

THE INFLUENCE OF AUDITOR ETHICS, AUDITOR QUALITY, INDEPENDENCE, AND AUDITOR COMPETENCE ON FRAUD PREVENTION IN PUBLIC ACCOUNTING OFFICE IN MEDAN CITY

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Vol. 17 No. 3 2023

Abstract

Submit :
10/05/2023

Accept :
28/06/2023

Publish :
29/06/2023

Fraud is any illegal act of intentionally manipulating others or making false statements. Preventive measures must be taken to prevent significant reputational loss or reputational damage to institutions and individuals. Therefore, fraud prevention can be influenced by several variables. This study aims to detect the effect of auditor ethics, audit quality, independence and auditor competence on fraud prevention. The number of samples used in this study consisted of 60 appraisers and were processed using purposive sampling method using SPSS vers 26. The conclusion of this study results in that auditor competence has an influence on fraud prevention while auditor ethics, auditor quality and independence have no influence on fraud prevention.

Keywords: Auditor Ethics, Audit Quality, Independence, Auditor Competence, Fraud Prevention.



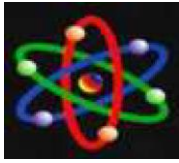
INTRODUCTION

Fraud (cheating) is an act that is contrary to applicable norms and is carried out with awareness in order to gain profit (cheating or providing false reports/information to related parties). This is usually carried out by internal and external parties who consciously or unconsciously burden parties others to achieve personal or organizational interests. (ACFE, 2016). The absence of internal controls on human resources within the company is a major contributor to fraud. Lack of communication between company officials and employees of the company concerned caused the fraud to occur. Therefore, the career of a public accountant should be a respectable profession on the foundation of his professional characteristics in harmony with existing principles. Auditors must carry out their duties by applying professional ethics and independence based on professional practice so that they have engagement and intervention from people who have a need for the final conclusion of the audit, such as internal and external parties. This research was conducted so that the auditor is able to evaluate and catch fraud during the audit process (R. Hassan, 2019). According to Sari & Helmayunita (2018) the auditor's proficiency in identifying signs of potential fraud is commonly referred to by the term "ability to detect fraud". Detecting fraud is not an easy thing because of the characteristics of fraud, audit requirements in detecting fraud, pressure on the audit area, methodologies and unstable audit processes in identifying fraud. The auditor has indicators in detecting fraud, namely

fraud in corporate institutions, deviant authorization systems, fraudulent data collection methods and their tendency to appear in unfavorable circumstances. (Noviyani and Bandi in Qondiyas, 2020). According to the Financial Profession Development Center (PPPK) (Hutapea, 2018), one of the audit ethics lawsuits that arose in Medan involved Dra. Melina Pangaribuan, M.M., head of Public Accountant (KAP) for not fully complying with auditing standards, Public Accountant Professional Standards (SPAP) and the Public Accountant Code of Ethics and the Code of Business Ethics; license revoked for 12 months. PT. Jui Shin Indonesia was audited by another auditor in fiscal year 2015, specifically due to a lack of evidence such as sales invoices, HPP and taxes due. Another case occurred at the High Prosecutor's Office (Kejati) of North Sumatra, which is currently being suspected of misappropriating funds from 294 official cars of Bank Sumut. The party admitted to detecting state losses reaching IDR 4.9 billion in this work. The Bank of North Sumatra official car acquisition project occurred between 2013-2014. Six different types of cars, namely Mitsubishi Pajero Sport, Toyota Camry, Toyota Rush, Toyota Kijang Innova, Toyota Avanza and Daihatsu Xenia, were allegedly included in the acquisition budget in related cases (Yan Muhardiansyah, 2016).

In addition, regarding the independence of the auditors at the Public Accounting Firm Drs. Usually Sitepu Medan city. Starting from the Raden Motor Company borrowing Rp. 52 billion in capital through KC BRI





Jambi, there were allegations of misuse of bad credit funds. Based on the findings of the investigation and the confrontation with the witnesses, there was an assumption that Drs. Usually Sitepu as a public accountant is involved in this event. During the examination and meeting between the suspect and the witness it was discovered that the financial reports provided by the Raden Motor Company to BRI were incorrect. There were 4 financial report data collection activities included by public accountants in their reports, resulting in irregularities in the credit process and corruption charges that resulted in losses.

The data provided to BRI at that time for Raden Motor Company's financial statements should have been complete, but it was predicted that the financial statements submitted by the company's leadership Raden Motor Zain Muhammad did not include an audit. (Jambi Tribune, 2017).

In accordance with the description that has been presented, the author is interested in writing a journal with the title "The Influence of Auditor Ethics, Audit Quality, Auditor Independence and Competence on Fraud Prevention in Public Accounting Firms in Medan City".

METHOD

Quantitative Methods

Quantitative methods were applied in the preparation of this study. Sugiyono (2020: 16) defines quantitative methodology as an accumulation approach in analyzing data from a population to confirm predetermined hypotheses/assumptions.

Research Sites

The implementation of this research was carried out directly at the KAP in the Medan City area. By using primary data in the form of a questionnaire.

Population and Sample

Population

Sugiyono (2019: 126) population is an abstract field / scope that is formed from various kinds of objects. The population of this research is KAP in Medan City. The following is a table regarding the number of population:

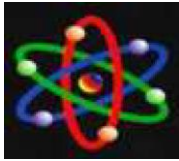
Sample

Sugiyono (2020: 127) The sample must be adjusted to the size and characteristics of the population and the sample size must accurately reflect the entire population studied. Sampling was targeted with purposive sampling technique and was used to take samples and the required samples consisted of 60 auditors from 5 KAPs in Medan City.

RESULT

Data regarding research using KAP auditors in Medan. Samples were taken from up to 60 auditors. The following are the results of the description test for the min, max, average and standard deviation values of the sample. This information can be reviewed based on the following table:





Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Etika Auditor	60	34	45	40.08	3.115
Kualitas Audit	60	25	35	30.88	2.643
Independensi	60	21	30	25.08	2.878
Kompetensi Auditor	60	21	40	34.55	4.160
Pencegahan Fraud	60	17	25	21.73	2.583
Valid N (listwise)	60				

Source: processed using SPSS version 26

Figure 1. Descriptive Statistics

Description as follows:

1. Auditor Ethics (X1) has a sample of 60, with a min value of 34 and a max value of 45 and a mean value of 40.08 with a standard deviation of 3.115.
2. Audit Quality (X2) has a sample of 60, with a min value of 25 and a max value of 35 and a mean value of 30.88 with a standard deviation of 2,643.
3. Independence (X3) has a sample of 60, with a min value of 21 and a max value of 30 and a mean value of 20.05 with a standard deviation of 2.878.
4. Auditor Competency (X4) has a sample of 60, with a min value of 21 and a max value of 40 and a mean value of 34.55 with a standard deviation of 4.160.
5. Fraud Prevention (Y) has a sample of 60, with a min value of 17 and a max value of 25 and a mean value of 21.73 with a standard deviation of 25.83. Assessment in research uses a significance of 5% with the provisions of the test if the value. $r_{table} < r_{count}$ then it is said to be valid. The value of r_{count} on P Correlation. With $n=60$, $df=n-2= 58$, then $\alpha= 0.05$ with $r_{table}= 0.2542$.

Reliability Test

Based on the opinion of Sujarweni (2015: 110), the item value is considered reliable if the Alpha number (α) > 0.6 .

Reliability Statistics

Cronbach's Alpha	N of Items
.840	5

Source: processed using SPSS version 26

Figure 2. Reliability Test

Auditor Ethics Variables, Audit Quality, Independence, Auditor Competence and Fraud Prevention

Figure above explains that there are five variables with Cronbach's alpha (α) (0.840) > 0.6 . In this case, all variables are valid so that they can be used in terms of measuring tools to be able to continue research.

Classical Assumption Test

Normality Test

Based on the opinion of Sujarweni (2015: 225), the normality test is designed to determine whether the dependent and independent variables of the regression model are uniformly normally distributed using the Kolmogorov-Smirnov application. Variables that are significantly above 0.05 are normally distributed and variables that are significantly below 0.05 are not normally distributed.

Histogram Normality Test

Figure 3 hows that the curve is slanted symmetrically with respect to the letter U, which indicates that the data is normally distributed.



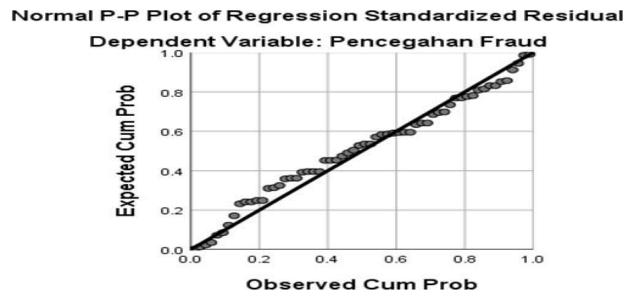
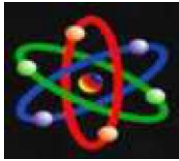


Figure 3. P-P Plot Normality Test

In Figure above shows the diagonal distribution of these points, so that concluded that the data were normally distributed.

Multicollinearity Test

Adopting from the opinion of Sujarweni (2015: 226), using tolerance numbers/values or variance inflation factor (VIF) as a determinant of the presence/absence of multicollinearity. If tolerance > 0.1 and VIF value <10 , then multicollinearity does not exist/does not occur.

Heteroscedasticity Test

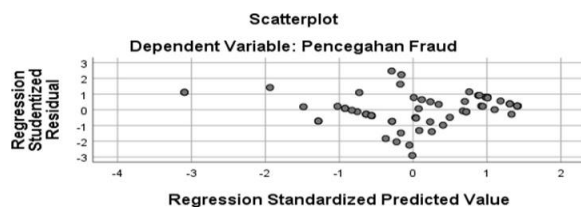


Figure 4. Heteroscedasticity Test

Raise the opinion of Sujarweni (2015: 159). By using the scatterplot image model,

If the distribution of data points is the distribution above, below or around the number 0, then the distribution collects

above and below and there is no heteroscedasticity regression. Thus it can be concluded that the scatterplot in Figure 3.3 does not have heteroscedasticity. Multiple regression analysis was applied to prove the hypothesis and to determine the extent to which all the independent variables have an effect on the dependent variable. The R value is 0.790 or 79%, so the influence exerted by the independent variables (Auditor Ethics, Audit Quality, Auditor Independence and Competence) on the dependent variable (Fraud Prevention) is very large. The value of the Adjusted R Square is 0.596 or 59.6%. This is because in this study, the independent variables (auditor ethics, audit quality, independence and competence of auditors) have an effect of 59.6% on the dependent variable (fraud prevention) while the remaining 40.4%. This indicates that it is influenced by other factors.

3.5.1 Test t

Sujarweni (2015: 229) The t-test shows how the independent variables affect the interpretation of the dependent variable. If the table value = 2.004, then $n-k = 60-5 = 55$ $\alpha = 0.05$.

		Coefficients ^a					Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
Model		B	Std. Error	Beta				
1	(Constant)	.836	2.905		.288	.774		
	Etika Auditor	.150	.116	.181	1.301	.199	.353	2.835
	Kualitas Audit	-.071	.144	-.072	-.489	.627	.315	3.179
	Independensi	.103	.085	.115	1.207	.233	.756	1.323
	Kompetensi Auditor	.419	.066	.674	6.358	.000	.609	1.643

a. Dependent Variable: Pencegahan Fraud

Figure 5. t test





So, based on figure above the following conclusions can be drawn:

1. The coefficient value of the variable X1 (Auditor Ethics) has a number of 0.150 and tcount (1.301) < ttable (2.004) and a significant number of 0.199 > 0.05 so it has no effect on variable Y (fraud prevention).
2. The Coefficient Value of Variable X2 (Audit Quality) has a value of -0.071 and tcount (-0.489) < ttable (2.004) and a significant number of 0.629 > 0.05 so that it has no effect on variable Y (fraud prevention).
3. The coefficient value of variable X3 (Independence) has a number of 0.103 and tcount (1.207) < ttable (2.004) and a significant number of 0.233 > 0.05 so it has no effect on variable Y (fraud prevention).
4. The coefficient value of variable X4 (Auditor Competency) has a number of 0.419 and tcount (6.358) > ttable (2.004) and a significant number of 0.000 < 0.05 so that it affects variable Y (fraud prevention).

Sujarweni (2015: 228) The f-test is the significance value of the regression model used to test the independent variables affecting the dependent variable or not. By using the value df 1 = 4, df 2 = 55 and = 0.05 for ftable = 2.540.

Figure 6. Test f

Therefore, based on Table 3.8, fcount (22.768) > ftable (2.540) with a significant value (0.000) < 0.05. This condition means

that the independent variables (auditor ethics, audit quality, independence and competence of auditors) simultaneously have a significant and positive effect on the dependent variable (fraud prevention). The results of the t-test in this study explain that auditor ethics have no effect on fraud prevention, where tcount (1.301) < ttable (2.004) and a significant number of 0.199 > 0.05. This condition is different from the acquisition of research data which has implications for audit ethics which affect fraud prevention (Ridho Gilang Adiko et al., 2019). Auditor ethics serve as a guide for their work and can be used to control their actions. However, in this study, even though auditor ethics are high, this is not a benchmark for fraud prevention.

Effect of Audit Quality on Fraud Prevention

Judging from the data on the Audit Quality variable where tcount (-0.489) < ttable (2.004) and a significant number of 0.629 > 0.05 proves that there is no effect of the Audit Quality variable on Fraud Prevention. These results are reinforced by research (Alves, 2013)) which shows that audit quality does not actually reduce fraudulent financial reporting practices, as proven by well-known Big Four accounting firms. This happens because the auditor failed to

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	245.482	4	61.370	22.768	.000 ^b
	Residual	148.252	55	2.695		
	Total	393.733	59			

a. Dependent Variable: Pencegahan Fraud

b. Predictors: (Constant), Kompetensi Auditor, Independensi, Etika Auditor, Kualitas Audit





identify and prevent fraud.

Effect of Independence on Fraud Prevention

The results of the t test in this study explain that independence has no effect on fraud prevention where $t_{count} (1.207) < t_{table} (2.004)$ and a significant number of $0.233 > 0.05$. Thus, auditors with high or low independence cannot always detect fraud. Cheating can happen at any time and can be done by anyone. Therefore, the research results in this study are also consistent with the results/findings that independence has no effect on fraud prevention (Saputra et al., 2020).

Effect of Auditor Competence on Fraud Prevention

Referring to the examination, the Auditor Competency variable is obtained with $t_{count} (6.358) > t_{table} (2.004)$ and a significant number of $0.000 < 0.05$ clearly proves that the auditor's competency variable has an influence on fraud prevention. Research (Johan, 2021) also explains that it is very important that auditor competence helps prevent fraud. The test results show that the competence of the auditor is able to prevent fraud from occurring in the company.

CONCLUSIONS

As a result of this study, researchers can conclude that:

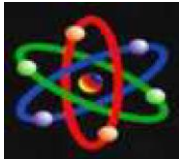
1. There is no impact/influence of auditor ethics on fraud prevention in Medan.

2. There is no impact/influence of Audit Quality on Fraud Prevention in Medan City.
3. There is no impact/influence of Independence on Fraud Prevention in Medan City.
4. There is an influence of Audit Competence on Fraud Prevention in Medan City.
5. The R value is 0.790 or 79%, so the influence exerted by the independent variables (Auditor Ethics, Audit Quality, Auditor Independence and Competence) on the dependent variable (Fraud Prevention) is very large. Adjusted R Square value is 0.596 or 59.6%. This shows that there is an influence of the independent variables (Auditor Ethics, Audit Quality, Auditor Independence and Competence) on the dependent variable (Fraud Prevention) of 59.6% and the remaining 40.4% is influenced by other factors outside of this study.

Suggestions

In order for the research results to be generalized more generally, it is hoped that future researchers who are interested in evaluating the variables that affect fraud prevention can add to the research sample. Future researchers are also anticipated to extend this research by using additional factors that may influence fraud prevention.





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