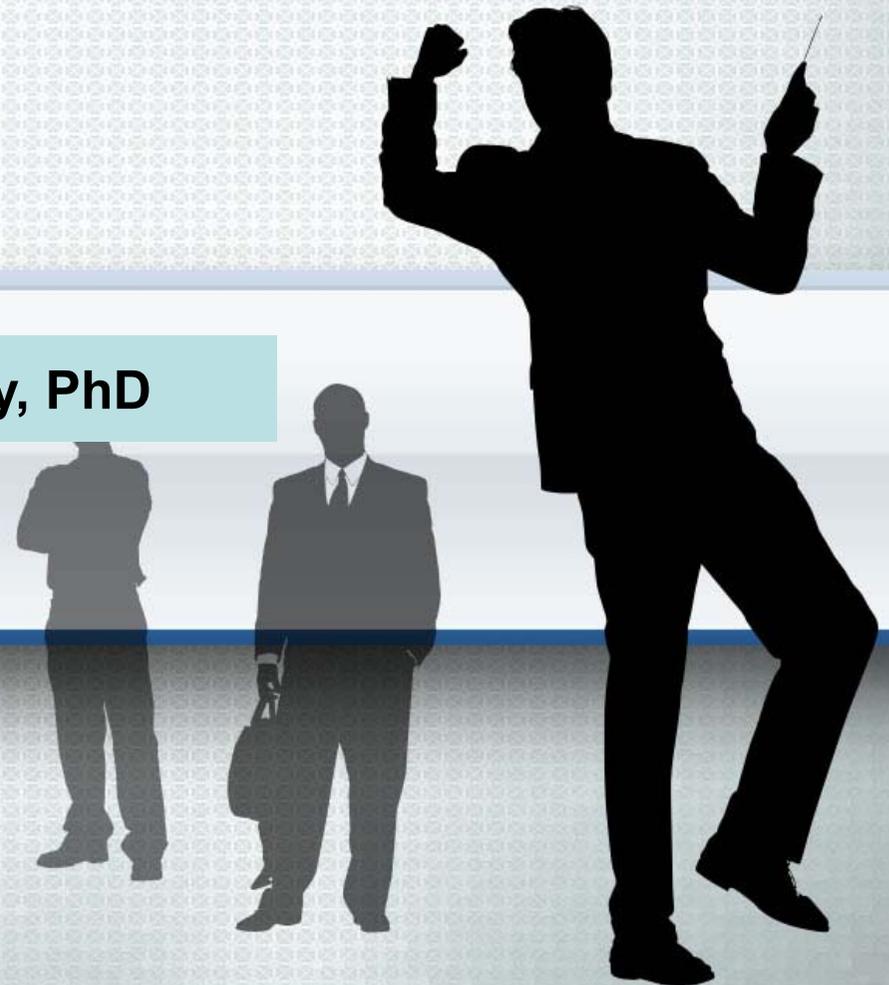


BEHAVIORAL ASPECTS OF ILLICIT ASSETS

A Forensic Accounting Perspective

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Short CV

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 - Lecturer at the Islamic University of Indonesia Yogyakarta
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- Education
 - Bachelor of Economics (Accounting) – Islamic University of Indonesia (2002)
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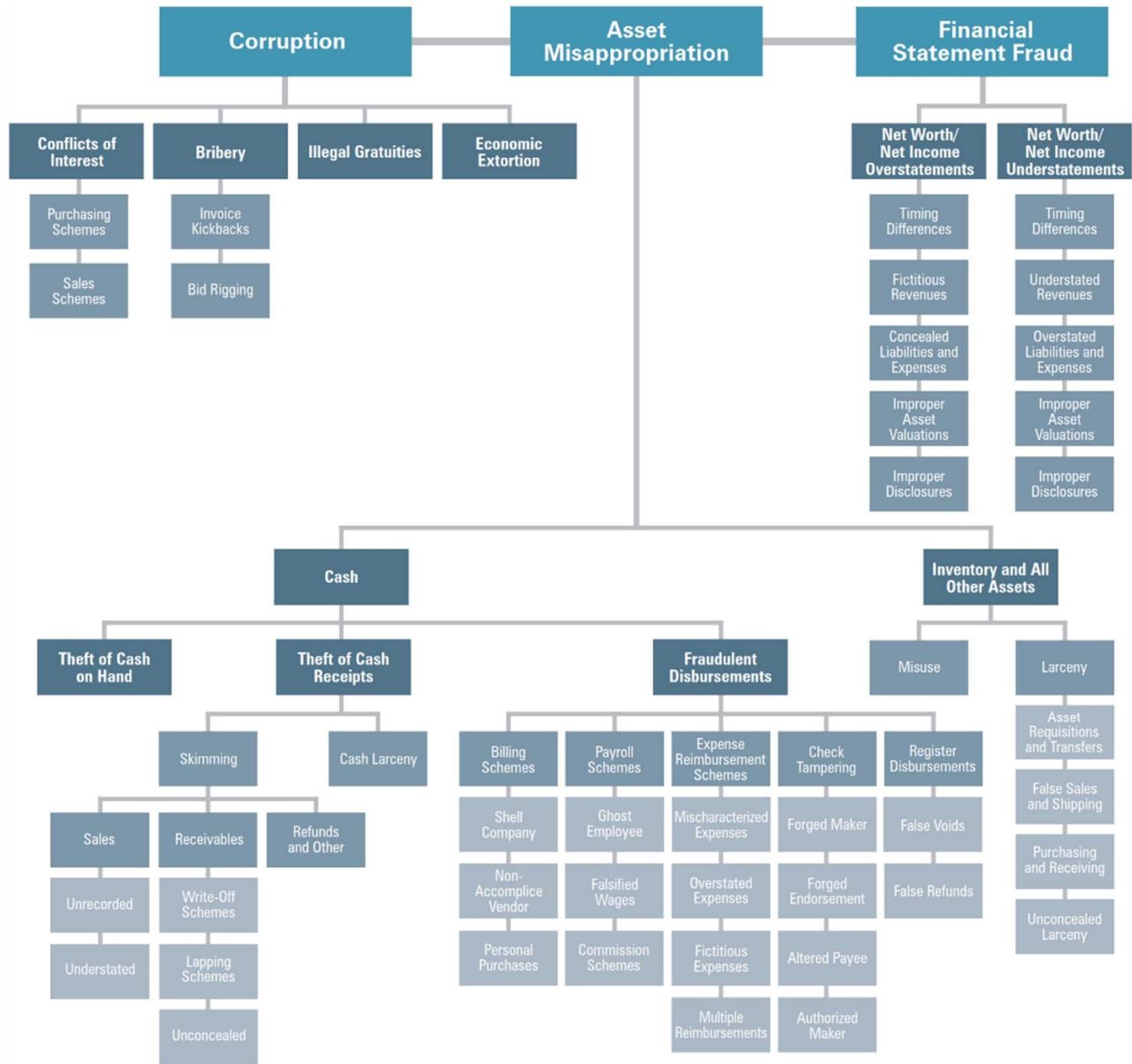
Definition

- **Forensic and investigative accounting** is the application of financial skills and an investigative mentality to unresolved issues, conducted within the context of **the rules of evidence**. As a discipline, it encompasses **financial expertise, fraud knowledge, and a strong knowledge and understanding of business reality and the workings of the legal system** (Bologna & Lindquist, 1987).

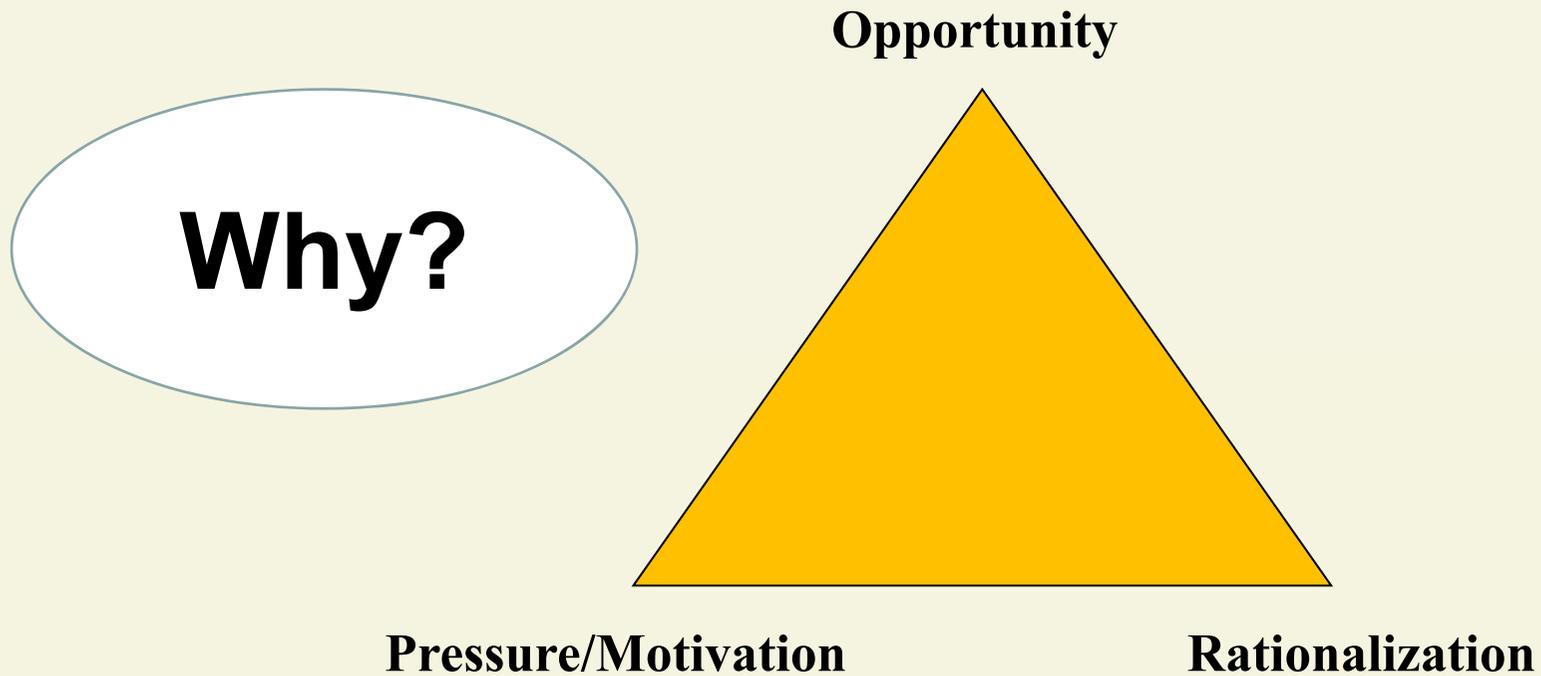


Types of Fraud

Source: ACFE's Report to the Nations 2016

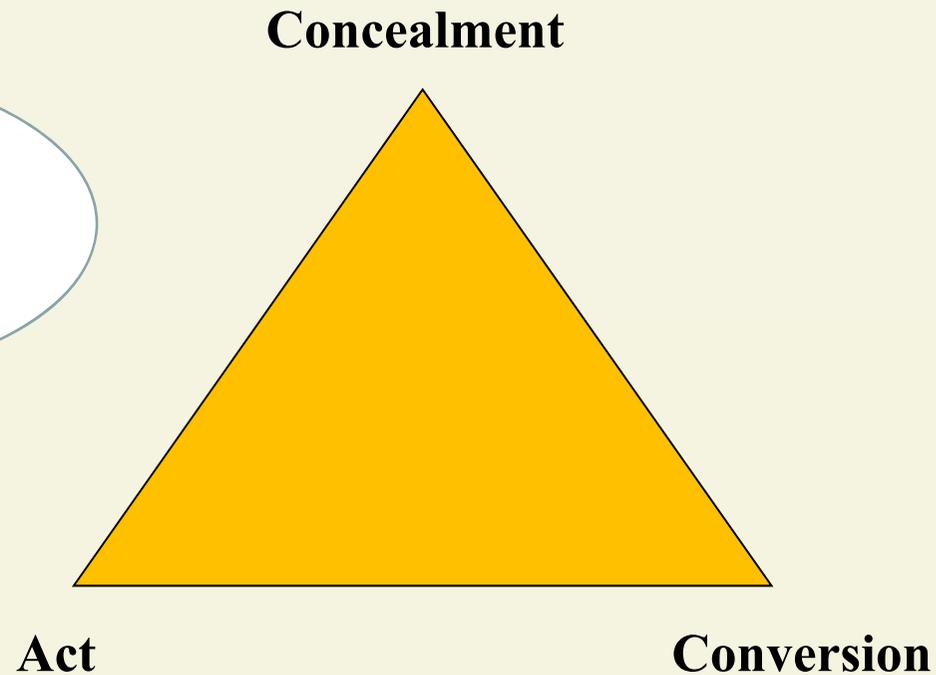


Fraud Triangle



Fraud Elements Triangle

How?



Act



Concealment



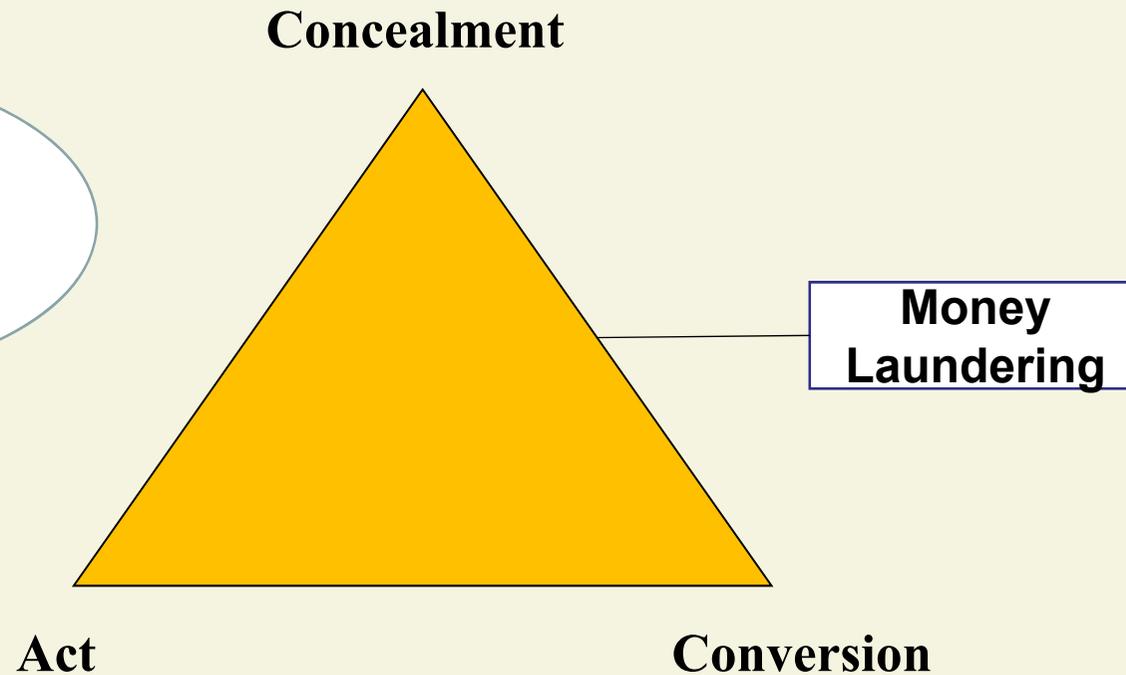
323,21	14,72	6
796,56	316,45	
985,28	644,84	,36
166,48	551,68	464,64
958,70	658,32	394,51
956,12	997,86	901,12
770,00	525,54	444,54
133,66	784,12	732,92
981,05	209,62	147,86
10,00	000,00	070,11

Conversion



Fraud Elements Triangle

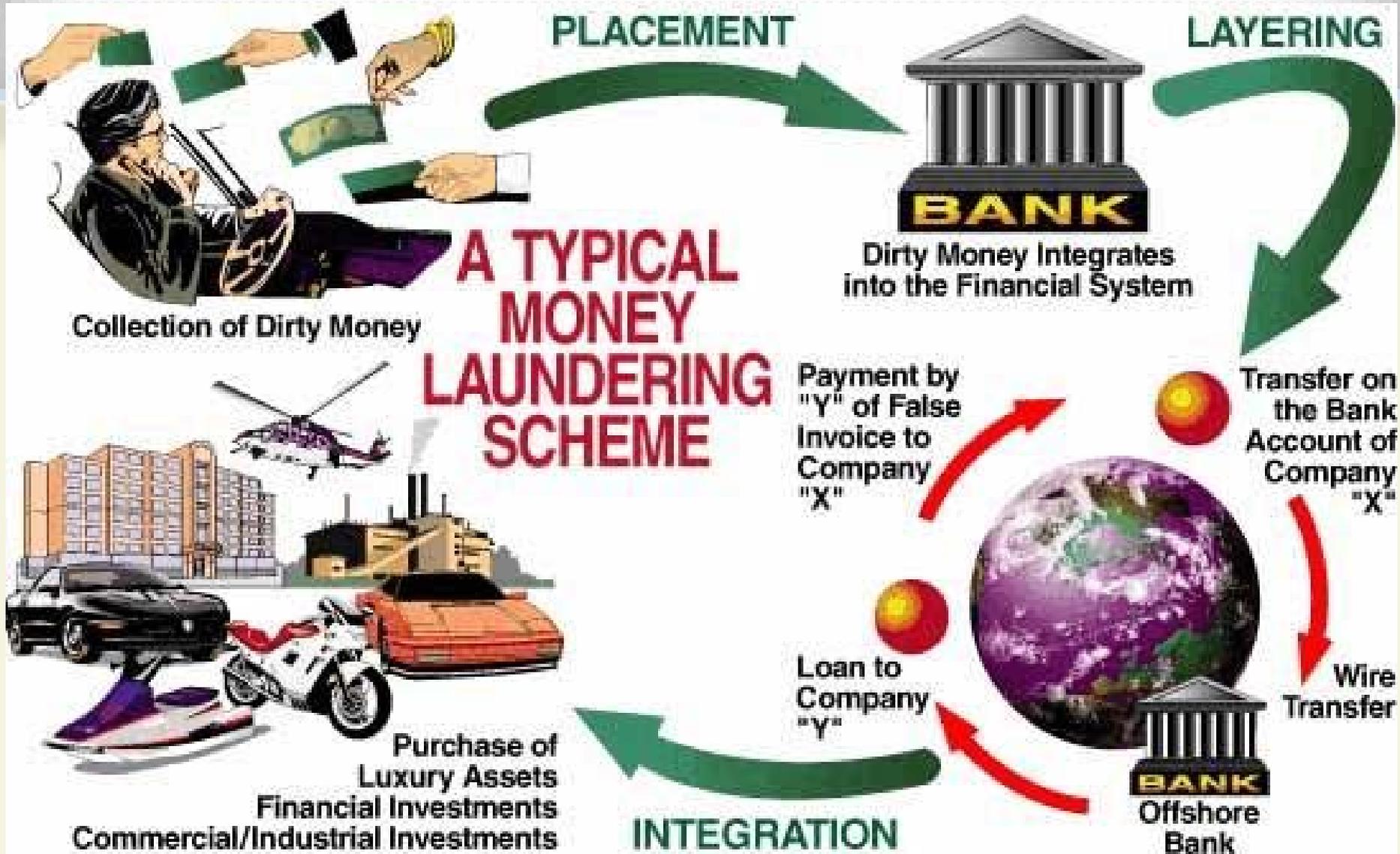
How?



Money Laundering

- Money laundering is the criminal activity that a person, following the commission of a predicate offence, commits in order to hide the true origin, nature and ownership of their criminal proceeds.





Example: Shell Company

- Entities established not to pursue any legitimate business activity but solely to obscure the identity of their beneficial owners and controllers, constitute a substantial proportion of the corporate vehicles established in some off shore financial centers (OECD, 2001, p.17)



How to create a **shell company**

Choose a **tax haven**



Create a **corporation**



or other entity
(trust, foundation)

Hire a **nominee**
to run your affairs



Example: Shelf Company

- A company that (Does de Willebois et al., 2011):
 - is incorporated with a standard memorandum or articles of association;
 - has inactive shareholders, directors, and secretary; and
 - is left dormant – that is, sitting “on a shelf” – for the purpose of later being.



Example: Front Company

- Front/operational companies have incoming and outgoing flows of assets which enable streams of illegal transfers emanating from bribes, extortion and other acts to be co-mingled with legitimate funds and thereby laundered without being noticed (Does de Willebois et al., 2011).



- Money laundering has stirred on an international level in recent years is based on the fact that one of the most effective ways of reducing the level of organized crime is to reduce the incentive for the offender which lies in enjoying the proceeds of crime.



Pengembalian Aset/Asset Recovery

- Pengembalian Aset Lintas Batas, meliputi proses/kegiatan baik melalui pengadilan pidana maupun perdata untuk mencari, membekukan dan mengembalikan asset yang didapat dari kegiatan yang melanggar hukum kepada negara.
- Dapat dilakukan secara pidana , perdata, dan administratif.



Asset Recovery

- Even if corruption is identified and exposed, victims rarely recover all the assets that have been stolen. This is usually because of one simple reason: the assets cannot be found.
- To benefit from gains of their corrupt activities, the perpetrators of such offences will usually need to insert these assets into the financial system.



- **Asset recovery** is the action investigative and prosecutorial authorities conduct to trace those unlawful assets, seize them from the perpetrators and restore them to their rightful owner.
- **Perpetrators** have become exceptionally skilled at laundering their criminally acquired assets through financial channels, usually across multiple jurisdictions, in order to disguise the illegitimate origins of their assets.



- Generally, a good asset recovery system should involve:
 - Identifying, locating and evaluating the assets subject to confiscation
 - Quickly carrying out the provisional measures, such as freezing and seizure, to prevent any trading, transfer or disposal of these assets
 - Taking measures that impede or prevent acts that affect the country's authority to freeze or confiscate or recover that assets subject to confiscation
 - Adopting the relevant investigation measures



Benefits of Asset Forfeiture

- It has an important deterrent effect by hitting the crime bosses where it hurts most - in the pocket
- Many criminals see prosecution as an occupational hazard, but expect their families to be comfortable while they are in prison, and that they will be well-off when they come out



- Making their families poor, removing their favourite playthings and “pensions” causes real pain and can help to break the cycle
- It is also important to remove the asset base of crime: even when convict syndicate heads, must ensure that businesses, properties, cars, bank accounts and other assets of the organisation do not remain behind for the use by a new leadership



- Asset forfeiture is a vital part of the war against corruption - it hits the corrupt where it hurts most - in the pocket
- But most importantly, forfeiture is a vital weapon to take the profit out of corruption
- This is especially important in economically motivated crime where deterrence is low at the moment
- To deal effectively with crime, it must become true that “**crime does not pay**”



A close-up photograph of a magnifying glass. The lens is on the left, and the handle is on the right. The text "BEHAVIORAL FORENSICS" is overlaid in the center of the lens area. The background is a plain, light-colored surface.

BEHAVIORAL FORENSICS

Behavioral Forensics

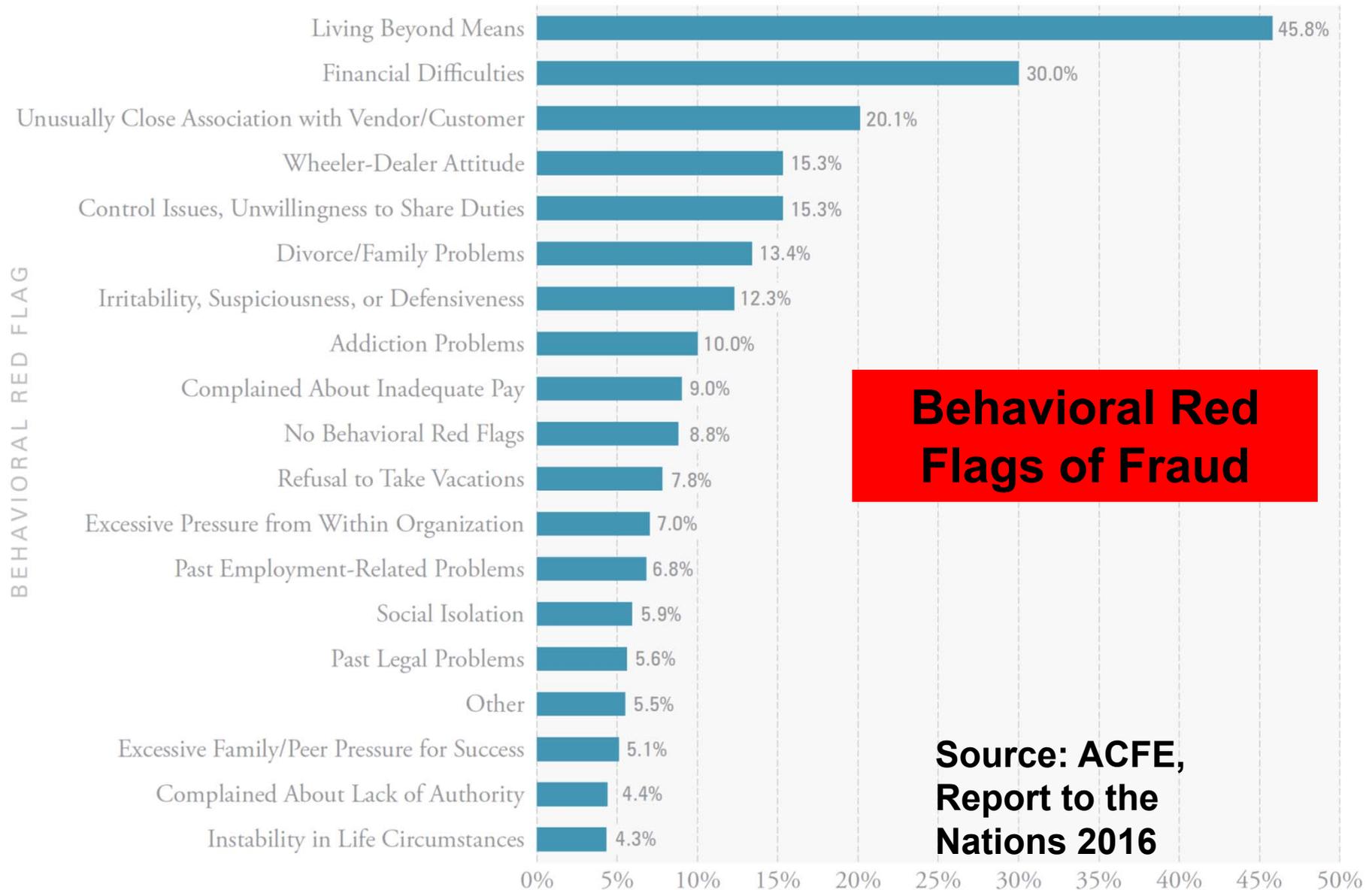
- Behavioral forensics focuses on human behavior, because the central fact behind all fraud is the existence of one or more individuals and their questionable, egregious, unethical, or even illegal behavior.



The Iceberg of Fraudulent Behavior



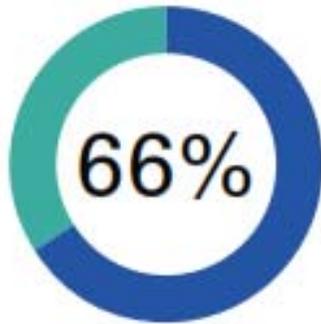
Figure 94: Behavioral Red Flags Displayed by Perpetrators



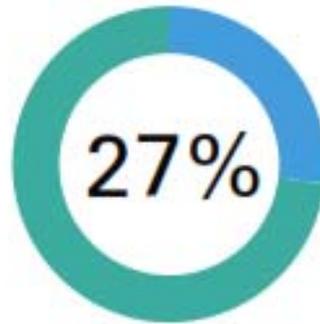
**Behavioral Red
Flags of Fraud**

**Source: ACFE,
Report to the
Nations 2016**

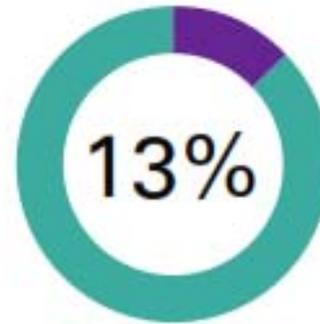
Overriding Motivation



For personal financial gain and greed



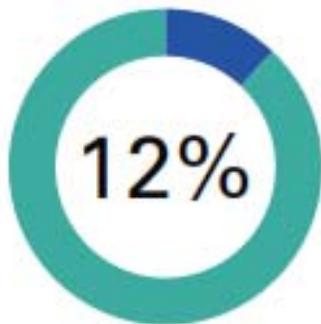
Eager/\"Because I can\"



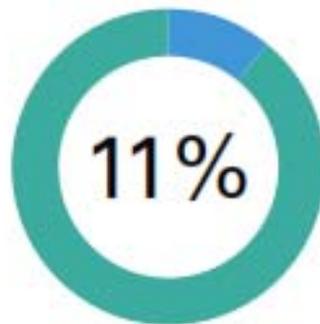
Organizational culture driven



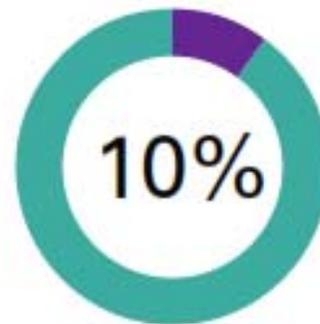
Desire to meet targets/hide losses to receive bonus



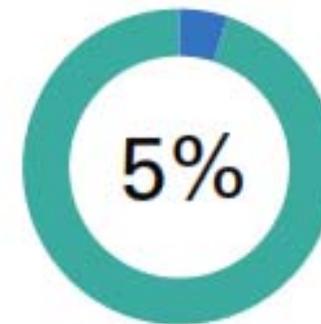
Desire to meet budgets/hide losses to retain job



Desire to meet targets /hide losses to protect the company



Other not listed above



Other motives (less than 5%) include:
Loss of confidence, avoidance of regulatory compliance, ratings driven, publicity driven, disruption of operations



Offenders' Personal traits and Capability



Organizational Knowledge Structure

Explicit

5%

Codified knowledge found
In documents, databases, etc.

Tacit

95%

Intuitive knowledge & know-how, which is:

Rooted in context, experience, practice, & values

Hard to communicate – it resides in the mind of the practitioner

The best source of long term competitive advantage and innovation

Is passed on through socialization, mentoring, etc – is not handled well by IT



Organizational Knowledge Structure

- **Explicit knowledge** is essentially knowledge that can be expressed in a language and thus is relatively easier to articulate, communicate, process, convey and store.
- Examples of this type of knowledge can be found in media such as books, newspapers, manuals, etc.



Organizational Knowledge Structure

- **Tacit knowledge** tends to be more personal and harder to formalize as it is related to procedures, commitment, values, emotions, etc.
- It is not formally codified nor it is communicated in a language and is acquired by means of experience sharing.



Institutionalization

- Initial Act
- Embedding
- Routinizing

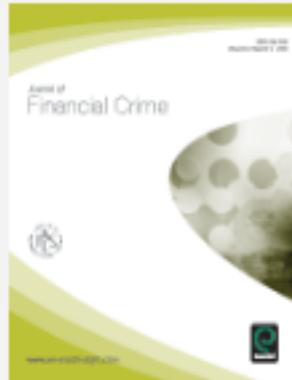
**Corruption
Normalization**

Rationalization

- Denial of Legality
- Denial of Responsibility
- Denial of Injury
- Denial of Victim
- Social Weighting
- Appeal to Higher Loyalties
- Metaphor of the Ledger
- Refocussing Attention

Socialization

- Cooptation
- Incrementalism
- Compromise



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Re-understanding corruption in the Indonesian public sector through three behavioral lenses

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[Kathie Cooper](#) (University of Wollongong Wollongong Australia)

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Corruption Network

- Corruption network requires that members keep the activity secret while simultaneously the members must also share necessary information.
- Secret information often leads members to decrease communication frequency to the lowest amount possible to minimize the threat of discovery



- When information is meant to be kept secret, the process by which people share or discuss the information leads to different communication choices and strategies than if the information is public

