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Influence Audit Evidence And Materiality Against Lack Detection (Survey at Public Accounting Firms Throughout DKI Jakarta)

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ABSTRACT

Research purposes This study aims to determine the effect of audit evidence and materiality on fraud detection (survey at public accounting firms in DKI Jakarta). as Respondent. SPSS 25 is used as a tool used to analyze data. The research data used comes from a questionnaire collected using the survey method. The survey was conducted for one month from September 2, 2019 to September 30, 2019. The survey was carried out in the DKI area. The results of the study and data analysis used simple linear regression. Research result Based on the analytical results, it can be seen that the audit evidence and materiality variables have no effect on fraud detection. Research limitations / limitations The studies in this study have not been able to answer all the causal phenomena of fraud detection. The data used is still small, as many as 176 auditors and the object used as the unit of analysis is only one type of auditor who works in a public accounting firm. Practitioners This study encourages all auditors, especially those who work in public accounting firms, to have a professional suspicion in performing their duties in order to be able to detect fraud in the company. Originality / value: In this study the focus is on proving whether audit evidence and materiality will give an Auditor the ability to detect fraud.

KEYWORDS *Audit Evidence, materiality, fraud detection.*

INTRODUCTION

Conducting fraud detection is inseparable from knowledge of the factors that trigger its occurrence, including who or which party might be responsible for the fraud. This is necessary to determine who has the task of making the detection because knowing the triggers of fraud and who or which party is involved will allow for a more focused prevention effort (Dong et al., 2018; Kaur et al., 2023; Razaque et al., 2023; Subekti & Kuntadi, 2023; Ukëhaxhaj et al., 2024). In many cases, the success of fraud

perpetrators is due to their skill in hiding their activities, particularly in the transactions and techniques used. This can be prevented by examining accounting records for symptoms or possible fraud, which leads to a more focused investigation capable of detecting it.

This study examines financial statement fraud involving the manipulation of transactions through omission, alteration, or fabrication to misappropriate assets and produce misleading reports (Deliana & Oktalia, 2022; Flood, 2020; Lionardi & Suhartono, 2022; Meiryani et al., 2020). The risk factors are categorized into: (a) management characteristics and influence on control systems, including leadership attitudes toward internal controls, management style, situational pressures, and financial reporting processes; (b) industry conditions, where companies in declining sectors face higher fraud risks than those in stable industries; and (c) operational traits and financial stability, particularly entities engaging in unaudited transactions with external parties, which increases vulnerability to fraudulent activities.

There *are* still many companies with inadequate financial report quality. The occurrence of legal cases involving accounting manipulation is notable. This accounting manipulation scandal has involved a number of large companies. The disclosure of these types of scandals has led to a decline in public trust, especially within the financial community, as marked by the drastic drop in share prices of the companies affected by these cases.

(Karyono, 2021) defines fraud detection as follows: *Fraud detection is an action to find out that fraud occurred, who the perpetrator was, who was the victim, and what was the cause.* (Kumaat, 2021) states that: *Detecting fraud is an effort to obtain sufficient initial indication of the act of fraud, as well as to narrow the space for the perpetrators of fraud (i.e., when the perpetrator realizes that the practice has been discovered, it is too late to dodge).* From this definition, it can be concluded that detecting fraud is an attempt to obtain an early indication of the act of fraud that leads to whether testing is necessary or not. (Stephen K. Asare, Arnie Wright, 2022)

Cheating is a general term that includes all kinds of ways that can be used with certain shrewdness, chosen by an individual, to gain benefit at the expense of another party by misrepresenting facts. There are no fixed rules that can be issued as a general proposition in defining cheating, including surprises, gimmicks, cunning, or improper means used to commit fraud. The only boundaries in defining fraud are those that limit human dishonesty.

Audit evidence, according to (Arens, Elder, 2023), is any information used by the auditor to determine whether the audited information is stated in accordance with established criteria. Meanwhile, the definition of *audit evidence* according to (Siti Kurnia Rahayu dan Ely Suhayati, 2021) is any information used by the auditor

to determine whether the information (assertions) presented by the audit meets the criteria.

Materiality, according to (Hayes et al., 2021), in the context of the audit, is explained as follows: (1) misstatements, including omissions, are considered material if the respective misstatements and misstatements as a whole are expected to affect the economic decisions of users based on the existing financial statements; (2) judgments regarding materiality are made to highlight circumstances surrounding, and which are affected by the size or nature of the misstatement, or a combination of the two; (3) users consider various material matters regarding the general financial information needs of a group of users.

Materiality then becomes one of the factors that influence the auditor's judgment regarding the adequacy of the audit evidence needed. The adequacy of audit evidence will greatly affect the magnitude of the potential error in making conclusions on the presentation of the auditee's financial statements. It is this potential error that is described as audit risk. Audit risk itself is the risk that the auditor may inadvertently fail to properly modify his opinion regarding financial statements that contain material misstatements.

In the process of auditing financial statements, fraud should be minimized through external auditors at the operational level by gathering sufficient quantity and quality of evidence to support an opinion on the correctness of risk perceptions. Audit evidence is obtained when external auditors perform audit procedures and interpret information obtained with specific knowledge of the audit organization's business and industry.

Misstatements derived from financial statements may also affect the audit evidence that the auditor uses to evaluate statements made by management, with different types of misstatements having different implications for undistorted audit evidence so that the auditor can achieve the lowest level of audit risk. (SP Robbins and Tomoty A, 1990)

The adequacy of audit evidence has more to do with the quantity of audit evidence. Factors affecting the adequacy of audit evidence include materiality considerations. Empirical evidence has a negative effect on fraud. Bell et al., (2021) believe the auditor should make a preliminary opinion on the level of materiality of the financial statements; the lower the level of materiality, the greater the quantity of evidence required. A specified low level of materiality means a low tolerable misstatement. The low tolerable misstatement requires the auditor to gather more evidence so that the auditor is sure that no material misstatement has occurred.

Materiality has been proven empirically to have a negative effect on fraud detection. Popova, (2021) shows that auditors provide a higher misstatement assessment after misstatement (accidental or error) and fraudulent misstatement (intentional or fraudulent) than inherent risk (IR) and control risk (CR). The results

of the research show that materiality has a positive effect on fraud detection. Bell et al., (2021) acknowledge that when studying audit procedures, the auditor requires a basis for how, and under what circumstances, to use different configurations to obtain audit evidence in order to manage audit risk. Based on an examination of working papers, the auditor can determine the perceived risk of fraud. Audit evidence has a negative effect on fraud.

According to Sugiyono (2019): *Hypothesis is a temporary answer to the formulation of research problems; therefore, the formulation of research problems is usually arranged in the form of question sentences. It is said to be temporary because the answers given are only based on relevant theory, not yet based on empirical facts obtained through data collection.*

H1: Audit evidence has a positive effect on fraud detection (*fraud*).

H2: Level of materiality has a positive effect on fraud detection (*fraud*).

RESEARCH METHOD

This research employs a causal approach with primary data collection. The study population consisted of 200 individuals, from which 174 respondents were selected using the Slovin formula. The sampling method applied was purposive sampling, allowing the selection of respondents based on specific criteria relevant to the research objectives. Data analysis was conducted using SPSS Version 25 to ensure accuracy in statistical testing and interpretation.

The descriptive analysis revealed that the average index value for the fraud detection variable (Y) was 72.27, which falls under the moderate category. This suggests that, from the respondents' perspective, the level of fraud detection is consistent with auditors' expectations. For the audit evidence variable (X1), the average value was 83.76, categorized as high, indicating that respondents believe they have provided adequate evidence in line with what auditors typically expect. Similarly, the materiality variable (X2) scored an average of 82.33, also categorized as high, reflecting that the level of materiality presented by respondents aligns with standard audit expectations.

A normality test was conducted using the Kolmogorov-Smirnov method to assess whether the data followed a normal distribution. The test results showed a significance value (Asymp. Sig. 2-tailed) of 0.977, which is greater than the threshold of 0.05. This indicates that the residual data is normally distributed, thereby meeting one of the assumptions for further parametric testing in regression analysis. These findings support the reliability and validity of the dataset used in this study.

RESULT AND DISCUSSION

Hypothesis test

Hypothesis testing in this study uses multiple regression analysis, which is used to determine whether there is an influence between two or more independent variables (X) and the dependent variable (Y).

Table 1. Multiple Linear Regression Analysis

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	30,756	6,252		4,919	, 000
	Audit evidence	, 019	, 188	, 008	, 102	, 919
	Laterality	, 320	, 233	, 106	1,372	, 172

a. Dependent Variable: Fraud detection
Source: Data processed by SPSS 25

Based on the results of the data analysis using SPPS 25, the regression equation is obtained as follows:

$$Y = 30.756 + 0.019 + 0.320 + e$$

The regression equation above shows that between the independent variable and the dependent variable, the conclusion can be drawn:

1. The constant value of 30.756 means that if there is no change in audit evidence (X1) and materiality (X2) is 0 then the detection of fraud is 30.756
2. The coefficient value of audit evidence (X1) has a correlation of 0.019 if it increases 1%. Assuming the materiality of X2 and the constant is 0 (zero), it will increase by 0.019, which shows that the variables provided have a positive contribution.
3. the materiality coefficient value is 0.320 (if X2) the coefficient value is 0.320, meaning that if it increases 1%, assuming the audit evidence variable (X1) and the constant is 0 (zero) it will increase by 0.320

Table 2. T test (partial test)

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	30,756	6,252		4,919	, 000
	Audit evidence	, 019	, 188	, 008	, 102	, 919
	Laterality	, 320	, 233	, 106	1,372	, 172

a. Dependent Variable: Fraud detection

Source: Data processed by SPSS 25

From the results of the T-test in the table above, the following conclusions can be drawn:

a) From the regression table it can be seen that the t value for the audit evidence variable is 0.102 with a probability level. So it can show that the audit evidence variable does not have a significant effect on fraud detection, because the significance of the research shows that it is greater than 0.05, which is equal to 0.1488> 0.05, it can be concluded that H1 is rejected. It has no significant effect.
b) From The regression table can be seen that the t value for the detection variable is 4,662 with a probability level of 0,000, so it can show that the variable has no significant positive effect on fraud detection, because the significance of the study shows that it is smaller than 0.05, which is equal to 0,000 <0.05, it can be concluded that H2 is rejected.

F test

Test This is used to determine whether the independent variables (X1, audit evidence) materiality (X2) together have a significant effect on the dependent variable fraud detection (Y). Or to find out whether the regression model can be used to predict the dependent variable or not.

F test or model test, basically to see how all the independent variables influence the dependent variable together, or to test whether the regression model is good and significant or not good and insignificant. If the model is significant, the model can be used for prediction or forecasting, on the other hand, if it is not significant, the regression model cannot be used for forecasting. The basis for making conclusions for the F test is:

1. If the value of Sig <0.05 or F count> F table, then there is an effect of variable X simultaneously on variable Y.
2. If the value of Sig> 0.05 or F count <F table, then there is no effect of variable X simultaneously on variable Y.

Table 3. F test

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53,189	2	26,595	1,014	, 365b
	Residual	4482,977	171	26,216		
	Total	4536,167	173			

a. Dependent Variable: Fraud detection

b. Predictors: (Constant), Laterality, Audit evidence

Source: Data processed by SPSS 25

F table with a significance level of 5%, the degree of freedom of the numerator is k-1 or 173 and the degree of the denominator is nk. Then, the F table value is 3.65.

Discussion

Effect of Audit Evidence (X1) on Fraud Detection

Based on the results of hypothesis testing, it shows that audit evidence has no effect on fraud detection. It can be seen from the sig of 0.878> 0.05 shows that experience has an effect on fraud detection. The same results were also obtained in the research of (Trisna & Aryanto, 2021)showing that experience has an influence on fraud detection. Thus, sufficient audit evidence obtained by an auditor while conducting an examination of financial statements can be carried out by obtaining relevant evidence, competence, adequacy and timeliness.

Effect of Materiality (X2) on Fraud Detection

Based on the results of the partial test or t test in the table, it shows that materiality has no effect on fraud detection. Judging from the sig results of 0.878 > 0.05. According to research (Bharata, I. M. A. P., & Wiratmaja, 2022) it shows that the ability to consider materiality can strengthen the positive influence of competence on the accuracy of giving opinions by auditors, this means that in a situation where an auditor has the ability to consider materiality, the positive effect of competence on the accuracy of giving opinions is getting stronger. (Dp et al., 2022) shows that experience has a significant influence on materiality considerations. (Dp et al., 2022) revealed that experienced auditors will make relatively better judgments in their professional tasks research conducted by (Sandi purwantoro, 2022) which provides evidence that the level of professionalism of an auditor has no effect on consideration of the level of materiality.

Auditors who are more experienced will be able to produce better judgments based on the information obtained from the financial statements and will have better views and responses to the information contained in the financial statements.

CONCLUSION

Based on the results of the study, it can be concluded that neither audit evidence nor materiality has a positive and significant effect on fraud detection, where better audit evidence and materiality calculations result in better audit quality, but this does not directly contribute to improving the ability to detect fraud. These findings indicate that factors other than audit evidence and materiality may play a more important role in the fraud detection process.

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