



FACTORS THAT INFLUENCE FRAUD DETECTION

Tri Cahyanti

Faculty of Economic and Business, Pamulang University
Email : tricahyanti2001@gmail.com

ABSTRACT

The purpose of this research analysis is to highlight how various factors affect the auditor's ability to identify fraudulent acts. The type of research used in this research analysis is a quantitative method. The results of the study state that competence has a positive effect on fraud detection. This study also shows that professionalism has a positive effect on fraud detection, while audit experience has a positive effect on fraud detection.

Keywords: Fraud, Competence, Professionalism, Audit Experience

ABSTRAK

Tujuan dari analisis penelitian ini adalah untuk menyoroti bagaimana berbagai faktor memengaruhi kemampuan auditor dalam mengidentifikasi tindakan penipuan. Jenis penelitian yang digunakan dalam analisis penelitian ini adalah metode kuantitatif. Hasil penelitian menyatakan bahwa kompetensi memiliki pengaruh positif terhadap deteksi penipuan. Penelitian ini juga menunjukkan bahwa profesionalisme memiliki pengaruh positif terhadap deteksi penipuan, sedangkan pengalaman audit memiliki pengaruh positif terhadap deteksi penipuan.

Kata Kunci: Penipuan, Kompetensi, Profesionalisme, Pengalaman Audit

1. INTRODUCTION

The role of external auditors or public accounting firms is quite important in detecting fraud so that a company's financial reports do not mislead external parties so that no one can be harmed by the financial reports. Although it is felt to have a vital role from the public accounting firm, there are still public accounting firms that are negligent in detecting fraud, such as that carried out by KAP Kasner Sirumapea who audited PT. Garuda Indonesia, which resulted in KAP Kasner Sirumapea being given a 12-month bookkeeping permit sanction, the sanction was given because KAP Kasner Situmapea could not detect that there had been recognition of income that should still be receivables and could not be recognized, the receivables came from cooperation with PT. Mahata Aero Teknologi with a large amount of IDR 3.48 trillion (Kusuma, 2019). Although the Auditor is required to be able to show the truth of the financial statements, detecting fraud is not an easy matter because fraud has various characteristics.



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Fraud is a form of illegal and fraudulent deviation and is intentionally carried out so that it can generate benefits for the perpetrators who commit fraud. The commission of fraud can be carried out by individuals who seek personal or group gain by taking advantage of existing opportunities. Therefore, fraud detection is needed to minimize losses to certain parties. Fraud detection is vital for auditors because every fraud committed is important to detect.

One of the factors that is indicated to influence fraud detection is Competence defined as the personal aspects of a worker that enable him to achieve superior performance. These personal aspects include nature, motives, value systems, attitudes, knowledge and skills where competence will direct behavior, while behavior will produce performance (Wicaksono Monot, 2019). An auditor who has expertise in a specific audit field is more proficient and understands the field he works in than someone who does not have audit expertise so that the audit report produced by a competent auditor will be of higher quality with earlier findings of misstatements or fraud.

Another factor that is indicated to influence fraud detection is professionalism. Professionalism is a person's behavior in carrying out their work with full responsibility and perseverance in order to achieve good organizational results (Prabayanthi & Widhiyanti, 2018). With this definition, it can be interpreted that auditor professionalism is the quality of the auditor in carrying out his profession seriously which must be accountable.

Another factor that is indicated to influence fraud detection is experience. Experience can be defined as a way that makes someone have a high behavioral pattern (Kwarto). With this statement, auditor experience can be interpreted as a combination of all things and knowledge that have been obtained and done by the auditor in interacting and communicating repeatedly with other humans or objects, ideas, and circumstances that produce higher patterns of behavior and thinking. Auditors who are less or even inexperienced will potentially make more or more mistakes than auditors who have adequate experience.

This paper is a narrative literature review journal of several studies on Factors that influence fraud detection. The first study was conducted by Subekti and Kuntadi (2022). The analysis method used is a qualitative method and literature review. Examining the theory and relationship or influence between variables from books and various journals online sourced from Google Scholar, Open Maps Knowledge and other online media. The results of this study have a positive effect on competence, professionalism, and audit experience.

The second study was conducted by Hadija and Kuntadi (2022). The analysis method used was a qualitative method and literature review. Examining the theory and relationship or influence between variables from books and various journals online sourced from Google Scholar, Open Maps Knowledge and other online media. The results of this study have a positive effect on competence, professionalism, and audit experience.

The third study was conducted by Candraningtyas, et., al (2024). The analysis method used is a qualitative method used by referring to various references to collect data and support understanding of the concepts in this study. One of the main reasons for conducting qualitative research is because the research is explorative. The information obtained is information published through magazines, reference books, and websites related to the same topic. Data from various study libraries are used to understand the limitations of competence, professionalism, and audit experience on audit results in detecting criminal acts. The results of this study have a positive effect on competence, professionalism, and audit experience. Based on the results of the three studies above, the



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researcher is interested in conducting a journal review on 'Factors Influencing Fraud Detection'.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency Theory

Agency theory or agency theory is one theory that can be used as a basis for business practices in a company. The agency relationship arises because of a contract between the principal and the agent by delegating decisions to the agent. Agency theory assumes that the principal and the agent have their own interests, thus creating a conflict of interest between them. The principal as a shareholder wants the company's financial performance to increase so that the rate of return on investment is high, while the management acting as an agent also has an interest in maximizing its welfare. When the agent has an interest in maximizing its welfare, it is possible that the agent does not act in accordance with the interests of the principal.

Attribution Theory

According to Fritz Heider in (Mindarti, 2019), the cause of a person's behavior can be explained by attribution theory. This theory has two aspects, namely internal and external. Internal attribution focuses on aspects of individual behavior, while external attribution focuses on the social environment. Attribution theory is related to audit experience variables, especially in terms of internal attribution. This is because audit experience and expertise are something that comes from within the individual

Fraud Detection

Fraud is generally an unlawful act committed by people from within and/or outside the organization, with the intention of gaining personal and/or group benefits that directly harm other parties. Fraud is different from error, the main factor that distinguishes it is the underlying action, whether the action is done intentionally or not. If the action is done intentionally, it is called fraud and if the action is done unintentionally, it is called an error.

Competence

Competence is a number of important behaviors required to carry out a specific role in order to achieve satisfactory performance. (Rusvitawati, Sugiati, & Dewi, 2019). Auditor qualification requirements are met by participating in and passing the Auditor Functional Position Certification Program. In carrying out audit procedures, auditors must be competent. The technical skills that accountants need to have are auditing, accounting, government management, and communication. On the other hand, auditors need to have an adequate understanding of the law in order to be able to indicate the existence of a condition of action. With this knowledge, auditors can be prepared and carry out testing procedures effectively. Auditors need to continue to update their qualifications through professional education and training in order to adapt to the needs of the company and developments in the supervisory environment.

Professionalism



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According to the general understanding, a person is said to be professional if he meets three criteria, namely having the expertise to carry out tasks according to his field, carrying out a task or profession by setting standard standards in the relevant professional field and carrying out his professional duties by complying with the established Professional Ethics. In simple terms, professionalism means that auditors are required to carry out their duties with sincerity and accuracy. In simple terms, professionalism means that auditors are required to carry out their duties with sincerity and accuracy (Sitio, 2019). Auditors carry out their duties professionally in assessing the fairness of the company's financial statements. Auditors are said to be professional if they meet three criteria, namely having the expertise to carry out tasks according to their field, carrying out a task or profession by setting standard standards in the relevant professional field and carrying out their professional duties by complying with the Professional Ethics that have been set in the code of ethics and Public Accountant Professional Standards (SPAP). The professionalism possessed by auditors is very important to be applied in conducting audits because it will affect the improvement of auditor performance. The reason for the implementation of high professional behavior in an auditor is the need for public trust in the quality of services provided by the profession, regardless of what is done by individuals (Alfianto et al., 2019).

Audit experience

An experienced auditor is an auditor who is able to detect, understand and even find the causes of the emergence of these frauds. An auditor with high flying hours and is used to finding fraud is likely to be more thorough in detecting fraud than an auditor with low flying hours. (Anggriawan Eko Ferry, 2019). In carrying out an audit, the auditor must have expertise in auditing and technical auditing research in carrying out auditing with the aim that in providing opinions or opinions, the auditor does not feel awkward or hesitant (Nurjanah Bunga Irwati & Kartika Andi, 2019) Experience is a good way of learning for internal auditors which will make auditors rich in audit techniques. Experience also forms auditors who are able to face and resolve obstacles or problems in carrying out their duties, and are able to control emotional tendencies towards the party being audited. In addition to knowledge and expertise, the auditor's experience makes a relevant contribution to improving auditor competence (Dewi Gizta et al., 2019).

The Influence of Competence on Fraud Detection

Competence has an influence and is significant on fraud detection. This shows that the better the competence of an auditor, the better the detection of fraud. Auditors must have the knowledge to understand the audited entity, then auditors must have the ability to work together in a team and the ability to analyze problems (Ika, 2019). An auditor must have a general level of expertise possessed by auditors in general and must use these skills with reasonable accuracy and thoroughness. This is because research in the field shows that most respondents have a work period in the audit field of 3-5 years so that the answers from respondents related to competency statements tend to produce positive answers. An auditor's 3-5 years of work experience increases his/her competence in detecting fraud (farud). Fraud can be detected if the auditor has good competence. Auditors as the spearhead of the implementation of audit tasks must continuously improve their knowledge so that the application of knowledge can be maximized in practice. The results of the study from 7 statements, the lowest average value in the statement an auditor must have the ability to conduct analytical reviews with a total score of 106. This shows that an auditor must improve his/her competence in reviewing analysis in financial statements. An auditor must continuously follow developments in business and his/her profession and improve



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his/her competence in reviewing financial statements. An auditor must study, understand and apply new provisions in accounting principles and auditing standards applied by professional organizations.

The Influence of Professionalism on Fraud Detection

Professionalism has a significant effect on Fraud Detection. This shows that the better the Professionalism, the better the Fraud Detection. Auditors who have high professionalism will provide contributions that can be trusted by decision makers. In this study, it is expected that auditors can use their professionalism in detecting fraud so that the performance of the auditor becomes better. This is in accordance with the statement expressed by Marcellina and Sugeng (2019) who concluded that the increasing professionalism of an auditor in carrying out their duties, the auditor's ability to detect fraud also increases because the auditor has sufficient confidence that the financial statements are free from material misstatements, both caused by errors and fraud. The results of this study prove that auditors who apply professionalism in accordance with the SPKN made by the BPK (2019) will certainly have the ability, expertise, and professional commitment in carrying out their duties accompanied by the principle of due care, accuracy, and precision, and are guided by standards and provisions of laws and regulations. This will make the auditor more professional in carrying out his audit and will be able to make the auditor more able to detect fraud in accordance with the standards and provisions of applicable laws and regulations. The results of the study from 7 statements, the lowest average value in the statement is willing to work above normal limits to help the KAP where the workplace is, to be more successful. This shows that an auditor is not fully willing to work above normal limits.

The Influence of Auditor Experience on Fraud Detection

Auditor experience has a positive effect on the auditor's ability to detect fraud. In this study, the researcher used a quantitative and qualitative approach in descriptive research with a research sample consisting of 37 participants who all worked at a Public Accounting Firm based in Bandung. Purposive sampling was used to collect the main data of this study, which was obtained through a questionnaire. That experience has a significant effect on fraud detection. So with the many expertise and skills possessed in working, the author argues that experience has an effect on fraud detection.

3. RESEARCH METHOD

Type of Research

The method used in this writing is Narrative Literature Review which is one method for conducting qualitative literature reviews, this method aims to compile a review or summary of the results of previous research on a particular topic. This is often used to identify, compare and explain trends, theories, or research gaps.

Ford (2020) states that Narrative Literature Review is a qualitative research method that emphasizes the exploration and storytelling of human life through experiences, interviews, photography, biographies, and other narrative methods. In addition, Anis (2023) explains that Narrative Literature Review (NLR) is a type of literature review or literature review that involves compiling and presenting the results of previous research in the form of narratives or stories. The sources of literature used in compiling this paper with a



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narrative literature review are through National and International Journal Websites such as Google Scholar, Wiley, Scopus, Pubmeds, Proquest and Elsevier.

4. DATA ANALYSIS AND DISCUSSION

The results of the study stated that the variables of competence, professional skepticism and audit experience have a positive effect on fraud detection. Competence affects the auditor's ability to detect fraud. An auditor needs competence to be able to quickly and accurately detect whether or not there is fraud in a company's financial statements. So an auditor who has high competence will be able to help the auditor detect fraud. (Suciwati, et al, 2022) explained that competence is divided into dimensions of experience and knowledge, auditors who have a lot of experience are not only more responsive to finding errors and fraud but can also provide more accurate explanations of their findings, while knowledge will enable the auditor to understand the problem more deeply and easily follow increasingly complex developments.

The auditor's professional skepticism has a significant effect on the external auditor's ability to detect fraud. Auditors who have a high level of skepticism will find it easier to detect fraud because of their meticulous nature and always seek the truth of the evidence they receive (Indriyani & Hakim, 2021).

The auditor's experience has a significant effect on the auditor's ability to detect fraud. The results of this study are consistent with the results of research conducted by (Angriawan, 2019) which states "Work experience has a positive effect on the auditor's ability to detect fraud" Auditors who have a lot of experience in their audit activities will have many things that can improve their abilities, knowledge, and expertise in detecting fraud when compared to auditors who have less or little experience. The more experienced the auditor is, the higher or better the auditor's ability will be in detecting fraud (Hafizhah & Abdurahim, 2019).

Research Discussion

The Effect of Competence on Fraud Detection

Competence has a significant effect on fraud detection. This audit team is seen as a factor that determines audit quality. Good cooperation between team members, professionalism, persistence, skepticism, strong quality control processes, experience with clients, and good industry experience will produce a high-quality audit team. In addition, attention from partners and managers on assignments was found to be related to audit quality.

The Effect of Professionalism on Fraud Detection

Professionalism has a significant effect on fraud detection. Auditor professionalism as a responsibility to act more than just fulfilling one's own responsibilities or the provisions of laws and regulations of society, public accountants as professionals acknowledge the responsibility to society, clients and fellow practitioners including honorable behavior even though it means self-sacrifice.

The Effect of Audit Experience on Fraud Detection

Audit experience has an effect on fraud detection. Auditors with minimal experience usually create a higher percentage of errors when compared to auditors with abundant experience. This is because experienced auditors have completed various tasks



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and training/seminars so that they gain more knowledge compared to auditors with minimal experience.

5. CONCLUSION & SUGGESTION

1. Competence has a positive and significant effect on the auditor's ability to detect. Auditors with high competence have the knowledge and skills needed to identify signs of fraud and understand the mechanisms and modus operandi of fraud.
2. Professionalism has a positive and significant effect on fraud detection. Professional auditors have integrity, objectivity, and a commitment to ethical standards that enable them to carry out audit tasks more effectively.
3. Audit experience has a positive and significant impact on the auditor's ability to detect fraud. Experienced auditors have practical knowledge gained from various previous audit situations, which enhances their ability to recognize patterns and indications of fraud.

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