

**DETECTION OF FRAUDULENCE IN PUBLIC SECTOR ORGANIZATION:  
CASE IN INDONESIA**

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***ABSTRACT***

The purpose of this research is to examine and analyzing the influence of fraudulence trigger factor, time pressure, audit risk and auditor ability forward fraudulence detection in public sector. The populations in this research are auditor at The National Audit of Indonesia. The collecting samples technique which used in this research is purposive sampling. Total samples that fulfill criteria of this research are 78 samples. The result of this research reveals that first, the fraudulence trigger factor affect significantly to fraudulence detection in public sector. Second, time pressure doesn't affect significantly to fraudulence detection in public sector. Third, the audit risk affects significantly to fraudulence detection in public sector organization. Fourth, the ability of auditors affect significantly to fraudulence detection in public sector organization.

***Keywords:*** *the fraudulence triggers factor, time pressure, audit risk, ability of auditors and fraudulence detection in public sector organization.*

## 1.0 INTRODUCTION

In conducting an audit, an auditor should determine what audit steps will be performed to meet the audit's objective that is to achieve improvements in the management of organization in which still need improvement. The improvement is conducted to the objects of audit covering the entire organization or activity that is administered by the organization to achieve its objectives.

Miqlad (2008) suggests that the practice to commit fraud is not only happening in corporate world, but also in public sector. Chan (2003) states that government accounting has three objectives, namely (a) to maintain the stability of public finances by preventing and detecting corruption acts non-ethical profit seeking act, (b) to facilitate a healthy government financial administration, (c) to assist the government in providing accountability to the public.

Generally, government auditor is divided into 2 types; internal and external auditor. Government external auditor is The National Finance Monitoring of Indonesia, while The National Audit of Indonesia is the government internal auditor. Mulyadi (2002) explains that the government auditors are professional auditors who work for government agencies. Their main duty is to audit the financial accountability presented by organizational units or government entity, or a financial liability, addressed to the government.

The ideal figure of fraud auditor should be a person with a high skill in accounting and also wide knowledge in economy, finance, banking, tax, business, information technology and law as a supporting skill. He should also be a reliable investigator, who has knowledge in the field of investigation.

Burnaby, et. al (2011) concludes that knowledge taken from survey to several internal auditors show how they conduct an audit as fulfilling their professionalism responsibility and their ability to avoid fraud. The researcher chose this research because the National Audit of Indonesia as government internal auditor who has responsibility to conduct audit in financial reports that are submitted by government units or government entity and financial statements addressed to the government. In relation to the background of problem above, the statements of research problems are:

1. Does fraudulence trigger factors influence the fraudulence detection in public sector organization?
2. Do time pressures influence the fraudulence detection in public sector organization?
3. Do audit risks influence the fraudulence detection in public sector organization?
4. Do auditor capabilities influence the fraudulence detection in public sector organization?

The purpose of this study, are:

1. Examine and analyze the fraudulence trigger factors on fraudulence detection in public sector organizations.
2. Examine and analyze time pressure on fraudulence detection in public sector organizations.

3. Examine and analyze audit risk on fraudulence detection in public sector organizations.
4. Examine and analyze auditor capabilities on fraudulence detection in public sector organizations

## **2. THEORY AND HYPOTHESIS**

### **2.1 The influence of fraudulence trigger factor on fraudulence detection in public sector organizations**

The factors that triggering fraud is closely related to fraud detection in public sector. Bologna (1993) states there are four factors, which trigger someone to conduct a fraud. The theory is well-known as GONE (Greed, Opportunity, Need, and Exposure). First, factor related to a fraudulence doer is called individual factor (greed and need). Second, factor related to organization as a victim of fraudulence act is called general factor (opportunity and exposure). The third factor is exposure. Greed and need factor are factors that are related to individual who perform a fraud. Opportunity and exposure are factors that are related to organization as the victim of fraudulence (called as general factor).

Rustandi (2009) believes that ethical value is important, although, in fact, the situational pressure and opportunity factors that mostly trigger the fraud. Therefore, the difficulties in determining the fraudulence trigger factors will affect fraudulence detection aimed to reveal kinds of fraud happened in a certain organization. Therefore, it is important to determine the precise indicators in detecting the fraud. The first hypothesis in this research is;

H1: The factors triggering fraud influence on the fraudulence detection in public sector organizations

### **2.2 The influence of time pressure on the fraudulence detection in public sector**

The time budget pressure, which emerges because of the deadline or tight time budget in doing audit, can detect the fraudulence in public sector. Time pressure has two dimensions, they are time budget pressure (a condition where an audit is asked to make efficiency on arranged time budget, or time limitation in tight budget) and time deadline pressure (a condition where an auditor is asked to finish his audit task on time) (Heriningsih, 2001).

Waggoner and Cashell (1991) state that in conducting audit process, an auditor should consider the availability of time and budget, which will create time pressure. The researcher's second hypothesis is:

H2. Time pressure influences on fraudulence detection in public sector organization

### **2.3 The influence of audit risk to fraudulence detection in public sector**

Audit risk is closely related to fraudulence detection in public sector organization. The higher the auditor's assurance in obtaining right statement, the lower the audit risk he would receive. Usually,

professional consideration related to adequate assurance and the total level of audit risk is constructed into a policy, so that one audit risk can be compared to one another.

Lily (2011) finds that audit risk and time pressure, which significantly influence on the termination of audit procedure done by an auditor, support in improving the quality of audit act. Based on Lily's research (2011), limitation on audit risk at the balance account is required, so when the conclusion of the overall audit result is made has lower risk to prevent the fraudulence. Therefore, the third hypothesis state in this research is:

H3. Audit risk influences on the fraudulence detection in public sector organization

#### **2.4 The influence of auditor capability to detect the fraudulence in public sector organization**

Auditor capability is closely related to fraudulence detection in public sector organization since the general and specific skills are highly required in detecting fraud. In conducting audit, the auditor must use his skills to collect related evidences including the judgment. An auditor makes judgment in evaluating internal control, measuring audit risk, designing and implementing samples, assessing and reporting the aspects of uncertainty.

Burnaby, et al. (2011) state that auditors are required to have many practical experiences in auditing especially in collecting and assessing audit evidence. The fourth hypothesis is:

H4. Auditor capability influences on the fraudulence detection in public sector organization

### **3.0 RESEARCH METHOD**

The population of this research was auditors in The National Audit of Indonesia. Sample collecting method was purposive sample with 78 respondents participated in the research. Data analysis method used was double regression analysis with the significant level is 5%.

### **4.0 DISCUSSION AND RESULT**

#### **4.1 Validity Test**

Ghozali (2005) argues that the aim of validity test is to find out whether the result of the questionnaire is appropriate to measure research variables. Validity test result is presented on appendix of Table 1. The result on Table 1 shows that all indicators are valid because each indicator shows  $r > 0,198$ .

#### **4.2 Reliability Test**

Ghozali (2005) states the reliability is a tool to measure a questionnaire that is an indicator in constructed variable. The result of reliability test is shown in Table 2. Data collected in table 2 shows that from variable of fraudulence trigger factors (X1), time pressure variables (X2), audit risk

variables (X3), auditor capability variable (X4) and fraudulence detection on public sectors (Y), the value of alpha cronblach is above 0,6. Therefore, we can conclude that all variables are reliable.

### 4.3 Normality Test

The purpose of normality test is to find out whether or not dependent variables residual and the independent one can distribute normally (Ghozali, 2005). The result of normality test is shown in table 3. Based on Table 3, the result of normality test shows that Sig value is higher than 0,05, which describe that the distribution of residual data meets the normality assumptions.

### 4.4 Multikolinerity Test

Ghozali (2005) argues that multikolinerity test aims to test whether in the regression model meets the correlation among variables. The result of multikolinerity test is shown in Table 4. Based on Table 4, the result of multikolinerity test shows that the value of VIF (Variance Inflation Factor) test  $> 1,0$ , therefore, correlation among independent variables is not found in multikolinerity test on four hypotheses.

### 4.5 Heteroskedastisity Test

Ghozali (2005) states that heteroskedastisity test aims to find out the inequality residual of a regression model from one observation to another. Result of heteroskedastisity test is shown in Table 5. It is implied that the significant probability is higher than 0,05. Therefore, regression model meets the heteroskedastisity assumption.

### 4.6 The Result of the test

The test using multiple regression analysis (Table 6) shows that the significance value of fraudulence trigger factors is considered significant if the value is 0, 005 lower than  $\alpha = 0, 05$ . If the significance value of time pressure is 0, 665 higher than  $\alpha = 0, 005$ , the value is not significant. The value of audit risk is significant if the significance value of audit risk is 0, 000 lower than  $\alpha = 0, 05$ . The value of Auditor capability is significant if the significance value auditor capability 0,041 lower than  $\alpha = 0, 05$ .

### 4.7 Discussion

#### 4.7.1 *The test's result and discussion on hypothesis of the influence of fraudulence trigger factors to fraudulence detection in public sector organizations*

The test (Table 6) indicates that fraudulence trigger factor influence negatively significant (Sig= 0,005) to fraudulence detection in public sector. The higher the fraudulence trigger factor is reached, the more difficult is to detect the fraudulence in public sector. It happens because the high

level of fraudulence trigger factor can prevent the auditor in giving inaccurate information about government financial to public.

In this case, the higher level of the fraudulence trigger factor the more difficult is to detect the fraudulence in public sector, while the lower level of the fraudulence trigger factor, the easier is to detect the fraudulence in public sector. This study has the same result with Hall (2001) and Rustendi (2009). Therefore, the first hypothesis said that there is an influence to fraudulence trigger factor in detecting the fraudulence is clearly proven.

The factor triggering fraudulence of this research is consistent with the result of a research conducted by Hall (2001) in Rustendi (2009) that shows that fraudulence trigger factor affects the fraudulence detection system in public sector organization, which is similar with the participants' respond on variables of fraudulence trigger factors. The respond of the average respondents are neutral with the score of 3 in the questionnaire. While, on the variables of fraudulence detection system in public sector organization, the average respondents are agree that there is influence factors, with the score of 4 in the questionnaire.

#### ***4.7.2 The test's result and discussion on hypothesis of the influence of time pressure to fraudulence detection in public sector organizations***

The result in Table 6 shows that time pressure does not influence significantly to fraudulence detection in public sector [sig = 0,665]. Time pressure does not clearly state the fraudulence detection in public sector because the time budget pressure cannot detect the fraudulence in organization since the auditor cannot explain the fraudulence detection in public sector organization. Therefore, the time pressure does not significantly effect on fraudulence detection.

The result of this research is consistent with the result conducted by Cashell and Waggoner (1992) in Lily (2011) who state that time pressure does not affect the fraudulence detection in organization and the average respondents are agree toward the time pressure variable with the score is 4 on the questionnaire. For the detection on fraudulence variable, the average respondents are agree, with the score is 4 on the questionnaire.

#### ***4.7.3 The test's result and discussion on hypothesis of the influence of audit risk to fraudulence detection in public sector organizations***

Based on the test on Table 6, it shows that audit risk significantly affects the detection fraudulence in organization (sig=0,000). It means the higher level of the audit risk, the higher detection of fraudulence happened in public sector. Reducing the samples in auditing is considered too risky for the auditor. Therefore, an auditor must have professional ethic in doing his job.

The influence of audit risk to fraudulence detection in organization emerges because of the availability of chances from an auditor. By the occurrence of audit risk in balance account, the risk of

overall audit result can be pressed into a lower level so the possibility of fraudulence can be avoided. The result of this research is consistent with Lily's result (2011). Thus, it can be concluded that the third hypothesis, which reports an effect of audit risk to detection fraudulence in organization, is proved.

The result in this research is in line with Lily's result (2011) who argues that the audit risk affects the detection fraudulence in organization and the average respondents answer neutral with the score is 3 on the questionnaire. Besides, the average respondents are agree, with the score is 4 on the questionnaire.

#### ***4.7.4 The test's result and discussion on hypothesis of the influence of time pressure to fraudulence detection in public sector organizations***

Based on the result in table 6, it shows that auditor capability significantly influence to fraudulence detection in organization (sig=0,041). It means the higher auditor capability the easier they are in detecting fraudulence. Auditors with high skills can easily detect fraudulence in an organization. Therefore, an auditor should have a sense of curiousness, broad-minded, and ability in handling uncertainty.

In collecting the evidences, the auditor must use his capability in auditing process. Therefore, an auditor capability will affect the detection of fraudulence in organization. The result of this study is in line with Burnaby et, al study (2011). Thus, the fourth hypothesis that states about the capability of auditor affects in detecting the fraudulence is proven.

The result of this research is consistent with a research conducted by Burnaby et, al (2011) which states that auditor capability affects the fraudulence detection in public sector organization. It is in line with the respondents who agree on auditor capability variable with the score is 4 in questionnaire.

## **5.0 SUGGESTIONS AND CONCLUSION**

### **5.1 Conclusion**

Based on the research, the conclusions of this research are:

1. Fraudulence trigger factor significantly affects the fraudulence detection in public sector organization.
2. Time pressure does not significantly affect the fraudulence detection in public sector organization.
3. Audit risk significantly affects the fraudulence detection in public sector organization.
4. Auditor capability significantly affects the fraudulence detection in public sector organization.

## 5.2 Limitation

The only samples in this research are auditors from The National Audit of Indonesia in East Java, so, the result of this research cannot be taken as general result or general assumption.

## 5.3 Suggestion

It is hoped for the next researchers who take on the same subject will collect the data through interview process, so that the respondents can give valid information as well as expand the source of data to elevate the generalization on the research conclusion.

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## Appendix

Table 1: Validity Test

## FRAUDULENCE TRIGGER FACTOR (X1)

## Item-Total Statistics

Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
8.896	.515	.845
9.156	.714	.795
8.400	.680	.796
8.394	.655	.803
8.285	.689	.794

## TIME PRESSURE (X2)

## Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
x2.1	13.69	9.099	.650	.787
x2.2	14.68	7.935	.726	.763
x2.3	14.37	7.743	.766	.749
x2.4	13.36	10.155	.536	.818
x2.5	13.49	10.435	.465	.834

**AUDIT RISK (X3)****Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
x3.1	12.91	13.797	.684	.794
x3.2	13.15	12.911	.884	.740
x3.3	13.08	13.734	.859	.756
x3.4	13.67	13.628	.536	.844
x3.5	14.99	16.143	.364	.878

**THE ABILITY OF AUDITORS (X<sub>4</sub>)****Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
x4.1	38.78	37.393	.848	.947
x4.2	39.72	38.465	.382	.975
x4.3	38.44	37.340	.762	.950
x4.4	38.51	36.643	.875	.945
x4.5	38.67	36.563	.892	.945
x4.6	38.67	36.563	.892	.945
x4.7	38.59	36.115	.938	.943
x4.8	38.72	35.400	.932	.943
x4.9	38.85	36.755	.840	.947
x4.10	38.64	36.389	.934	.943

**DETECTION IN PUBLIC SECTOR ORGANIZATION (Y)****Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
y1.1	26.40	9.411	.797	.799
y1.2	26.69	9.281	.469	.849
y1.3	26.18	10.123	.669	.818
y1.4	26.41	9.648	.719	.809
y1.5	26.41	9.804	.670	.815
y1.6	26.63	9.120	.615	.819
y1.7	26.97	8.805	.512	.846

**Table 2: Reliability Test****FRAUDULENCE TRIGGER FACTOR (X1)****Reliability Statistics**

Cronbach's Alpha	N of Items
.839	5

**TIME PRESSURE (X2)****Reliability Statistics**

Cronbach's Alpha	N of Items
.828	5

**AUDIT RISK (X3)****Reliability Statistics**

Cronbach's Alpha	N of Items
.838	5

**THE ABILITY OF AUDITORS (X<sub>4</sub>)****Reliability Statistics**

Cronbach's Alpha	N of Items
.953	10

**DETECTION IN PUBLIC SECTOR ORGANIZATION (Y)****Reliability Statistics**

Cronbach's Alpha	N of Items
.843	7

**Table 3: Normality Test****One-Sample Kolmogorov-Smirnov Test**

		X1 (Faktor Pemicu kecurangan)	X2 (Time pressure)	X3 (Resiko Audit)	X4 (Kemampuan Auditor)	Y (Deteksi Kecurangan Di Organisasi Sektor Publik)
N		78	78	78	78	78
Normal Parameters <sup>a,b</sup>	Mean	16,7179	17,3974	16,9487	43,0641	30,9487
	Std. Deviation	3,59977	3,68690	4,59219	6,71950	3,54158
Most Extreme Differences	Absolute	,216	,193	,114	,195	,126
	Positive	,095	,193	,114	,151	,126
	Negative	-,216	-,142	-,108	-,195	-,121
Kolmogorov-Smirnov Z		1,022	1,008	1,010	1,172	1,116
Asymp. Sig. (2-tailed)		,263	,236	,259	,175	,166

a. Test distribution is Normal.

b. Calculated from data.

**Table 4: Multikolinerity Test**

Model	Collinearity Statistics		
	B	Tolerance	VIF
1 (Constant)	22.185		
X1	-.230	.915	1.093
X2	-.033	.959	1.042
X3	.555	.985	1.015
X4	.088	.930	1.075

a. Dependent Variable: Y

**Table 5: Heteroskedastisity Test****Coefficients<sup>a</sup>**

Unstandardized Coefficients		Standardized Coefficients
B	Std. Error	Beta
8.446	1.634	
-.038	.048	-.081
-.062	.046	-.133
-.197	.036	-.532
-.042	.025	-.164

a. Dependent Variable: ABS\_RES

**Table 6: The Result of the test****Coefficients<sup>a</sup>**

Unstandardized Coefficients		Standardized Coefficients	t	Sig.
B	Std. Error	Beta		
22.185	2.715		8.172	.000
-.230	.080	-.234	-2.890	.005
-.033	.076	-.034	-.435	.665
.555	.060	.719	9.219	.000
.088	.042	.167	2.076	.041

a. Dependent Variable: y