

Effect of Task Complexity, Role of Whistleblower and Investigative Auditor's Ability on the Effectiveness of the Implementation of Audit Procedures in Proving Fraud

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Abstract

The news about the number of arrests conducted by the Corruption Eradication Commission is one proof of the high level of corruption in Indonesia. The fact that there are still many cases of fraud or fraud that cannot be detected due to the lack of effectiveness of auditors in carrying out audit procedures. This study was conducted to try to determine the effect of task complexity, the role of the Whistleblower and the ability of investigative auditors to the effectiveness of implementing audit procedures in proving fraud. This research will be conducted using a survey conducted with a questionnaire instrument that is first tested for its validity and reliability. The population in this study were investigative auditors at the Lampung Provincial Audit Board (BPK) and the Lampung Province Audit Board of Finance and Development (BPKP), with a sample of investigative auditors or auditors who were and were able to conduct investigative audits. The update of this study is that in this study the authors used other variables that influenced the effectiveness of the audit procedures in the proof of fraud which were still rarely examined in previous studies, namely the variable task complexity, and the role variable whistleblower. Another difference in research is the population used in research.

Keywords: Task Complexity, Role of Whistleblowers, Investigative Auditor Capabilities, Audit Procedures, Proof of Fraud

Introduction

Fraudulent financial reporting is a misstatement or omission of the amount or deliberate disclosure with the intention of deceiving the users of the financial statements (Arens, Elder and Beasley, 2008). Along with the wider development in the business world and the opening of business and investment opportunities, causing the risk of fraud on companies and government institutions (Fachrunisa, 2015). In Indonesia, the Supreme Audit Agency (BPK) and the Financial and Development Supervisory Agency (BPKP) have been formed, whose role is to oversee and investigate the financial situation of government and private agencies. The fact that there are still many cases of fraud or fraud that cannot be detected due to the lack of effectiveness of auditors in carrying out audit procedures. As happened to Marlinna and Merliyana Syamsul's Public Accountants, these two public accountants violated professional audit standards in auditing PT. Sunprima Nusantara Financing (SNP) Finance. In conducting the audit of the

public accountant's report, the procedure has not been carried out adequate procedures related to the detection of fraud risk and the response to fraud risk and has not implemented the acquisition of sufficient and appropriate audit evidence on consumer financing accounts receivable. (<https://www.cnnindonesia.com>). In the field of auditing related to fraud settlement, one of them is investigative audit (Tuanokotta, 2012). To conduct a quality audit, good audit planning is needed. because it really determines how the audit strategy can be implemented and find fraud. One of the many factors that influence auditor decisions is pressure and complex tasks (Cahyaningrum, 2015). Auditors are required to remain honest, brave, wise, and responsible for building trust in order to provide a basis for reliable decision making according to Cahyono et al. (2015). In the discovery of fraud, it often happens thanks to witnesses and whistleblowers. The report submitted by the whistleblower is a factual event or is really known by the whistleblower is not lying or defamatory information (Rahmayani et al., 2014).

Research Issues

Based on Corruption Perception Index (CPI) data from 2014 to 2018, it explains that the level of fraud that has occurred in Indonesia has begun to decline although it is not significant, but this also proves that fraud is still very high. The news about the number of arrests conducted by the Corruption Eradication Commission is one proof of the high level of corruption in Indonesia. The fact that there are still many cases of fraud or fraud that cannot be detected due to the lack of effectiveness of auditors in carrying out audit procedures. As happened with Marlinna and Merliyana Syamsul's Public Accountants, the Ministry of Finance stated that these two public accountants violated professional audit standards in auditing PT Sunprima Nusantara Financing (SNP) Finance Financial Reports. Citing official data from the Financial Professional Development Center (PPPK), in conducting an audit of the financial statements of PT. SNP financial year 2012 to 2016. The public accountant has not carried out adequate procedures related to the process of fraud risk detection and response to fraud risk and has not implemented the acquisition of sufficient and appropriate audit evidence on consumer financing accounts receivable. The Ministry of Finance considers that this has an impact on the decline in accountant professionals.

Literature Review

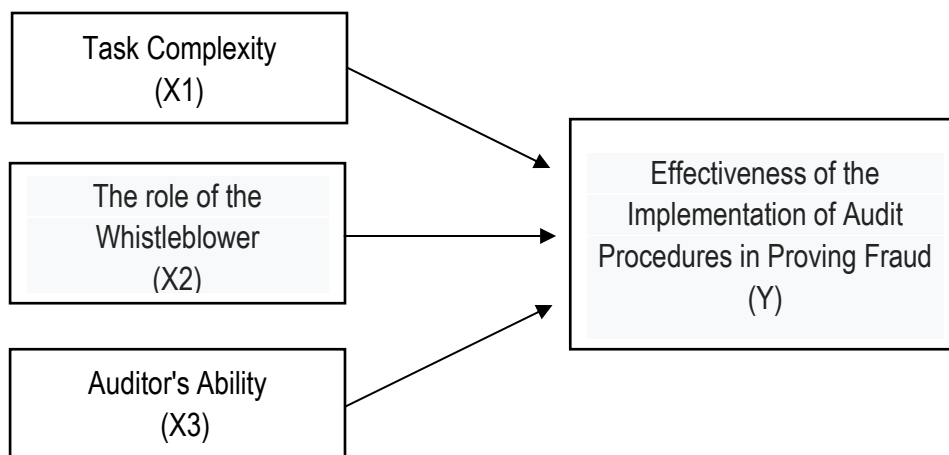
Fraud

Fraud or often known as cheating is a matter that is now widely discussed in Indonesia. Fraud, in many types and modes has become a classic problem in business activities, since ancient times until now. Fraud describes any deliberate deception aimed at taking property or the rights of another person or party (Arens, Elder and Beasley, 2008). Fraud is a criminal fraud which means any serious wrongdoing done with malicious intent. From these evil actions he benefits and harms his victims financially. Fraud is not only interpreted narrowly as cheating, so there are many synonyms used to define fraud, based on the Black's Law Dictionary contained in Arlez (2014) it is concluded that there are at least three fundamental elements in fraud (fraud), namely: (1) fraud done by someone intentionally, (2) fraud is in the form of concealment of facts or fraud or coercion, and (3) fraud aims to obtain the benefits of certain parties.

Pentagon Fraud

Pentagon fraud theory is a renewal that examines more deeply about the factors that trigger, prevent and detect fraud phenomena that were raised by Crowe Howarth in 2011 (Crowe's fraud pentagon theory). Pentagon fraud theory is an extension of the fraud triangle theory previously proposed by Cressey and the diamond fraud theory by Wolf & Hermanson (2004). The concept of fraud pentagon in this theory changes the risk factor element in the diamond fraud theory, namely capability to competence but still has the same meaning, and adds another element of fraud that is believed to have a significant influence on fraud, namely arrogance. The elements of fraud pentgon theory are: Pressure, Opportunity, Rationalization and Competence / Capability. The elements in pentagon fraud theory are the basis and instructions for investigative auditors to conduct their investigation in proving a fraud that occurs by tracing these elements can make the auditor's procedures more effective. Based on this, the researchers used the pentagon fraud theory as the grand theory in this study.

**Figure 2.1
Research Model**



The Complexity of the Auditor on the Effectiveness of the Implementation of Audit Procedures in Proving Fraud.

Restuningdiah and Indriantoro (2000), state that increasing complexity in a task or system will reduce the success rate of that task. In Bonner's (1994) research, it is explained that if the complexity of one's tasks increases, that person will use an easier strategy, or take a detrimental path and will lead to lower quality and decisions. In previous research conducted by Cahyaningrum (2015) showed that the complexity of the audit task has a significant negative effect on audit decisions. Chung and Monroe (2001) in their research findings also state that there is a significant influence between audit complexity and audit quality.

H1: The complexity of the auditor negatively affects the effectiveness of the implementation of audit procedures in proving fraud.

Whistleblower on the Effectiveness of the Implementation of Audit Procedures in Proving Fraud.

The existence of a whistleblowing system is not only a channel for fraud reporting, but also as a form of surveillance. Pamungkas et al. (2017) argues that employees are afraid to commit fraud because the whistleblowing system can be used by all employees, so that fellow employees supervise each other and are afraid if the fraud is reported by other employees, thereby making employees enthusiastic to report any fraud to auditor or authorized party. Results of research conducted by Pamungkas et al. (2017) revealed that the whistleblower system proved effective in preventing financial reporting fraud. Subsequent research conducted by Albrecht et al. (2018) shows the results that whistleblowing is a very appropriate tool to combat fraud or corruption.

H2: Whistleblower has a positive effect on the effectiveness of the implementation of audit procedures in proving fraud.

Investigative Audit Capability to the Effectiveness of the Implementation of Audit Procedures in Proving Fraud.

An auditor who carries out investigative audits or so-called investigative auditors must possess special qualities, skills and expertise as well as good mental and physical qualities (Bologna and Lindquist, 1999). This opinion is supported by Tuanakotta (2010) who argues that an auditor conducting an investigative audit must have basic, technical, and attitude knowledge. Rahmayani et al. (2014) in their research explained that in carrying out the task of the auditor using his expertise to gather evidence, it is necessary for the ability, knowledge and accuracy in determining the audit techniques in the process of disclosing such fraud. Tuanakotta (2010) states that an investigative auditor uses audit techniques in its implementation procedures, namely physical checking, requesting confirmation, checking documents, reviewing anatomically, requesting oral or written information from the auditee, recalculating, and observing. Other empirical research conducted by Putra et al. (2015) of all investigative auditors of state-owned companies in the city of Bandung. The test results show that the investigative audit has a positive effect on the prevention of fraud. Other research conducted by Mamahit and Urumsah (2018) revealed the results that forensic audits and investigative audit methods are effective in detecting fraud or fraud.

H3: Investigative Audit Capability has a positive effect on the effectiveness of the implementation of audit procedures in proving fraud.

Method**Research Types and Design**

This research is a causality research, which examines the influence of the influence of task complexity, the role of whistleblowers and the ability of investigative auditors on the effectiveness of the implementation of audit procedures in proving fraud. The research method used was using a survey method conducted with a questionnaire instrument that was first tested for its validity and reliability.

Population and Research Samples

The population in this study were investigative auditors at the Lampung Provincial Audit Board (BPK) and the Lampung Province Audit Board of Finance and Development (BPKP). The basis for selecting these samples is the convenience sampling method. To get the data needed, researchers used an instrument in the form of a questionnaire given to respondents, namely investigative auditors working at the Lampung Provincial Audit Board (BPK) and the Lampung Province Audit Board of Finance and Development (BPKP).

Research data

This research is a quantitative study using primary data that is research data obtained directly from the source in the form of auditor's perceptions (opinions, attitudes and experiences) at BPK and BPKP Lampung Province. In obtaining data in this study, researchers used two methods, namely library research and field research.

Scoring and Measurement Scale

To measure variables, research instruments are needed. In this study using a Likert scale used to determine the opinion or perception of a person or group of people about a social phenomenon. Likert and scoring scales used in this study are 1 (one) to five (5).

Definition of Variable Operations**Task Complexity (X1)**

The complexity of the auditor is based on the individual's perception of the difficulty of an audit task. This perception raises the possibility that an audit task is difficult for someone, but it may also be easy for others Restuningdiah and Indriantoro (2000). Low task complexity is characterized by less information that is consistent with predicted events, relatively high consistency between expected information and actual events and relatively low levels of ambiguity in the decision context, and some potential decision outcomes (Bonner 1994) in Chung and Monroe (2001).

The Role of Whistleblowers (X2)

One effort that can prevent fraud is by reporting by members of the organization (active or non-active) regarding violations, illegal actions or immoral acts to parties inside or outside the organization or known as whistleblowing. According to Zimbelman (2006), a good whistleblowing program can be a very effective tool in detecting and preventing fraud.

Ability of Investigative Auditors (X3)

An auditor who has been trained in the audit field has the potential to become a Fraud Auditor, therefore an auditor is required to have technical and non-technical abilities (Mulyati et al., 2015). According to (Tuanakotta, 2010) in (Mulyati et al., 2015) stated that the ability of investigative auditors: "Auditors must have unique abilities. In addition to technical expertise, a successful investigative Auditor has the ability

to gather facts from various witnesses fairly, impartially, validly (following the provisions of the legislation), and is accurate and is able to report the facts accurately and completely.

Effectiveness of the implementation of audit procedures in proving fraud (Y)

The effectiveness of the implementation of audit procedures in proving fraud can be interpreted to the extent that the audit results can describe the process of an activity that can produce hypotheses for the procedures carried out in an investigative audit (Mulyati et al., 2015).

Data analysis method

Data analysis methods used in this study are descriptive statistical analysis methods, data quality tests, classic assumption tests and hypothesis tests whose calculations are performed using SPSS (Statistical Package for the Social Science).

Descriptive statistics

Descriptive statistics relate to the collection and summarization of data and their presentation, which are usually presented in tabular and numerical form. Descriptive statistics are used to provide a description of the data seen from the mean (standard), standard deviation (standard deviation), and maximum-minimum (Ghozali, 201).

Data Quality Test

In this study using several tests, the first is a reliability test that is a tool to measure a questionnaire which is an indicator of a variable or construct. A questionnaire is said to be reliable or reliable if a person's answer to a statement is consistent or stable from time to time (Imam Ghozali, 2009). The second is the validity test used to find out how well the accuracy and accuracy of an instrument to measure a concept that should be measured. A questionnaire is declared valid if the question or statement on the questionnaire is able to reveal something that will be measured on the questionnaire (Ghozali, 2011). The last is the classical assumption test, to test the classical assumptions of this primary data, then in this study normality test, multicollinearity test, and heteroscedasticity test are conducted.

Hypothesis Testing Instrument

In this study, three independent variables and one dependent variable were used. The analytical method used to test the hypothesis is multiple regression, which is a regression used to find out how much influence the independent variable has on the dependent variable. Testing this hypothesis through several tests, namely the coefficient of determination (R^2), and the statistical test t (partial)

Discussion

The role of investigative auditors is needed especially in the discovery of fraud or corruption that often occurs today. To be able to carry out the audit process properly, auditors must be able to withstand complex pressures such as time, budget and role pressures. Investigative auditors are also required to have the ability or expertise in auditing, the aim is to maintain public expectations of the performance of competent and

independent auditors. Besides the existence of whistleblowers as witnesses, it is interesting to study because whistleblowers are usually witnesses where they work, so it should be suspected whether they were involved in the fraud or not. So in the end by considering all the related factors, the final result will be known by the investigative auditor the factors that influence the effectiveness of the implementation of the audi procedure in proving fraud.

Conclusion

This research contributes to the accounting research related to factors that influence the effectiveness of the implementation of audit procedures in proving fraud. The investigative auditor needs to know that in addition to the investigative auditor's own ability, the complexity of the auditor's duties and the role of the whistleblower play an important role in the effectiveness of audit procedures performed by the investigative auditor in proving fraud. The results of this study are expected to provide information to investigative auditors, as a review that is expected to be used as information to improve audit capabilities for financial statement fraud and for the Indonesian Supreme Audit Board (BPK RI), this review can be used as information in the face of widespread fraud cases (fraud) and corruption, so that it always develops the auditor's expertise in investigating fraud.

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