

Factors Affecting The Detection of Financial Statement Fraud

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Abstract: The reason of this studies is to study and examine the impact of competence, motivation, experience, independence, and educational background investigator on the detection of financial statement fraud. This research is conducted withinside the Finance Regulatory and Development Organization (BPKB). The research pattern become 22 respondents with the method of figuring out the pattern the use of purposive sampling. Data series the use of a questionnaire primarily based totally on a 5-point Likert scale. The results of this study indicate the motivation, experience, professionalism, and educational background affect the detection of financial statement fraud. Variable does not affect the independence of detection financial statement fraud detection.

Keywords: competence, experience, financial statement fraud.

Introduction

BPKP is a government agency that can carry out investigative audit tasks or functions. Tuanakotta (2010) states that an investigative audit is simply an attempt to prove where the evidence ends in court. An investigative audit is different from a general audit. A widespread audit goals to explicit an opinion at the equity of the economic statements, while an investigative audit is to state whether or not an indication of a suspected error is true. Sudaryati (2010) states that the purpose of a forensic audit is very specific compared to an ordinary audit, where the implementation of a forensic audit aims to gather sufficient and sufficient evidence so that it is able to uncover the case under investigation. Auditors must have and improve competence regarding audit techniques and strategies in addition to subjects referring to governance inclusive of organization, functions, activities, and authorities programs (BPKP, 1998).

In Indonesia, the disclosure of a case through an investigative audit has often been carried out. Bank Indonesia, with the case of Bank Indonesia Liquidity Assistance (BLBI) in 2000 as an auditor, is the BPK and BPKP, as well as the Hambalang case, which involved various parties, including the Minister of Youth and Sports who was then in office. Disclosure of cases related to the financial sector will involve an accountant, to be precise, an investigative auditor to conduct an investigative audit. An investigative audit is an audit with a special purpose, namely to prove suspected irregularities in the form of fraud, irregularities, illegal expenditure, or abuse of power in the field of state financial management that meets the elements of a criminal act. Corruption, collusion, nepotism must be disclosed by the auditor and followed up by the authorized agency, the prosecutor's office, or the police based on the provisions of the prevailing laws and regulations (Rosjidi in Yuhertiana 2005).

In previous studies, it was concluded that there are several factors that influence fraud detection. Matondang (2010) concluded that audit experience, independence, and professional expertise have a widespread and high-quality impact at the prevention and detection of monetary presentation fraud. Batubara (2009) concluded that the experience and knowledge of internal supervisors have a significant effect on fraud detection. Widiyastuti and Pamudji (2009) stated in their

research that independence, professionalism, and competence have a huge impact at the potential of auditors to discover fraud. Rosalina (2014) states that auditors are subjects who carry out audit procedures directly, so that good competence is needed in conducting audits. In performing an audit task, an auditor requires general and specific knowledge of auditing.

From the results of previous research, it can be seen that there are several factors that influence the auditor in detecting fraud on the audit reportsome of the factors from the results of previous research experience. Based at the above history, the system of the studies hassle is: 1) Does the competence of the Investigator have an effect on the detection of economic declaration fraud?; 2) Does the Investigator's motivation have an effect on the detection of economic declaration fraud?; 3) Does the revel in of the Investigator have an effect on the detection of economic declaration fraud?; 4) Does the independence of investigators have an effect on the detection of economic declaration fraud?; and 5) Does the Investigator's instructional history have an effect on the detection of economic declaration fraud?

Literature Review

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.

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.

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 a effective coefficient. This indicates that the inducement of inner auditors is

wanted to save you fraud. Thus, the speculation on this have a look at is as follows:
H2: Investigator motivation has a effective impact in detecting economic announcement fraud.

The effect of the Investigator's experience on the detection of financial statement fraud

Bilchia (2008) states that the experience of auditors will continue to increase as more audits are conducted. The complexity of the transaction on the audit carried out will expand and increase the knowledge that the auditor has. Purnamasari (2005) states that someone who has excessive paintings enjoy may have the gain of detecting errors, know-how errors, and locating the reasons of errors. Batubara (2009), in his research, concluded that enjoy and understanding of inner officers have a partially large impact on fraud detection. Therefore the speculation proposed on this look at is H3: The enjoy of the investigative auditor has an impact at the detection of fraudulent monetary statements.

The effect of the independence of the Investigator on the detection of fraudulent financial statements

Independence is an attitude that is impartial, has no personal interest, and is not easily influenced by parties who have an interest in determining the results of the audit so that the published audit reports are based on actual conditions. Aulia (2013) states that the experience, independence, and expert skepticism of auditors have a superb and great impact on fraud detection. Herty (2010) and Matondang (2010) also use the independence variable on fraud detection. Therefore the fourth hypothesis in this study is H4: Auditor professionalism affects the detection of fraudulent economic statements.

The Effect of Investigator's Educational Background on the detection of financial statement fraud

The level of education a person has will further expand the knowledge a person has. Qodri et al. (2011) stated that the lack of education, expertise, and knowledge about forensic accounting obtained via way of means of inner auditors has a good sized impact at the cappotential of those auditors to save you and come across fraud.

Subhan (2012) argues that an auditor's educational background partially has a significant effect on the quality of the examination results. Therefore, the fifth hypothesis proposed in this study is H5: The Investigator's educational background has a positive effect in detecting financial statement fraud..

Methods

This study uses quantitative methods, and the data sources used were obtained from the results of distributing questionnaires. This type of research is an explanatory study that will explain the relationship between variables using hypothesis testing. Because the population is less than 100 respondents, the sample selection method used is the census method, in which questionnaires are distributed to all populations. The research sample consisted of 25 respondents. The information evaluation approach used is a couple of regression evaluation. The importance stage used is 5%. Where the regression equation is formulated as follows: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$ Information:

- Y = Fraud detection of financial statements
- β_0 = Intercept (Constant)
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Regression coefficient
- X1 = Competence
- X2 = Motivation

X3 = Experience
X4 = Independence
X5 = educational background
e = error factor (error)

Findings

Validity and Reliability Test

Based on the results of validity and reliability testing, it shows that all variables in this study can be said to be valid and reliable. The results of the validity test can be seen in the table attachment.

Classic assumption test

The results of the classical assumption test for this study indicate that all variables are normally distributed; multicollinearity does not occur between variables and meets the heteroscedasticity assumption. The classical assumption test results are in the table attachment.

Test Results

The test results effects the usage of a couple of regression evaluation are meant to decide whether or not partly the unbiased variable (X) has a tremendous impact at the based variable (Y). The effects of speculation checking out received t count, which may be visible withinside the desk attachment.

Discussion

Results of Testing and Discussion of Hypotheses The Effect of Investigator Competence on Fraud Financial Statement Detection

The results of the statistical testing show that the competency variable value is 0.283. This result is supported by calculating the t value of 2.198 > t table of 2.131, and the significance value of 0.043 is smaller than $\alpha = 0.05$. It shows that competence has a significant effect on the detection of financial statement fraud.

The results of testing this hypothesis are in line with the opinion of several previous studies, although in a slightly different scope, namely the effect on the quality of audit results. The results of this study are in line with the results of research conducted by Batubara (2009), Sukriah (2012), Halim (2014), Bujawia (2015), which concludes that competence affects the quality of examination results. Widiyastuti (2009) shows that the competence of auditors affects fraud detection. Rosalina (2014) auditors are subjects who carry out audit procedures directly, so good competence is needed in conducting audits.

The ability and knowledge possessed by auditors are very influential in conducting investigative audits. Nurharyanto (2011) states that one of the factors for auditors' failure to detect fraud is because auditors do not know the factors that lead to acts of fraud or symptoms of fraud, so conducting an investigative audit requires adequate competence and knowledge. Another factor is the hidden act of fraud, which causes the need to be careful in uncovering the scam that has occurred and hidden.

Results of Testing and Discussion of Hypotheses The Effect of Investigator Motivation on the Detection of Financial Statement Fraud

The effects of the statistical checking out display that the regression coefficient fee of the incentive variable is 0.480. This end result is supported with the aid of using the calculation of the t fee of 2.588 > t desk of 2.131, and the importance fee of 0.020 is smaller than $\alpha = 0.05$. This indicates that motivation has a large impact at the detection of economic announcement fraud. This is in step with what Rahmadhaniyati (2014) concluded that auditor motivation has a large impact in stopping fraud with a

wonderful coefficient. With high motivation, the less complicated it's miles for auditors to save you fraud.

This study is also in line with Sujana (2012), who concluded that motivation has a significant effect on auditor performance. Thus, motivation encourages someone to show good performance. The results of research conducted by Wira (2011) stated that there was a significant influence on auditor motivation on auditor quality. From the results of this study, it can be understood that the Investigator's motivation has an effect on the efforts to detect fraudulent financial statements. If the auditors have strong motivation, the auditors will be able to perform their audit duties and be able to detect financial statement fraud better; conversely, if the motivation is low, the resulting detection of financial statement fraud will also be low.

Results of Testing and Discussion of Hypotheses The Influence of Investigator's Experience on Fraud Detection of Financial Statement

The results of the statistical testing show that the regression coefficient value for the experience variable is 0.361. This end result is supported via way of means of the calculation of the t price of 2,600 > t desk of 2.131, and the importance price of 0.019 is smaller than $\alpha = 0.05$. This suggests that revel in has a massive impact at the detection of monetary announcement fraud. The consequences of this observe are in step with the studies of Yusrianti (2015), which concluded that the partial audit revel in has a high quality have an effect on at the auditor's detection of monetary announcement fraud. This suggests that the extra audit revel in one has, the higher the detection of fraudulent monetary statements. Conversely, the much less audit revel in one has, the much less accurate the detection of monetary announcement fraud will be.

Other studies that are in the line include, among others, Batubara (2009), in his research, concluded that experience and knowledge of internal officials have a partially significant effect on fraud detection. Sukriah (2012) also concluded that the more experience the auditor has, the more quality the audit results have. These results can be understood that in order to improve the detection of financial statement fraud, an auditor is very dependent on the level of experience. If the auditor has a lot of experience, then the auditor will easily detect financial statement fraud better. On the other hand, if he has little experience, then in carrying out his duties, the auditor will have difficulty detecting the resulting financial statement fraud will be low too.

Results of Testing and Discussion of Hypotheses The Effect of Investigator Independence on Financial Detection of Fraud Statements

The results of statistical testing show that the t value is 1.813 < t table 2.131, and an importance price of 0.089 is more than $\alpha = 0.05$. This indicates that independence has no big impact at the detection of economic announcement fraud. This studies is consistent with Taufik (2010) that independence does now no longer have a big impact on audit nice in order that the independence of the inspectorate officials does now no longer assure whether or not the individual worried will behavior a nice audit. This hypothesis is not accepted, presumably because the independence of government auditors is still influenced by policymakers and the existence of mutations. This study is not in line with Aulia (2013), which states that independence has an effect on fraud detection. Halim (2015) also states that independence affects the quality of the examination results.

Results of Testing and Discussion of Hypotheses The Effect of Investigator Background on Fraud Statement's Financial Detection

The results of the statistical testing show that the regression coefficient value for the educational background variable is 0.433. This result is supported by the calculation of

the t value of 2.291 > t table of 2.131, and the significance value of 0.036 is smaller than $\alpha = 0.05$. This shows that educational background has a significant effect on the detection of financial statement fraud. The results of this study are in line with the research of Aliabadi et al. (2011), which states that the lack of education, expertise, and knowledge about forensic accounting obtained by internal auditors is a significant influence on the ability of these auditors to prevent and detect fraud. Ari (2014) concluded that the level of education has a significant effect on the quality of examination results.

Conclusion

Based on the tests that have been done, the conclusions of this study are competence has a positive and significant effect on the detection of financial statement fraud. This shows that the higher the competence of the Investigator, the easier it is to detect fraud. Motivation has a positive and significant impact at the detection of economic assertion fraud. This shows that the higher the motivation of the Investigator, the easier it is to detect fraud. Experience has a positive and significant effect on the detection of financial statement fraud. This shows that the more experience an investigator has, the easier it is to detect fraud. Independence has no significant effect on the detection of financial statement fraud. Educational background has a positive and significant effect on the detection of financial statement fraud. This shows that the higher education an investigator has, the easier it is to detect fraud.

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