

CHAPTER I

INTRODUCTION

1.1. Background

In operating a business, not only the goals that an organization must be concern of, but the ways to reach the goal and to maintain their sustainability. Employees and right system are the main factors in giving progress to the organization goals. With the right system and people working accordance to organization's mission, the possibility of reaching the organization goal is higher than the organization that doesn't have appropriate system or capable people. One of the important systems that helps organization is payroll cycle. It is important to maintain qualified employees' benefits, and the employees' development properly. In order to get the right calculation of benefits, organization needs to ensure the credibility of the cycle, procedure and the internal control. In some situation, some of the systems are also vulnerable to fraud, such as recording ghost employees, allocate excess fund for own purposes, *et cetera*. Therefore, management needs an assessment of the system, their payroll cycle as a whole, and methods through developing better internal control and risk assessment to ensure that the system, procedures are following the organization missions and goal.

According to International Standard on Auditing 315 "Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment", internal control is the process designed, implemented and maintained by those charged with governance, management

and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. In other word, every organization has different kind of internal control system to implement that suits the management and people in the work place.

A proper internal control towards procedures and people will not only affect organization performances, but also the reliability and the integrity of any report the organization makes for internal and external information users, because internal control will reduce the amount and chances of fraudulent or errors. Usually, internal control is used to manage employees, system and procedures inside the organization, so it will function accordance to organization's goal.

But the fact is, there is no perfect internal control or system and no organization is immune to fraudulent or errors. To achieve an effective and efficient payroll cycle, there should be an adequate risk assessment to the internal control in a period to test the effectiveness and efficiency. According to Internal Standard of Auditing 315, risk assessment is the audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels. This procedure is mandatory for every management whether it will be disclosed, to assess this in order to prevent any event similar to the financial crisis scandal, such as Enron, WorldCom and Tyco.

In this analysis project, author wishes to analyze Imperial Klub Golf payroll system by assessing risk and internal control evaluating through data collecting, and in conclusion writer will create appropriate suggestions for the improvement of the organization; therefore, the title writer choose is “PAYROLL SCHEME FRAUD RISK ASSESSMENT OF IMPERIAL KLUB GOLF (PT LIPPO KARAWACI TBK)”

1.2. Research Problem

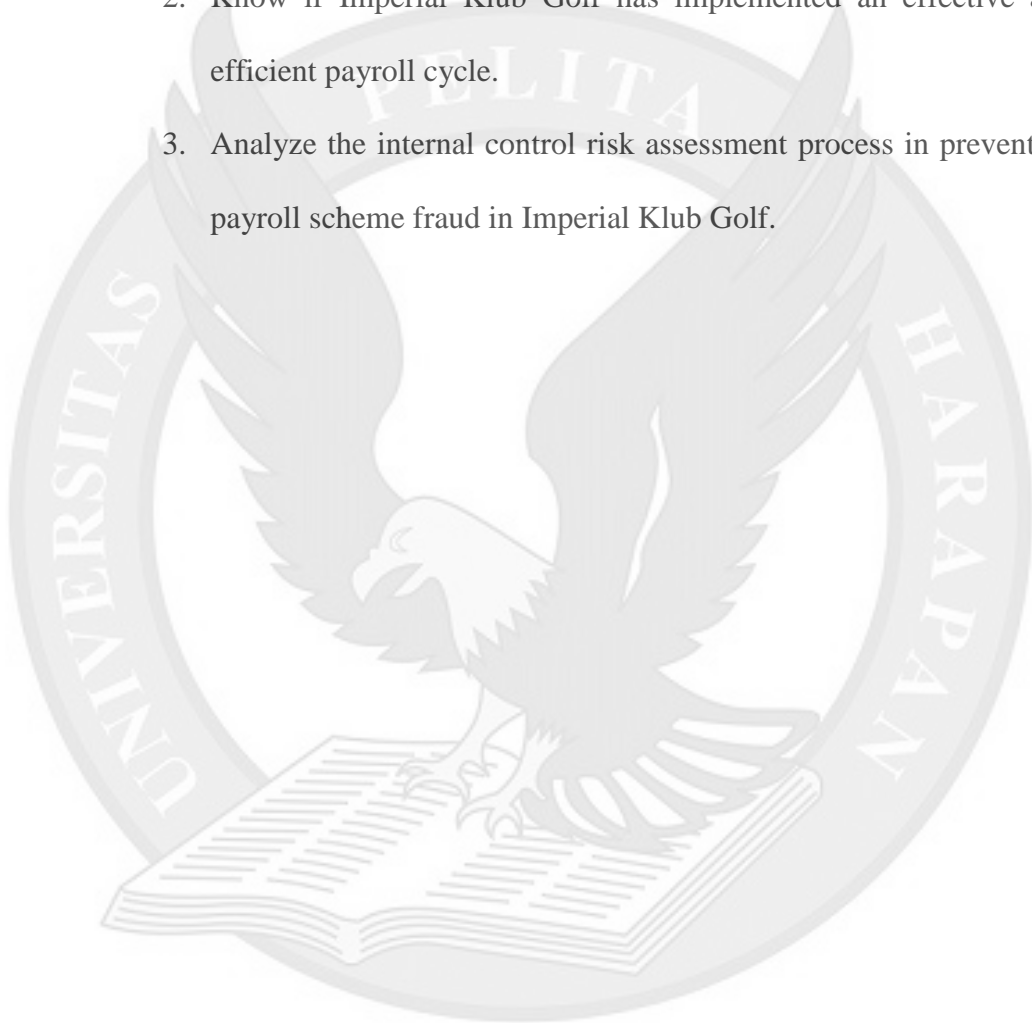
Based on the background stated above, risk assessment is important to reduce errors, irregularities or fraudulent arise in the organization and to improve the effectiveness and efficiency towards the organization’s employee payroll system. To achieve writer goal, writer define research problem below:

1. How does the internal control for Imperial Klub Golf payroll cycle?
2. How effective and efficient is Imperial Klub Golf payroll cycle?
3. How does Imperial Klub Golf assess the risk regarding prevention of payroll scheme fraud?

1.3. Research Objectives

The objectives of this analysis are to:

1. Know the internal control system regarding payroll cycle of Imperial Klub Golf
2. Know if Imperial Klub Golf has implemented an effective and efficient payroll cycle.
3. Analyze the internal control risk assessment process in preventing payroll scheme fraud in Imperial Klub Golf.



1.4. Significance of Study

1. PT Lippo Karawaci Tbk (Imperial Klub Golf)

To find out any deficiency in the attendance method in payroll system that might affect the performance of the company or the parent company, and to use the suggestions as a consideration in improving better, effective and efficient system.

2. Universitas Pelita Harapan

To add study case collection to the Johannes Oentoro library as a reference for the next researchers.

3. Next Researchers

To increase the knowledge of risk assessment and internal control and to be one of the guidance in making reports regarding risk assessment and internal control.

4. Writer

To apply the knowledge and theories regarding prevention of fraud through assessing risk and developing effective and efficient system in the company. On the other hand, also to increase writer's experience in data collecting through 3 months field observation.

1.5. Systematic Discussion

The research paper systematically divided into five chapters as follows:

CHAPTER I INTRODUCTION

This chapter will discuss background, research problem, research objective, significance of the study, and systematic discussion.

CHAPTER II THEORETICAL FRAMEWORK

In this chapter, writer will focus on definitions, theories and related literature review.

CHAPTER III RESEARCH METHODOLOGY

This chapter will state what method of research is being used, the analysis object, stages of study case, the data collection method, the problem analysis and the assessment method.

CHAPTER IV RESULT AND DISCUSSION

This chapter will discuss the result of data collection findings in the organization in relation to risk assessment with the theories on chapter 2 as guidance.

CHAPTER V CONCLUSION

This chapter consists of conclusion and suggestion from the data result and discussion preceding this chapter and the limitation of this research.