Factors in Detecting Fraud: Study of a Public Accounting Firm in Surabaya

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ABSTRACT: This study aims to obtain and understand empirical evidence about audit experience, professional skepticism of auditors and time pressure on auditors' ability to detect fraud. The research method used is quantitative by using questionnaire primary data to the Public Accounting Firm in Surabaya. The sampling method in this study used simple random sampling. The results showed that the audit experience and professional skepticism of the auditors had a positive and significant effect on the auditor's ability to detect fraud, time pressure had a negative and significant effect on the auditor's ability to detect fraud.

KEYWORDS: Fraud, Public Accounting Firm In Surabaya, Factors in Detecting Fraud

I. INTRODUCTION

Financial statements are believed to be one of the benchmarks for investors in assessing company performance. However, in reality, the financial statements themselves are usually vulnerable to material misstatements and fraud issues. For that we need a third party that guarantees the absence of material misstatements, namely the external auditor. External auditors are also required to provide sufficient trust about management accountability for company assets (Sjarifuddin & Tri, 2014).

Audit failure is very likely to occur as in the following two cases. The case of PT Bank Bukopin Tbk in 2018 which modified credit card data information for 5 years led to an improper increase in credit and commission-based income (Banjarnahor, 2018). Likewise, the case of financial statement fraud at British Telecom by increasing the company's revenue through fake contract extensions as well as fake invoices and transactions with vendors which also affected the good name of the public accounting firm (KAP) that examined it, namely Price Waterhouse Coopers (PwC) (Priantara, 2017).

The audit failure made the public increasingly doubtful of the performance of the external auditor as a third party in detecting fraud. In fact, before the disclosure of fraud, there will usually be symptoms such as employee complaints, the appearance of suspicious documents or suspicions from colleagues. Cheating is reflected through the emergence of certain characteristics commonly known as credit flags (Wibowo & Noegroho, 2020). Auditors are considered incapable of carrying out their duties or work properly, thus allowing or even completely unaware of the existence of red flags in the company's financial statements. Auditors should be more careful and thorough when carrying out their duties in auditing financial statements, because this can have an impact on the reputation of the KAP. That is why one of the criteria for a good audit result is when the auditor is able to detect and uncover fraud committed by the auditee.

The ability to detect fraud is a manifestation of the quality of an auditor's self. However, there is a problem where the auditor has limitations in detecting fraud which will have an impact on audit failure (Anggriawan, 2014). The limitations of the auditor are influenced by several factors such as audit experience, professional skepticism (Arbaiti, 2018), and time pressure (Badjuri, 2019).

Audit experience affects the auditor's ability to detect fraud (Arsendy, 2017). Auditors who have more flight hours and have found fraud cases certainly have more knowledge that will make it easier for them to identify fraud in financial statements (Faradina, 2016). Meanwhile, auditors who have no or less audit experience will have difficulty detecting fraud (Anggriawan, 2014). This is because the level of knowledge they have is different. Professional skepticism is also a factor that influences the auditor's ability to detect fraud (Prasetyo, 2015), including time pressure (Primasari et al., 2019). If the time limit feels realistic, the auditor will be able to carry out his duties without pressure. Conversely, if time is limited, the auditor will ignore things that are not important (Primasari et al., 2019). This study aims to explain the effect of audit experience, professional skepticism, and time pressure on the auditor's ability to detect fraud.
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II. LITERATURE REVIEW

II.1. Fraud

Tuanakotta (2013) states that fraud is an unlawful act characterised via way of means of concealment, fraud, or breach of consider that doesn’t follow threats of violence or bodily force. Fraud is devoted via way of means of people and businesses to attain extra money, property, or offerings or to keep away from bills for non-public or organizational gain. Karyono (2014) terms fraud as an act of balancing and violating the law that is intentionally carried out with a specific purpose such as cheating or providing a false image to other parties, which is committed by someone both from internal to the organization and from outside the organization. Fraud is done to take advantage of opportunities dishonestly that can harm other parties, either directly or indirectly. Diany (2014) states that in general, fraud is defined as an act of fraud or fraud committed with an intentional element to gain benefits for both individuals and groups. Cheating is different from an error that is done purely on purpose.

II.2. The effect of investigator competence on the detection of financial statement fraud

Competence is a qualification needed by auditors to carry out an audit properly (Rahmatika, 2011). In carrying out an audit assignment, an auditor must collect and evaluate the evidence obtained to be used as support for the consequences of the exam carried out. Widiyastuti and Pamudji (2009) said that partial competence has a great impact at the capacity of auditors to stumble on fraud. Other studies that also use competency variables are Sukriah (2010), Wiramurti (2010), Rosalina (2014), and Indah (2010). Therefore, the first hypothesis in this study is as follows: H1: investigator competence has a positive effect in detecting financial statement fraud.

II.3. The influence of investigator motivation on the detection of financial statement fraud

Suwandi (2005) states that in an organizational context, motivation is a combination of organizational needs with individual needs that can prevent conflict so that it will achieve organizational goals that have been set effectively. Sujana (2012) concluded that motivation has a significant effect on auditors, so that the higher the motivation they have in performing their duties, the higher their commitment to the organization. Thus, motivation encourages someone to show good performance.

Ramadhaniyati (2014) states that the inducement of inner auditors has a huge impact on stopping fraud with an effective coefficient. This indicates that the inducement of inner auditors is

III. RESEARCH METHODS

This study uses a quantitative approach and primary data sources. Primary data was obtained through a questionnaire. The distribution of the questionnaires was carried out in two ways, first, by going directly to the prospective respondents and asking for their willingness to fill out the questionnaire. Second, send a questionnaire to the accountant’s e-mail address using a google form. The research was carried out throughout June-July 2022.

The population of this study is auditors with offices in the Central Surabaya KAP registered at the Indonesian Institute of Certified Public Accountants in 2020-2022, totaling 150 people. By using simple random sampling technique and Slovin’s calculation, the sample obtained is 100 respondents with a margin of error of 5%. Multiple linear regression was used as a data analysis technique.

Based on the analysis model, the variables in this study consist of: 1. Independent Variable (X) Audit experience (X1), professional skepticism (X2), and time pressure (X3) are independent variables. Audit experience (X1) is measured by the length of work as an auditor, the number of assignments completed and the type of company audited in one year, the skills to carry out a job, and the breadth of knowledge about the world of auditing (Anggriawan, 2014). Professional skepticism (X2) is measured by a cautious or alert attitude, critical assessment of evidence, seeking additional information, indicating possible misstatements, and not being easy to believe (Suryanto et al., 2017; Sofie & Nugroho, 2018; and IAI KAP, 2014). Time pressure as (X3) is measured by the limited time of the assignment, task completion, time intention during the assignment, task focus within time constraints, and communicating the time budget (Yuara et al., 2018). 2. Dependent Variable (Y) Ability to detect fraud is measured by knowledge of fraud, ability in the detection stage, ability to assess internal control, knowledge of red flags, effective audit procedures (Hartan & Waluyo, 2016; Wibowo & Noegroho, 2020).
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IV. FINDING AND DISCUSSIONS

Based on Table 1, the calculated F value is 35,711 with sig. 000. This indicates that the model is good and can be continued for partial testing.

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a. Dependent Variable: Fraud Detection Ability
b. Predictors: (Constant), Time Pressure, Professional Skepticism, Audit Experience

R square value is 0.591 (Table 2), which means that audit experience, professional skepticism, and time pressure simultaneously affect the auditor’s ability to detect fraud by 59.1% while the remaining 40.9% is influenced by other factors.

The Effect of Audit Experience on Auditor Ability to Detect Fraud
As shown in Table 3, audit experience has a positive value of 2.591 with a significant value of 0.012 less than 0.05 meaning audit experience has a significant positive effect on the auditor’s ability to detect fraud. This means that experience is an important factor in detecting fraud. The audit experience of an auditor is obtained through the number of assignments, length of time as an auditor and skills that are continuously honed. This is able to increase the provision or experience of the auditor so that he is able to see any irregularities that might lead to fraud (Anggriawan, 2014). Vice versa, if the auditors do not have sufficient experience in the world of auditing, have not had many assignments, or even just entered the world of auditing, they will have difficulty finding irregularities or indications of fraud in the financial statements presented and in the audit evidence obtained. This study succeeded in proving the attribution theory that internal factors, namely the auditor’s ability to detect fraud, affect the audit experience. This finding also confirms the research of Faradina (2016) and Dwita (2019) which found that audit experience had a significant effect on the auditor’s ability to detect fraud.

Effect of Professional Skepticism on Auditor Ability to Detect Fraud.
Based on the data in Table 3, professional skepticism is 3.541 with a significant value of 0.001 less than 0.05 so Ha is accepted. Thus, the ability to detect fraud is significantly influenced by professional skepticism. This finding confirms the attribution theory that a person’s attitude or action is strongly influenced by his internal factors. This strengthens the findings of Ramadhany (2015) and Haikal (2017) who found that professional skepticism has a positive effect on the auditor’s ability to detect fraud.

The Effect of Time Pressure on the Auditor’s Ability to Detect Fraud.
Based on Table 3, the time pressure has a calculated value of -7.340 with a significant value of 0.000. This means that time pressure has a significant negative effect on the auditor’s ability to detect fraud. This means that the time pressure faced by the auditor can reduce the auditor’s ability to detect fraud. When the auditor gets more time pressure or an unrealistic budget, he will put aside things that are considered less important or can even hinder his work. Where, it is precisely these small things that can reveal signs of fraud.

This finding confirms the attribution theory which postulates that individual behavior is strongly influenced by external factors. Here time pressure is beyond the auditor’s personal control to detect fraud. This is in line with the findings of Anggriawan (2014) and Salsabil (2020).

V. CONCLUSIONS
Based on these tests, it can be concluded that audit experience and auditor skepticism have a significant positive effect on the auditor’s ability to detect fraud. Meanwhile, time pressure has a negative and significant effect on the auditor’s ability to detect fraud.
REFERENCES


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