

Factors Affecting the Ability of Internal Auditors to Detect Fraud at PT. Bank ABC, Tbk

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Abstract: *This study aims to analyze the factors that affect the ability of auditors to detect fraud at PT. Bank ABC, Tbk. The independent variables used in this study are education, audit experience, independence, competence, professionalism, while the dependent variable is ability of auditors to detect fraud. The data used are primary data obtained from the Office of the Division of Internal Audit Unit PT. Bank ABC, Tbk. The data analysis method used in this study is multiple regression analysis. The results of this study indicate that education variable affect ability of auditors to detect fraud at PT. Bank ABC, Tbk. Independence variable affect ability of auditors to detect fraud at PT. Bank ABC, Tbk. Competence variable affect ability of auditors to detect fraud at PT. Bank ABC, Tbk. Professionalism variable affect ability of auditors to detect fraud at PT. Bank ABC, Tbk. Meanwhile, audit experience variable does not affect ability of auditors to detect fraud at PT. Bank ABC, Tbk. Education, audit experience, independence, competence and Professionalism have a joint effect on ability of auditors to detect fraud at PT. Bank ABC, Tbk..*

Keywords: *Ability of Auditors to Detect Fraud, Education, Audit Experience, Independence, Competence, Professionalism*

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I. Introduction

The high probability of fraud occurring in the banking industry will have a significant impact on the level of customer confidence in saving money at the bank. One of the things that needs to be done by management to ensure that the bank is worthy of trust is to continue to make improvements in governance, including increasing the ability of its internal auditors to detect fraud practices that occur. Many factors influence the auditor's ability to detect fraud that occurs.

With the development of the company, the range of control between the Board of Directors and the executors of activities in all organizational units of the company will be wider and more complex. Therefore it is deemed necessary for an internal audit to be the liaison between the two, especially for the Board of Directors, so that they can be assured that the implementation of operational activities has been running efficiently and effectively. Internal Audit plays a role in evaluating the adequacy and effectiveness of internal controls carried out by management.

Internal audits in the national banking sector are specifically regulated by Bank Indonesia. Regulations regarding this matter are in Bank Indonesia Regulation No. 1/6 / PBI / 1999 concerning Assignment of Compliance Director and Application of Standards for Implementation of Bank Internal Audit Function. In the Bank Indonesia Regulation it is stipulated that commercial banks must carry out internal audit activities along with matters that must be met by management and commercial bank internal audit units.

Bank Indonesia stated that the role of internal audit in the banking industry related to public funds is highly relied on by stakeholders, namely shareholders, commissioners, customers, majors and government (Haryono, 2012). The important task of the Internal Audit Division is to provide confidence that all elements of control, risk assessment, control activities, information, and communication and monitoring are adequate and lead to good governance or also called Good Corporate Governance.

PT Bank ABC, Tbk. as one of the largest service companies in Indonesia that manages its main business based on the principle of trust, it is required to run a company with good governance. ABC believes that corporate governance that meets high international standards significantly increases public trust in the bank.

Transparency, accountability, responsibility, independence, and justice / equality are the principles of ABC's corporate governance. These elements ensure that the necessary controls and supervision of effective risk management, in accordance with all relevant laws and regulations, and the disclosure of accurate and complete information to the public / market function properly (ABC, 2014).

ABC is a public company, which must comply with the Limited Liability Company Law, Bank Indonesia regulations, Capital Market and Financial Services Authority, International Finance Standards, Indonesian Financial Accounting Standards, International Standards for Internal Audit Professional Practices, COSO Framework and ASEAN Corporate Governance Scorecard .

Given significant social and economic roles, compliance and regulation are mandatory for any financial sector in the world. ABC believes a strong compliance culture will provide strength to achieve business success. An important issue of the culture of compliance in banks is fraud and corruption. ABC has developed a program of "zero tolerance for fraud". The ABC anti fraud strategy includes interrelated processes, namely the stages of Fraud Prevention, Detection, Investigation and Prevention. This program is fully socialized to all employees in all business units and operational areas. Every charge and case report is thoroughly investigated and the relevant personnel will be disciplined in accordance with the rules and Company Policy.

In carrying out the good governance ABC formed an Audit Committee by creating a division of the Internal Audit Unit which was integrated directly with the Human Resources Committee, Risk Management Committee, Asset and Liability Committee, Information Technology Steering Committee, Fraud Committee, Compliance Committee, Capital Management Committee and Operational Risk Management Committee.

Cheating that often occurs in the banking industry is: bad credit, fictitious credit, inflating numbers, abuse of authority and not infrequently violations of the code of ethics. To be able to find out all the possibilities of fraud, special expertise is needed in carrying out the examination. According to Arens and Loebbecke (2011) auditors must have the ability to understand the criteria used and be able to determine the amount of evidence needed to support the conclusions that will be taken.

There are many factors that influence the auditor's ability to detect the possibility of fraud that occurs including one of them is education. According to Harhinto (2004) Knowledge is measured by how high an auditor's education is because thus the auditor will have more knowledge and views on the fields he engages in so that he can find out more problems in depth and will be easier to follow complex developments.

In order to fulfill the requirements as a professional, the auditor must undergo adequate training and other skills support activities. Through the training program auditors also experience a socialization process in order to adjust to changes in the situation that will be encountered. Professionalism is also a main requirement for someone who wants to become an auditor because professionalism with high auditor freedom will be guaranteed. Hendro and Aida (2006) explain that professionalism is the main requirement of an auditor because with high professionalism the auditor's freedom will be guaranteed.

Low competency will also lead to failure in inspection, because the auditor will find it difficult to find findings relating to the occurrence of irregularities. Efforts to increase the competence of internal auditors cannot only be done with education and experience but also requires the participation of internal auditors in maintaining the knowledge and skills they have.

Every internal auditor must maintain competence, independence and professionalism in order to prevent and detect all forms of fraud that occur. The lack of knowledge and understanding of an internal auditor regarding indications of fraud is common and effective procedures for detecting fraud are often made difficult by the auditor in carrying out his duties. Therefore, an internal auditor must have expertise in preventing fraud as the existence and knowledge of definite symptoms, and must be able to detect all forms of fraud that occur, understanding of problems and attitudes of competence, independence and professionalism to resolve all problems that occur.

Based on the description of the background and previous studies, the author wishes to conduct research on the effect of education, audit experience, competence and professionalism on the auditor's ability to detect fraud at PT. Bank ABC, Tbk.

II. Theoretical Review

2.1 Ability of Auditors to Detect Fraud

The term Fraud risk assessment is an assessment of the risk of auditor failure in detecting fraud in management assertions. Fraud risk assessment is divided into 3 levels, namely high, low, and without notice. This measurement is in accordance with Payne and Ramsay's (2005) study.

From the definition above, it can be concluded that cheating is a deliberate action to hurt other people, to hide facts and also impose goals but take advantage of others. The fraud referred to in this study is fraud that occurs in the company carried out by employees, supervision, or managers to obtain personal benefits and harm the company.

In terms of the government, business people, and even the general public, fraud has been understood to be detrimental to state finances, corporate finances, and damage the joint culture of society. But generally, the leadership of an organization / agency often feels that its organization includes an environment that is free of fraud risk (Sudarmo et.al, 2008).

The auditor's ability to detect fraud is one thing that is very important in terms of competition and healthy government organizations. An auditor must be competent in dealing with the scope of his work. Many frauds can occur. If you neglect the work, it will have fatal consequences and can harm various parties. Some things that must be mastered by an auditor in detecting fraud are to carry out the audit procedure properly and thoroughly, know the audit system that is examined, and have professional skepticism.

2.2 Education

An auditor's competence in the audit field is indicated by his educational background and experience. In terms of education, ideally an auditor has an educational background (formal education or education and training certification) in the field of auditing. Whereas experience, usually indicated by the length of time concerned, has a career in the audit or intensity / often and varied audit. If the auditor assigns a person who is less / inexperienced, then that person must be supervised (guided) by experienced seniors.

Auditors who audit financial statements must have an educational background and understand well the process of preparing financial statements and applicable accounting standards. Likewise, the auditor who conducts operational audits and obedience, he must have sufficient knowledge of the operational activities to be audited, both how to implement them, and the criteria used to assess and understand the applicable laws and regulations. If the auditor is less capable or does not have this capability, the auditor must use the appropriate experts.

2.3 Audit Experience

Besides mentioning that there are three factors of auditor experience including:

- a. Professional Training
- b. Education
- c. Length of working

Gusnardi (2003) reveals that the audit experience can be measured from the level of position in the structure where the auditor works, years of experience, a combination of levels of office and years of experience, expertise possessed by auditors related to audits, and trainings that auditors have participated in regarding audits. Important issues related to the auditor's experience will be related to the auditor's level of accuracy.

Thus it can be concluded that the audit experience is the things that are obtained by the auditor attack, starting from what was obtained during his work, from the events that have occurred that have links with the audit field, theories or sciences about auditing that obtained during life.

2.4 Independence

Independence of internal auditors can be related to disclosure of internal control problems of a company. Independence also means the existence of honesty in the auditor in considering the facts and the existence of objective considerations that are impartial in the auditor's self in formulating and expressing their opinions.

In carrying out its activities, even though internal auditors are within the organization, internal auditors must be able to maintain their independence. The level of internal auditor independence is largely determined by the organizational structure and objectivity of the internal auditor itself. To achieve the level of independence needed in order to carry out the responsibilities of internal audit activities, the head of internal audit must have direct and unlimited access to senior management and the board. The organizational structure that places internal auditors at a relatively high level will provide a broad audit scope and flexibility for internal auditors to objectively give their opinions without pressure.

2.5 Competence

Competency is defined as the personal aspects of a worker which enables him to achieve superior performance. These personal aspects include the nature, motives, value systems, attitudes, knowledge and skills where competence will direct behavior, while behavior will produce performance.

The auditor has a role as a controller and guardian of public interests related to the financial sector. In carrying out the role of audit, they are responsible for planning and carrying out audits in order to obtain adequate confidence whether financial statements are free of material misstatement so that an auditor must be supported with adequate competence in audit techniques and other supporting competencies. Such competencies can be obtained through both formal education levels and information, as well as experience in audit practice.

In the Professional Standards the Internal Audit states that internal auditors must have the knowledge, skills and competencies needed to carry out individual responsibilities. The internal audit function collectively must have or acquire the knowledge, skills and competencies needed to carry out its responsibilities.

2.6 Professionalism

According to Mulyadi (2002) Auditors have the obligation to carry out professional services as well as possible in accordance with their capabilities, in the interest of service users and are consistent with professional responsibilities to the public. An auditor must be professional in carrying out his duties.

To build a superior staff, one must first know the standards for excellence. Audit management requires intelligence / technical intelligence, competence, and the ability to deal with others at every level of the company, setting high standards for its practitioners

III. Materials and Method

3.1 Types of Research

This research is associative research. This research is a research conducted with the aim of knowing the relationship between 2 or more variables. Associative research is the highest level of research compared to descriptive and comparative research. With associative research can be built a theory that serves to explain, predict and control a phenomenon / phenomenon. In associative research, this research includes causal research. Sugiyono (2011) states that the Causal Associative method is the formulation of a research problem that is asking about the relationship between two or more variables. So here there is an independent variable (X) that affects and the dependent variable (Y) is affected.

The researcher used this research design to provide empirical evidence and analyze education, audit experience, independence, competence and professionalism as independent variables and the auditor's ability to detect fraud as the dependent variable in the Internal Audit Division of PT. Bank ABC, Tbk.

3.2 Location and Time of Research

The research location is the Office of the Internal Audit Unit Division of PT. ABC, Tbk.

3.3 Population and Samples

The population in this study were auditors working at PT Bank ABC, Tbk. According to Sugiyono (2011) population is the overall object of research.

The research sampling technique used saturated samples, namely by distributing questionnaires evenly to auditors and senior auditors, then the returned questionnaires were managed to become the primary data of this study. Returning questionnaires were 54 respondents, this number had fulfilled the minimum requirements of the questionnaire, namely no less than 30 respondents.

3.4 Data Analysis Method

This study uses descriptive qualitative analysis method to determine the existence of relationships between dependent variables and independent using inductive statistics correlation with multiple regression analysis. The qualitative descriptive objective in this study is to provide a systematic, factual and accurate description of certain facts.

a. Descriptive Analysis

Mudrajad (2003) explains that qualitative research methods are research methods used to examine natural objects, where researchers are key instruments, while data collection techniques are conducted by interview methods, data analysis is inductive, and the results of qualitative research emphasize meaning rather than generalization.

b. Multiple Linear Regression Analysis

The data analysis method used in this study is multiple regression analysis (Ghozali, 2013:249). Therefore the research formulation in the path analysis framework only revolves around the independent variable (X_1, X_2, \dots, X_k) influencing the dependent variable Y, or how much direct, indirect, and total influence or simultaneous set of independent variables (X_1, X_2, \dots, X_k) to the dependent variable Y. Hypothesis testing using t test, F test, r squared test.

IV. Results and Discussion

4.1 Results Analysis of Multiple Linear Regression

This study proposes a multiple linear regression equation model that tests the independent variables on the dependent variable, with the regression equation as follows:

Ho will be rejected if the significance is smaller than (0.05) or 5% so that the hypothesis proposed in this study is acceptable. The level of significance used in this study is (0.05) because it is considered to be quite strict which represents the relationship between the variables tested or shows the relationship that the correlation between the two variables is quite real. The regression results can be seen in Table 1 below:

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-5.152	2.385		-2.160	.036
X ₁	.418	.153	.196	2.726	.009
X ₂	.003	.127	.002	.027	.979
X ₃	.605	.097	.413	6.215	.000
X ₄	.221	.086	.244	2.577	.013
X ₅	.245	.084	.229	2.907	.006

a. Dependent Variable: Y

Source: SPSS Output, 2019

Based on Table 1 the linear regression equation is obtained as follows:

$$Y = -5.152 + 0.418X_1 + 0.003X_2 + 0.605X_3 + 0.221X_4 + 0.245X_5$$

Where:

- Y = Ability of Auditors to Detect Fraud
- b₁₋₅ = Regression coefficient of the independent variable
- X₁ = Education
- X₂ = Audit Experience
- X₃ = Independence
- X₄ = Competence
- X₅ = Professionalism

Table 1 presents the regression coefficient value, as well as the statistical value t for the partial influence test. Based on table 5.12, it can be concluded that the results of partial hypothesis testing of each independent variable are as follows:

1. It is known that the significance value of Education is 0.009, which is smaller than the sig value. 0.05 and tcount (2.726) > ttable (2.00) means that the Education variable has a significant effect on the Auditor Capability Detecting the value of the coefficient value of the Education variable.
2. It is known that the significance value of the Audit Experience variable is 0.979, which is greater than the sig value. 0.05 and tcount (0.027) < ttable (2.00) means that the Audit Experience variable has a significant effect on the variable Ability of Auditors to Detect Fraud.
3. Know the significance value of the Independence variable is 0,000, which is greater than the sig value. 0.05 and tcount (6.215) < ttable (2.00) means that the Independence variable has a significant effect on the Auditor Ability to Detect Fraud variables with the coefficient value of the Independence variable.
4. The significance value of the Competency variable is known as 0.013, which is smaller than the sig value. 0.05 and tcount (2.577) > ttable (2.00) means that the competency variable has a significant effect on the variable ability of auditors to detect fraud.
5. It is known that the significance value of the Professionalism variable is 0.006, which is greater than the sig value. 0.05 and tcount (2.907) < ttable (2.00) means that the Professionalism variable has a significant effect on the variable Ability of Auditors to Detect Fraud.

4.2 Discussion

a. Effect of Education on the Ability of Auditors to Detect Fraud

It is known that the significance value of Education is 0.009, which is smaller than the sig value. 0.05 means that the Education variable has a significant effect on the Auditor Capability Detecting the value of the coefficient value of the Education variable.

The ability of internal auditors to detect fraud can be obtained through education. The curriculum on fraud has been widely taught at the college level. But in Indonesia, the term forensic accounting was only widely known after 2000. In fact, one of the references to the Forensic Accounting and Investigative Audits that were widely used in lectures in Indonesia was first published in 2007. Thus, internal auditors who graduated from college before in 2007, it could be concluded that there was minimal knowledge of forensic accounting. In other words, internal auditors with bachelor degrees who graduated after 2007 are more likely to understand cheating than internal auditors with master's degrees that passed before 2007.

In addition to through undergraduate and graduate education, the ability of internal auditors to detect fraud can also be obtained by continuing education. With continuing education, internal auditors will obtain updates and additions to knowledge about accounting and auditing.

On the other hand, the internal auditor's ability to detect fraud also depends on the sophistication of the fraud, the frequency of manipulation, the level of collusion and the size of seniority involved. This makes sense because cheating involving high-ranking entity officials is usually more difficult to detect than fraud committed by ordinary employees.

b. Effect of Audit Experience on the Ability of Auditors to Detect Fraud

It is known that the significance value of the Audit Experience variable is 0.979, which is greater than the sig value. meaning that the Audit Experience variable does not have a significant effect on the variable Ability of the Auditor to Detect Fraud.

From these results, it can be said that an auditor does not depend on experience to find out the fraud that occurred at the auditee. The environment of public accountants in Indonesia, most of the Auditor's staff have a short service life. Few auditors are truly involved in the world of Public Accountants. Most of the staff auditors are young graduates or fresh graduates who make the Public Accounting Office a place to find experience. Thus, the experience of few and many auditors also cannot detect fraud in carrying out their audit tasks. So the hypothesis is rejected.

c. Effect of Independence on the Ability of Auditors to Detect Fraud

The significance value of the Independence variable is 0,000, which is greater than the sig value. meaning that the independency variable has a significant effect on the Auditor Capability Detecting Variable variable with the coefficient value of the Independence variable.

Independence is an attitude or perspective that must be maintained by auditors who are not justified to side with anyone. The auditor's attitude is also needed so that he is free from the interests and pressure of any party, so that fraud in the company audited can be detected correctly, and after the fraud has been detected, the auditor does not participate in securing the practice of fraud. So the hypothesis is accepted.

d. Effect of Competence on the Ability of Auditors to Detect Fraud

The significance value of the Competency variable is 0.013, which is smaller than the sig value. 0.05 means that the competency variable has a significant effect on the variable ability of auditors to detect fraud.

Higher competencies should result in a higher ability to understand the effectiveness of internal controls. But in this study, the existence of Government Regulation No. 60 of 2008 concerning the Government Internal Control System is the reason for rejecting hypothesis one. PP No. 60 of 2008 regulates all aspects of internal control within the government. Thus, this regulation will be used as a reference by universities in implementing internal controls. On the other hand, for internal auditors this regulation also functions as an instruction in understanding the effectiveness of the university's internal controls.

In other words, the existence of PP No. 60 of 2008 was able to influence the auditor's ability to understand the effectiveness of internal controls. Furthermore, this regulation will generalize the ability of internal auditors to understand the effectiveness of higher education internal control regardless of educational background, the presence or absence of continuing education, work experience, the number of audit assignments, and the amount of audit training.

The auditor's success in carrying out his duties such as understanding the effectiveness of internal controls basically does not depend only on the competencies he has.

e. Effect of Professionalism on the Ability of Auditors to Detect Fraud

The significance value of the Professionalism variable is 0.006, which is greater than the sig value. meaning that the variable Professionalism has a significant effect on the variable Ability of Auditors to Detect Cheating

Professional skill variables have a positive regression coefficient of (0.858), which means that the higher the level of professional skills, the better the effect on the auditor's ability to detect fraud. In other words, the more often an auditor participates in training, the better his professional skills and the better the auditor detects fraud in carrying out his audit duties. In the Public Accountants law, it also requires that a Public Accountant routinely attend training or continuing education held by accountant organizations in Indonesia with the aim of maintaining the quality and for the development of Indonesian accountants. Thus it is clear that professional skills affect the ability of the auditor to detect fraud. So the hypothesis is accepted.

f. Effect of Education, Audit Experience, Independence, Competence, and Professionalism on the Ability of Auditors to Detect Fraud

Simultaneously the value of the F count is 135,918, with a Ftable value of 2.39. Note that because the value of F count (135,918) > Ftable (2.39), it can be concluded that the simultaneous effect of all variables is Professionalism, Audit Experience, Education, Independence, Competence together have a significant effect on

the Auditor's Ability to Detect Fraud with the coefficient value the determination of R^2 is in the R-Square column. It is known that the coefficient of determination is 0.667. This value means that all independent variables simultaneously affect the ability of the Auditor Detecting Fraud Ability variable by 66.7%, the remaining 33.3% is influenced by other factors.

V. Conclusion and Suggestion

5.1 Conclusion

Based on the results of the study it can be concluded as follows:

1. Education effect the ability of auditors to detect fraud at PT. Bank ABC, Tbk.
2. Audit experience does not effect the ability of the auditor to detect fraud at PT. Bank ABC, Tbk.
3. Independence effect the ability of the auditor to detect fraud at PT. Bank ABC, Tbk.
4. Competence effect the ability of the auditor to detect fraud at PT. Bank ABC, Tbk.
5. Professionalism effect the ability of the auditor to detect fraud at PT. Bank ABC, Tbk.
6. Variables of education, audit experience, independence, competence and Professionalism effect the ability of the auditor to detect fraud at PT. Bank ABC, Tbk.

5.2 Suggestion

Based on this study, the researcher tried to give the following suggestions:

1. For PT. Bank ABC, Tbk. need to provide training on procedures and understandings related to the audit of the Auditor's staff. And also need to hold continuing education for its Auditor staff to advance human resources in the world of the Public Accountants profession.
2. For further researchers, it is recommended to examine other variables outside of Education, Audit Experience and Professional Skills, or also can add other research variables such as Independence or Salary Auditor.
3. For further research, it is recommended that the research population be expanded in all banks in Indonesia so that the results of research are broader and more accurate on the ability of auditors to detect fraud.

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