

CHAPTER I

INTRODUCTION

1.1 Background

The development of the accounting world is increasingly rapid today brings enormous benefits to the community and has produced various material and non-material benefits. But on the other hand, these phenomena and situations have resulted in increasingly intense business competition by seeking the highest profits with the smallest sacrifices and avoiding losses. This competitive demand can change business behavior towards unfair / fraudulent competition which is one form of economic crime.

This situation forces the possibility of many violations and irregularities which in turn will have major consequences which can ultimately harm many parties, namely the occurrence of very complex fraud problems. Such as corruption, asset misuse and manipulation of financial statements that are difficult or cannot even be detected by the normal financial audit process (Amisa, 2013). Fraud creates a serious problem because it commonly involves individual efforts to hide, falsify, mislead, manipulate and change the right and fair view to take illegal profits at the expense of others (Abdullahi and Manson, 2015).

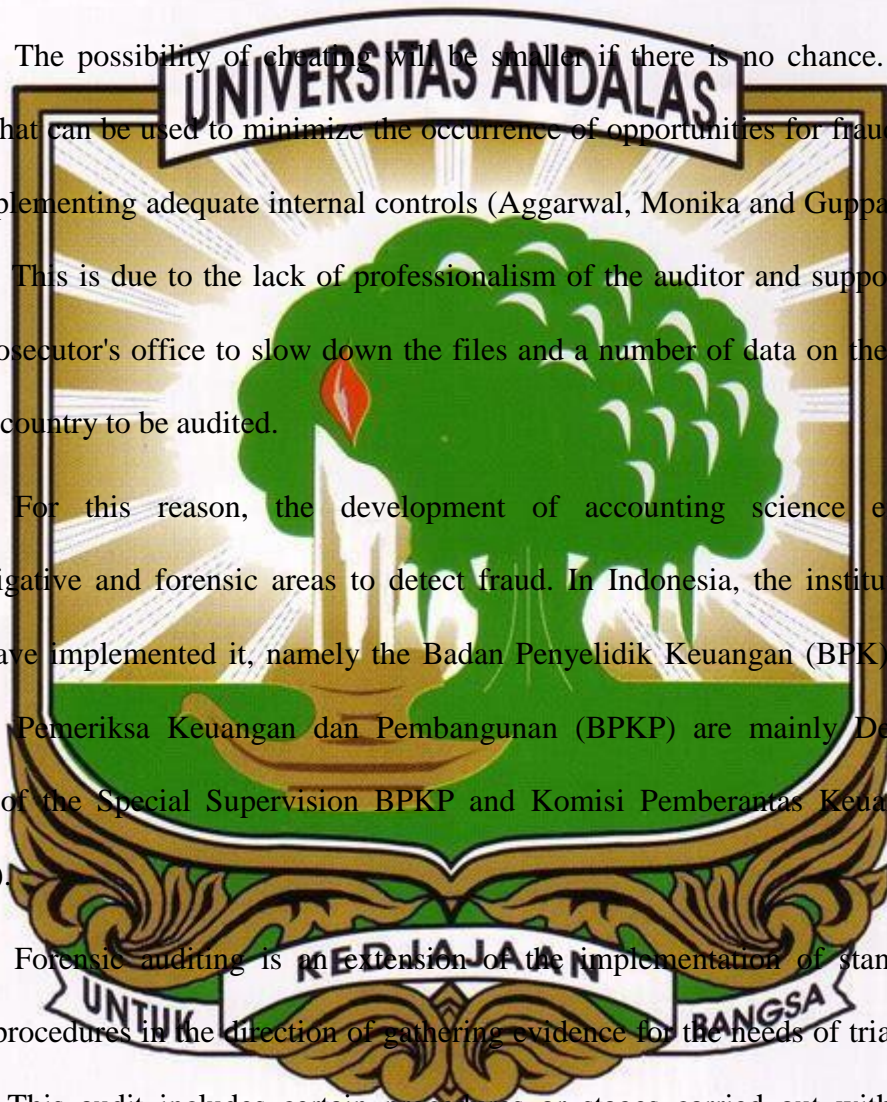
Fraud is the main object fought in forensic accounting. The reasons for cheating are often triggered through pressure that affects individuals, rationalization, or opportunity. Fraud will be carried out if there is an opportunity where someone must have access to assets or have the authority

to regulate control procedures that allow fraudulent schemes to be carried out (Lusy,2009). Positions, responsibilities, and authorizations provide opportunities for cheating. The only factor that can cause controlled fraud is opportunity. Someone who is due to pressure or rationalization might commit fraud if there is an opportunity.

The possibility of cheating will be smaller if there is no chance. The tools that can be used to minimize the occurrence of opportunities for fraud are by implementing adequate internal controls (Aggarwal, Monika and Guppertap, 2015). This is due to the lack of professionalism of the auditor and supporting the prosecutor's office to slow down the files and a number of data on the loss of the country to be audited.

For this reason, the development of accounting science enters investigative and forensic areas to detect fraud. In Indonesia, the institutions that have implemented it, namely the Badan Penyelidik Keuangan (BPK), the Badan Pemeriksa Keuangan dan Pembangunan (BPKP) are mainly Deputy Head of the Special Supervision BPKP and Komisi Pemberantas Keuangan (KPK).

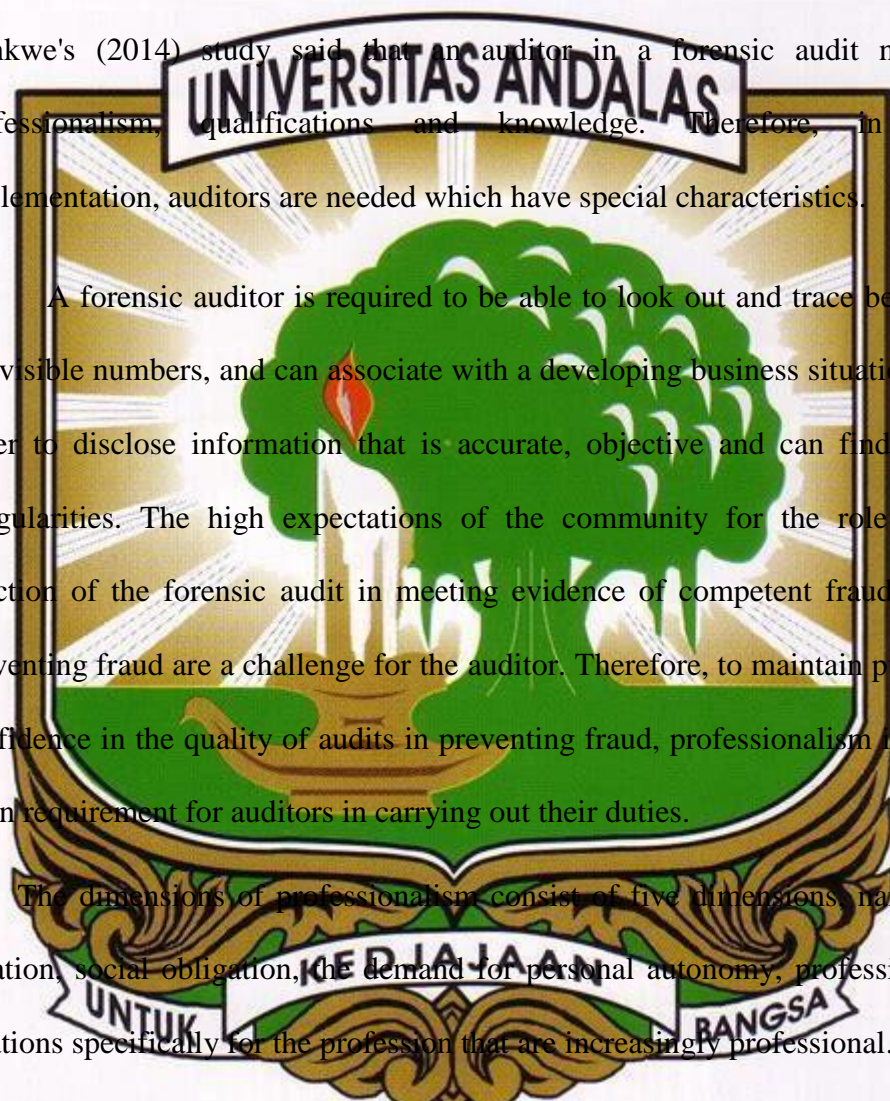
Forensic auditing is an extension of the implementation of standard audit procedures in the direction of gathering evidence for the needs of trials in court. This audit includes certain procedures or stages carried out with the intention of producing evidence. (Purjono, 2012). The purpose of the forensic audit is very specific so that the preparation of the program and the implementation of the audit are very different from ordinary audits. Therefore, forensic accounting is often referred to as a forensic audit.



The forensic audit program must be directed to gather evidence that is sufficiently competent so that criminal cases handled can be revealed. Forensic audits are more intensive than ordinary audits and are usually carried out in a series of steps to determine whether allegations can be proven and identify fraud (Grippio and Ibex, 2013). In addition, Akenbor and Ironkwe's (2014) study said that an auditor in a forensic audit needs professionalism, qualifications and knowledge. Therefore, in its implementation, auditors are needed which have special characteristics.

A forensic auditor is required to be able to look out and trace behind the visible numbers, and can associate with a developing business situation in order to disclose information that is accurate, objective and can find any irregularities. The high expectations of the community for the role and function of the forensic audit in meeting evidence of competent fraud and preventing fraud are a challenge for the auditor. Therefore, to maintain public confidence in the quality of audits in preventing fraud, professionalism is the main requirement for auditors in carrying out their duties.

The dimensions of professionalism consist of five dimensions, namely dedication, social obligation, the demand for personal autonomy, professional regulations specifically for the profession that are increasingly professional. The higher the level of professionalism, the auditor is more professional (Dwi and Effendi, 2013). An auditor is said to be professional if he meets three conditions, namely being skilled, knowledgeable and characterized. Character shows the personality of a professional, which is manifested in his attitude and ethical actions.



The auditor's attitude and ethical actions will greatly determine his position in the community using his professional services. In the study of Dharmawan (2013) explaining the factors that influence auditor professionalism, one of which is spiritual intelligence, someone who has high spiritual intelligence will be more ethical (according to norms and rules) because they have a moral sense and can adjust to the rules according to their conscience.

The forensic audit in the phenomenon of fraud can be explained by agency theory related to identifying the cause of its occurrence / motivation. Based on this theory, fraud behavior is motivated by the behavior of managers who are dissatisfied with the incentives received so they try to get it through ways that are not right (Lediastuti and Subandijo, 2014).

In addition, this study uses attribution theory refers to how someone explains the causes of other people's behavior or themselves caused by internal parties such as the nature, character, attitude, etc., or externally such as the pressure of a situation or situation that will influence individual behavior. This theory is used to explain the influence of expertise and experience. With professional expertise, the auditor must be able to formulate his opinion well.

Auditing is very important in the world of business, economics, and government. If we look at the history of auditing, the actual origin of the audit began much earlier than the origin of accounting. In the beginning the appearance of the audit was only to find and find faults, but in its development the audit then turned into an examination of financial statements to provide an



opinion on the truth of the presentation of the company's financial statements and also became one of the factors in decision making. Auditing must also be carried out by competent and independent people (Cut Nur Halimah, 2016).

Besides peer review an effective way to prevent fraud by investigating and detecting techniques. In addition, forensic auditors are not professional and not qualified to investigate complex fraud cases, they are difficult to detect and investigate frauds that occur in banking due to lack of knowledge about forensic audits.

This research is very important for forensic Audit is very important to be carried out by a competent auditor because in this case the task of the forensic audience is to provide legal opinions in court and there is also the role of forensic auditors in the field of law outside the court, for example in terms of helping to formulate alternative settlement of cases in disputes, formulation of calculations compensation and efforts to calculate the impact of termination or breach of contract. The purpose of forensic audits is to detect or prevent various types of fraud.

The importance of forensic audits of auditor professionalism in conducting the audit process. The authors discuss the thesis regarding the effects of forensic audits and auditor professionalism on the prevention of fraud with spiritual intelligence.

1.2 Problem Formulations

Experienced auditors tend to have a lot of knowledge and a good memory structure compared to inexperienced auditors. So, the more expert and



professional auditors are, the decisions to be made tend to be closer to "accountable". However, here again we also pay attention to the auditor's professional code of conduct in conducting their audits.

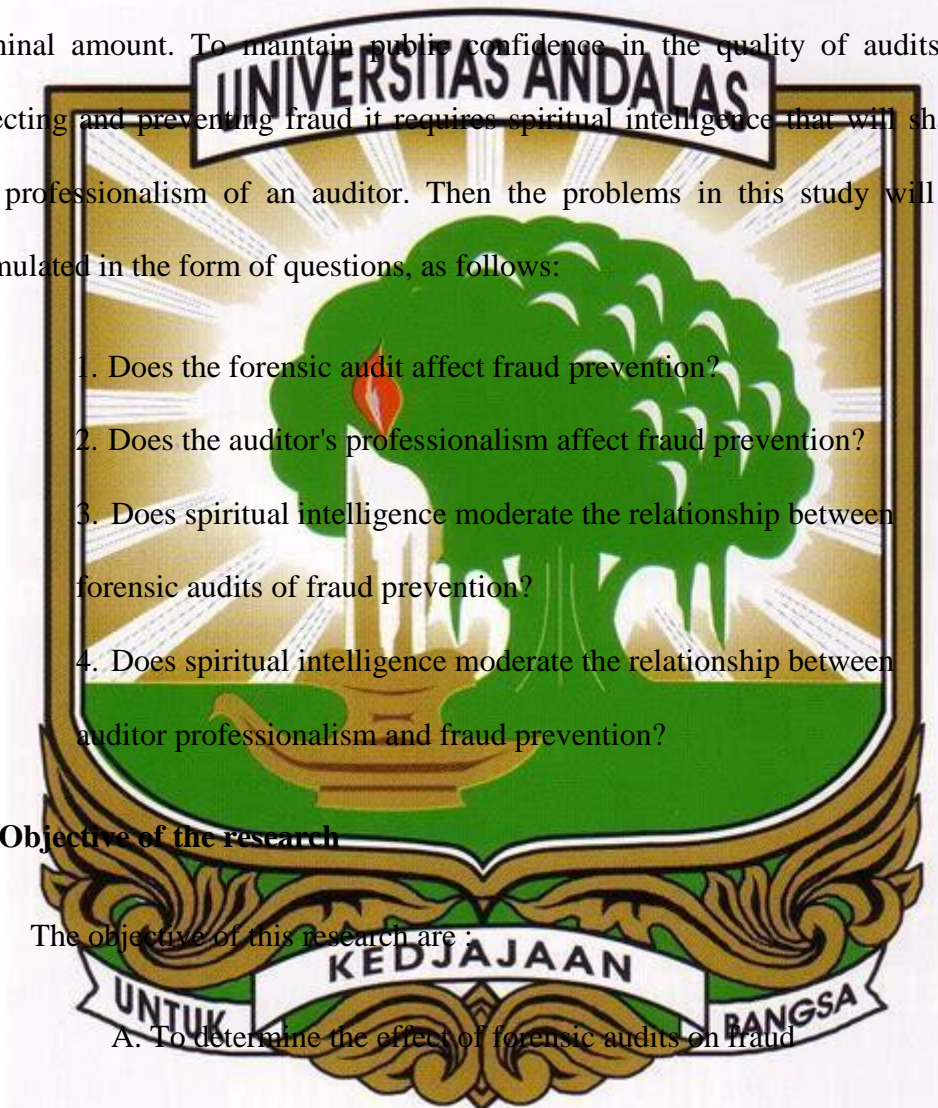
Based on the background above, it is explained that a forensic audit is the main solution to prevent fraud from harming many parties with not a nominal amount. To maintain public confidence in the quality of audits in detecting and preventing fraud it requires spiritual intelligence that will shape the professionalism of an auditor. Then the problems in this study will be formulated in the form of questions, as follows:

1. Does the forensic audit affect fraud prevention?
2. Does the auditor's professionalism affect fraud prevention?
3. Does spiritual intelligence moderate the relationship between forensic audits of fraud prevention?
4. Does spiritual intelligence moderate the relationship between auditor professionalism and fraud prevention?

1.3 Objective of the research

The objective of this research are :

- A. To determine the effect of forensic audits on fraud
- b. To determine professionalism on fraud
- c. To find out the spiritual intelligence of the relationship between audits forensics against fraud prevention
- d. To find out the interpersonal spiritual intelligence auditor's

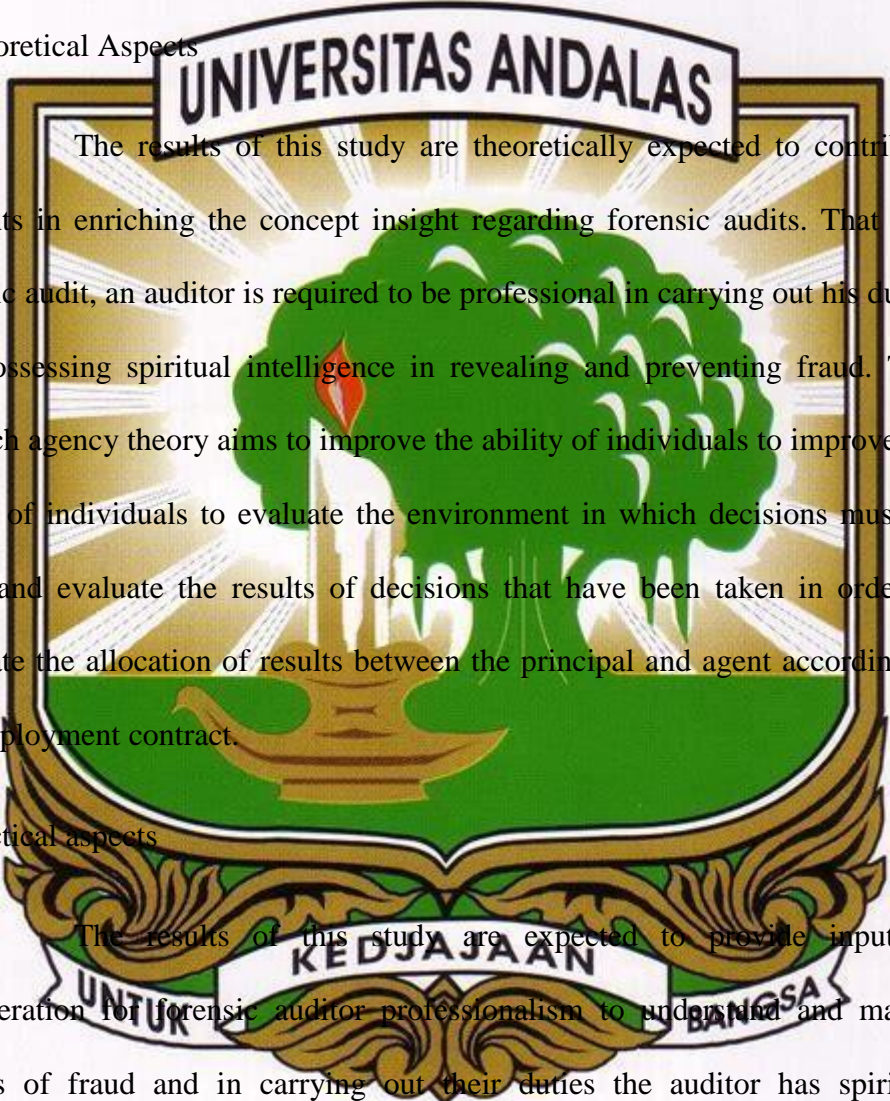


professionalism towards opposing fraud

1.4 Benefit of this research

The results of this study are expected to be useful in the experimental, practical and regulatory aspects as follows:

a. Theoretical Aspects



The results of this study are theoretically expected to contribute thoughts in enriching the concept insight regarding forensic audits. That in a forensic audit, an auditor is required to be professional in carrying out his duties and possessing spiritual intelligence in revealing and preventing fraud. This research agency theory aims to improve the ability of individuals to improve the ability of individuals to evaluate the environment in which decisions must be taken and evaluate the results of decisions that have been taken in order to facilitate the allocation of results between the principal and agent according to the employment contract.

b. Practical aspects

The results of this study are expected to provide input or consideration for forensic auditor professionalism to understand and master aspects of fraud and in carrying out their duties the auditor has spiritual intelligence so as to reveal fraud and prevent fraud. This research is also expected to provide alternative insights about spiritual intelligence, and as a reference for solving problems in fraud prevention and useful in the context of the ongoing development of the discipline of forensic audit.

This research is also expected to gather information as a material contribution to the thinking of public practitioners, especially BPKP auditors as financial audit authorities to be used as input and consideration in carrying out their role in efforts to prevent fraud and as additional information for readers who want to add insight, especially those involved in the world of auditing to review forensic audits in general, it is hoped that the academic community will hopefully be able to add information and add study material to the research.

For related institutions can contribute to universities and practitioners in the development of forensic audit, in order to provide a better understanding of the expertise that a forensic auditor must have in do the practice.

c. Regulatory Aspects

With regulations, this research can be used as reference material to assist in the investigation and verification of criminal offenders, which is the implementation of Article 120 paragraph (1) KUHP, namely: "In case the investigator considers it necessary, he can seek expert opinion of people who have special expertise".

1.5 Writing Systematic

The systematic of writing functions as a general description of the sections that will be discussed in this research. This can simplify both the researcher and reader to ensure that both the researcher and reader are discussed



on the topic discussed and the result of research. The research of chapters to ensure systematic presentation and discussion regarding the topic discussed. The researcher will present briefly the contents of each chapter with the systematics of writing as follow.

The first chapter is introduction which explains the background of the choice of the scope of the problem, objectives, benefits, and scope, and systematic in conducting this research. The second chapter is literature review that focuses on supporting theories, previous studies, and hypothesis development. The third chapter focuses on research methodology in order to solve the problem. This chapter consists of Research Design, Research Model, Research Variables, and Analysis Data Method. The fourth chapter explains the result's research, analysis regarding the result that has been carried out from the acquisition of related data related to problems regarding the factors that affect Audit Report Lag. The fifth as the last chapter is the conclusion of the research conducted. The chapter provides the conclusion regarding the research conducted, the implication that has been done to execute the research, limitation during the research process, and suggestions for future research as well.

