it can be seen from the comparison that 2008 and 2009 had a difference of about 40 days, which in 2009 showed weakness in business.

2008	24.66	+	21.15	-	12.61	=	33.19
2009	58.59	+	27.00	-	25.10	=	60.50

Source: author
Figure 8. Comparison of cash conversion cycle 2008 and 2009

Longer cash conversion cycles may indicate inefficiencies in managing working capital, potential liquidity issues, or difficulty collecting payments from customers. It can be seen from the results of the author's processing that in 2009 it took 60 days which indicated the possibility of a cash tie-up in the business.

CONCLUSION

One of the alleged corruption cases occurred at PT Pertamina, allegedly occurring from 2009-2012. Thus, we conduct an analysis of cash flow shenanigans at PT Pertamina. PT Pertamina (Persero) Tbk is experiencing potential bottlenecks in paying its business receivables and is suspected of having committed acts of corruption with a very large number by the Criminal Investigation Police. The third cash flow trick, Boosting Operation via Unstainable Activities, includes this kind of deception. The allowance for a reduction in trade receivables increased significantly. PT Pertamina suffered a loss of IDR 568 billion because of this occurrence. From the comparisons of ratios, we can conclude that PT Pertamina from the year 2008 to 2009 needs more time to collect receivables and paying their payables. Also need longer time to sell existing inventory and turn their investment into cash which can tie up cash and potentially impact liquidity of the company. The majority of the ratio proves that PT Pertamina experienced a decline in business in 2009.

REFERENCES

Christian, N., & Jully stella. (2021). Analisis kasus PT Tiga Pilar Sejahtera Food Tbk dengan shenanigans keuangan. *Jurnal Ilmiah MEA (Manajemen, Ekonomi, & Akuntansi)*, *5*(2), 609–620. http://journal.stiemb.ac.id/index.php/mea/article/view/1173

Christian, N., Resnika, R., Yukie, H., Sitorus, R., Angelina, V., Sherly, S., & Febrika, F. (2022). Pendeteksian Fraudulent Financial Reporting Dengan Earnings Manipulation

Financial Shenanigans: Studi Kasus Pt Envy Technologies Indonesia Tbk. *Jurnal Ilmiah Akuntansi Dan Bisnis*, *7*(1), 14–50. https://doi.org/10.38043/jiab.v7i1.3543

Christina, N., Christian, N., Antoni, A., Hendri, J., & Devina, D. (2021). Analisis Fraud Menggunakan Financial Shenanigans Pada Pt Perusahaan Gas Negara (Persero) Tbk. *Jurnal Ilmiah Akuntansi Dan Bisnis*, *6*(2), 1–16. https://doi.org/10.38043/jiab.v6i2.3132

Hery. (2013). *Akuntansi Dasar 1 dan 2*. Grasindo.

Hutasuhut, Y. A. A., & Raharjo, D. B. (n.d.). *Kasus Dugaan Korupsi BBM Rp451 Miliar, Bareskrim Polri Geledah Kantor Pertamina Patra Niaga dan PT Asmin Koalindo Tuhup*. https://www.suara.com/news/2022/11/09/140020/kasus-dugaan-korupsi-bbm-rp451-miliar-bareskrim-polri-geledah-kantor-pertamina-patra-niaga-dan-pt-asmin-koalindo-tuhup

Ibbar, A. ., & Anwar. (2023). Comparison of the Financial Performance of SOEs in the Building Construction Sub-Sector Listed on the Indonesia Stock Exchange for the 2020 and 2021 Periods. International Journal of Social Science, Education, Communication and Economics (SINOMICS JOURNAL), 1(6), 779–790. https://doi.org/10.54443/sj.v1i6.87

Iluwati, J. ., Sherly, S., & Febriana, H. . (2022). Comparison Analysis of Accounting Standards for Entities Without Public Accountability and Financial Standards for Private Entities of SMEs in Indonesia. International Journal of Social Science, Education, Communication and Economics (SINOMICS JOURNAL), 1(5), 631–640. https://doi.org/10.54443/sj.v1i5.72

Kumparan, N. (n.d.). *Bareskrim Geledah Kantor Pertamina Patra Niaga, Usut Jual Beli BBM Non Tunai*. https://kumparan.com/kumparannews/bareskrim-geledah-kantor-pertamina-patra-niaga-usut-jual-beli-bbm-non-tunai-1zDLAlmwcmW/full

Ode Muh. Agung Setiawan, L. ., Ali, A. ., & Anwar, A. (2022). Analysis of Financial Performance in SOE Building Construction Sub-Sectors Listed on The Indonesia Stock Exchange for the 2017-2021 Period. International Journal of Social Science, Education, Communication and Economics (SINOMICS JOURNAL), 1(4), 473–482. https://doi.org/10.54443/sj.v1i4.56

Pertamina, P. (2009). *Laporan Keuangan Konsolidasian Tahun yang Berakhir pada tanggal 31 Desember 2009 dan 2008*.

Pertamina, P. (2010). *Laporan Keuangan Konsolidasian Tahun yang Berakhir pada tanggal 31 Desember 2010 dan 2009*. *December*.

Pertamina, P. (2011). *Laporan Keuangan Konsolidasian Tahun yang Berakhir pada tanggal 31 Desember 2011 dan 2010*.

Schilit, H. M., Perler, J., & Engelhart, Y. (2018). *Financial Shenanigans*. McGraw-Hill Education.

Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Alfabeta.

Tanjung, A. H. (2009). *Akuntansi Pemerintahan Daerah*. Alfabeta.

Tarjo, T., Prasetyono, P., Sakti, E., Pujiono, Mat-Isa, Y., & Safkaur, O. (2023). Predicting

Fraudulent Financial Statement Using Cash Flow Shenanigans. *Business: Theory and Practice*, *24*(1), 33–46. https://doi.org/10.3846/btp.2023.15283