
FRAUD DETECTION BASED ON AUDITOR'S PERSONAL CHARACTERISTICS

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Abstract:

This study aims to examine the personal characteristics that affect the ability of an auditor to detect fraud, namely professional skepticism and professional commitment of the auditor. This is triggered because recently the auditor's attention has been directed primarily to detecting fraud. The detection of fraud is influenced by the personal characteristics possessed by an auditor. Previous research has identified factors regarding the personal characteristics of auditors that have an influence on the auditor's ability to detect fraud. The type of research used is quantitative research, using purposive sampling method on auditors who work at Public Accounting Firms in Java. In this study, samples were taken using personally administered questionnaires and obtained 68 respondents who were declared eligible for processing. From the results of the research above, it can be concluded that professional skepticism, affective professional commitment, continuous professional commitment, and normative professional commitment have a positive effect on the auditor's ability to detect fraud.

Keywords: Professional Skepticism, Professional Commitment, Fraud Detection.

Introduction

Financial reports are media used by company management to convey financial information. Many parties have an interest in financial statements, including company owners, creditors, financial institutions, investors, the government, and the public. These interested parties (stakeholders) have different interests in the information presented in the financial statements. In order to ensure the fairness of the information presented in the financial statements, an independent party is required to conduct an audit of the financial statements. Company management requires the services of a third party so that financial accountability presented to parties outside the company can be trusted, while parties outside the company require the services of a third party to gain confidence that the financial statements presented by the company's management can be trusted as a basis for decision making. The third party who provides these services is called an external auditor. An auditor must have a high attitude of independence and professionalism in carrying out their duties.

Recently, auditors' attention has been directed primarily to detecting errors and fraud. Fraud according to Auditing Standard (SA) 240 is an intentional act by one or more individuals in management or those charged with governance, employees and third parties, which involves the use of deception to obtain an unfair or unlawful advantage. The aim is to provide reasonable assurance to users of information about the client's business conditions. The ability of the auditor to detect fraud or fraud is the perception of an auditor in finding or determining illegal acts that result in material misstatements in financial reporting that are carried out intentionally (Albrecht,2014) defines the auditor's perception in detecting audit fraud is a form of background attitude, interests, motivation, experience, expectations to be achieved by the auditor in carrying out his professional duties, including detecting fraud in audit assignments. The aim is to provide reasonable assurance to users of information about the client's business conditions.

Fraud detection is influenced by the personal characteristics possessed by an auditor. Previous research has identified factors regarding the auditor's personal characteristics that have an influence on the auditor's ability to detect fraud. According to Boyle, et. al (2015), the ability to detect fraud is a reflection of his personality, while situational factors that occur at that time will encourage someone to make a decision.

Personal characteristics of auditors that affect the ability of auditors to detect fraud include professional skepticism and professional commitment of auditors. To detect fraud, the auditor must have an attitude of professional skepticism who always questions and evaluates audit evidence effectively. For this reason, it is necessary to form a perception that even the best internal control systems have loopholes and allow fraud to occur (ACFE, 2014). In applying professional skepticism, the auditor should not assume that the client's management practices clean practices, but also should not assume that the client's management commits fraud (Kummer et al., 2015). In this case, auditors who have professional skepticism will apply their skepticism only to the extent of carrying out their professional duties.

In addition to professional skepticism, there is also another characteristic, namely professional commitment. Professional commitment has a considerable influence on the auditor's ability to detect fraud. Someone who has a strong commitment to his profession will try to hold ethical values in carrying out his duties and in dealing with problems, and will tend to be more careful in seeking solutions, including in detecting fraud. In this study, three dimensions of professional commitment will be discussed, namely *affective profesional commitment*, *continuence profesional commitment*, and *normatif profesional commitment*. According Donelly, et al (2003) professional commitment is an important factor influencing the auditor profession in making ethical decisions, including in identifying and detecting fraud. Therefore, the presence of professional skepticism and professional commitment in the auditor will result in the auditor being able to ask investigative questions, analyze answers critically and carefully compare the results of the analysis with the evidence obtained.

Discussion

1. Concepts

ISA 240 states that the auditor is responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to error or fraud. Fraud is an intentional act by one or more individuals in management or those charged with governance, employees and third parties to obtain an unfair or unlawful advantage. The auditor's ability to detect fraud is an auditor's perception of finding or determining illegal acts that result in material misstatements in financial reporting that are carried out intentionally. This auditor's perception is a form of background attitude, interests, motivation, experience, and expectations to be achieved by the auditor in carrying out his professional duties, including in detecting fraud in audit assignments. The aim is to provide reasonable assurance to users of information about the client's business conditions.

An auditor is responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud. In planning the audit, the auditor must assess the risk of fraud. The auditor must develop a plan in response to the risks involved in the assignment and carry out what has been planned by carefully and thoroughly using his professional skills. Fullerton & Durtschi (2004) stated that if the auditor is successful in detecting fraud, the auditor is able to assess the presence of fraud at the audit planning stage, which will ultimately lead the auditor to improve fraud detection at the next audit stages.

Fraud detection also depends on the auditor's ability to assess fraud risks. The auditor's ability to assess fraud risk has a positive effect on the auditor's ability to detect possible fraud. An assessment of fraud risks needs to be carried out in order to design audit procedures to obtain reasonable assurance that fraud arising in the financial statements as a whole is detected. The ability of the auditor to detect fraud is the quality of an auditor in explaining the unfairness of the financial statements presented by the company by identifying and proving the fraud (Manurung & Hadian, 2013).

To detect fraud, auditors are required to use an attitude of professional skepticism and be based on ethical awareness. Auditors who have adequate professional skepticism will deal with the following questions: (1) What do I need to know? (2) How can I get the information properly? and (3) What information do I get? can be trusted? The auditor's professional skepticism will lead him to ask for any cues that indicate the possibility of fraud. This is the tendency of the auditor to disapprove of management's assertions without corroborating evidence, or a tendency to require management to provide facts on their assertions (accompanied by evidence). By using careful and thorough professional skills, the auditor can obtain reasonable assurance about the financial statements being audited, whether they are free from misstatement caused by fraud. The amount of additional information obtained by the auditor will increasingly make the auditor able to prove whether or not the symptoms of fraud are true. That is, the more skeptical an auditor will be, the more critical and asking questions to get more evidence and the impact on the auditor's ability to detect fraud.

In addition, the auditor's commitment to his profession is an important factor that influences the behavior of the auditor in performing audit tasks. The commitment of an auditor who has a strong commitment to his profession will always try to hold ethical values in carrying out his duties, and in dealing with problems will tend to be more active in finding solutions in detecting fraud. According to Lopez, et al (2012), professional commitment is divided into three dimensions consisting of *affective profesional commitment*, *continuence profesional commitment*, and *normatif profesional commitment*. An auditor's commitment to his profession in an affective form is a commitment related to emotional attachment. Auditors identify with the goals and values of the organization. With the emotional connection of a person to the profession he is living now will tend to make someone maintain the profession that is being lived so that someone will behave well in

accordance with the rules that have been set. The auditor's commitment to his profession in a continuous form can arise because the auditor's commitment to his profession is based on consideration of the costs incurred if someone leaves the profession. Meanwhile, normative professional commitment is an individual's relationship with a profession because he feels an obligation or responsibility to be in a profession

That is, the more skeptical an auditor and auditors believe in the goals and values of the profession, and maintain and maintain membership in the profession, the auditor will have a higher sensitivity to issues involving professional ethics and be more critical and ask questions to get more evidence and impact on the auditor profession in ethical decision-making, including in detecting fraud.

2. Cases

The type of research used is quantitative research, using purposive sampling method. The selection of sample members is based on certain criteria to obtain a representative sample for auditors working at a Public Accounting Firm located in Java. In this study the sample was taken with the technique used in collecting data in this study is the personally administered questionnaires technique, namely the data collection technique with the survey method to obtain individual opinions by distributing questionnaires. From this process, there were 68 questionnaires declared eligible to be processed.

The general description of the respondents can be explained as follows:

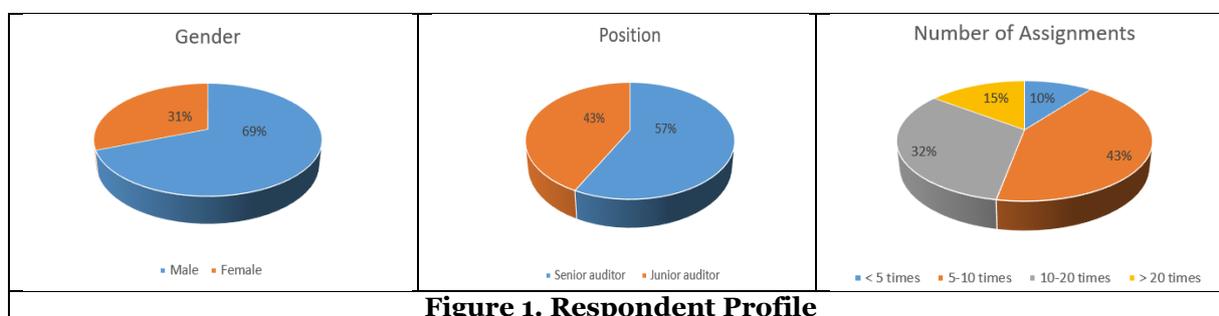


Figure 1. Respondent Profile

Source: Processed Primary Data (2020)

Based on Figure 1, it is known that the respondents in this study were 47 people (68%) and the remaining 21 (31%) were men. Based on the table, it is known that the respondents in this study who have positions as junior auditors are 29 people (43%) and senior auditors are 39 people (57%). Of the 58 respondents, it is also known that 7 people have received audit assignments less than 5 times, 29 people have received audit assignments 5-10 times, 22 people have received audit assignments 10-20 times, and there are 10 people who have received audit assignments > 20 times. From the distribution, it can be seen that the average respondent has worked as an auditor for more than 4 years.

Based on the results of the validity tests carried out for each variable, the following results were obtained:

Table 1. Validity Test Results

Variable	Question Items	r-count	r- table	Result
Auditor's Ability to Detect Fraud	KMK1	0.578	0,237	Valid
	KMK2	0.531	0,237	Valid
	KMK3	0.683	0,237	Valid
	KMK4	0.547	0,237	Valid
	KMK5	0.568	0,237	Valid
	KMK6	0.341	0,237	Valid
	KMK7	0.676	0,237	Valid
	KMK8	0.648	0,237	Valid
	KMK9	0.579	0,237	Valid
	KMK10	0.612	0,237	Valid
Professional Skepticism	SKEP1	0.397	0,237	Valid
	SKEP2	0.494	0,237	Valid
	SKEP3	0.418	0,237	Valid
	SKEP4	0.526	0,237	Valid
	SKEP5	0.619	0,237	Valid
	SKEP6	0.546	0,237	Valid
	SKEP9	0.612	0,237	Valid

Affective Professional Commitment	KP AFEKTIF1	0,738	0,237	Valid
	KP AFEKTIF2	0,536	0,237	Valid
	KP AFEKTIF3	0,711	0,237	Valid
	KP AFEKTIF4	0,629	0,237	Valid
	KP AFEKTIF5	0,425	0,237	Valid
	KP AFEKTIF6	0,648	0,237	Valid
Continuence Professional Commitment	KP KONTINU1	0,832	0,237	Valid
	KP KONTINU2	0,719	0,237	Valid
	KP KONTINU3	0,655	0,237	Valid
	KP KONTINU4	0,548	0,237	Valid
	KP KONTINU5	0,639	0,237	Valid
	KP KONTINU6	0,524	0,237	Valid
Normatif Professional Commitment	KP NORMATIF1	0,841	0,237	Valid
	KP NORMATIF2	0,722	0,237	Valid
	KP NORMATIF3	0,758	0,237	Valid
	KP NORMATIF4	0,442	0,237	Valid
	KP NORMATIF5	0,803	0,237	Valid
	KP NORMATIF6	0,885	0,237	Valid

Source: Processed Primary Data (2020)

Based on the table 1, it is known that the value of $r\text{-count} > r\text{-table}$ so that all question items for all variables are valid. While for reliability testing is done to find out whether the results of this questionnaire can be trusted or reliable. The result can be seen as follows:

Table 2. Reliability Test Results

Variable	Alpha Cronbach	Result
Professional Skepticism	0,713	Reliable
Affective Professional Commitment	0,835	Reliable
Continuence Professional Commitment	0,868	Reliable
Normatif Professional Commitment	0,824	Reliable
Auditor's Ability to Detect Fraud	0,746	Reliable

Source: Processed Primary Data (2020)

The results of the reliability test in table 2 show that all variables have a large enough Alpha coefficient, which is more than 0.6 so that it can be said that all the measurement concepts of each variable from the questionnaire are reliable so that furthermore the items in each concept of the variable are feasible to be used as measuring instrument.

Table 3. Descriptive Statistic

Information	Theoretical Range	Actual Range	Mean	Scale Range			Result
				Low	Medium	High	
professional skepticism	7 - 35	9 - 35	27,48	7 - 16,33	16,34 - 25,66	25,67 - 35	High
affective professional commitment	6 - 30	6 - 29	25,83	6 - 14	16,34 - 25,66	22,10 - 30	High
continuence professional commitment	6 - 30	7 - 27	20,67	6 - 14	16,34 - 25,66	22,10 - 30	Medium
normatif professional commitment	6 - 30	7 - 29	24,31	6 - 14	16,34 - 25,66	22,10 - 30	High
Auditor's ability to detect fraud	10 - 50	12 - 47	38,65	7 - 16,33	23,34 - 36,66	36,67 - 50	High

Source: Processed Primary Data (2020)

Based on the table 3, it is known that the professional skepticism variable is included in the high category. This means that the auditors who are respondents in this study have a tendency for auditors to disapprove of management's assertions without corroborating evidence, or a tendency to ask management to provide facts on their assertions. The affective professional commitment variable

is in the high category. This means that the respondents in this study already have an emotional connection with the auditor profession, so that the auditor profession has an important meaning in their lives. Meanwhile, the continuous professional commitment variable is in the medium category. This means that the auditors who are respondents in this study sometimes feel themselves at a loss if they leave their profession as an auditor and tend to feel like making personal sacrifices when they leave their profession. The normative professional commitment variable is in the high category. This means that the auditor already feels he has a moral responsibility or obligation to pursue the profession as an auditor. The auditor's ability to detect fraud is included in the high category. This means that the auditor who is the respondent in this study can detect fraud, which is the quality of an auditor in explaining the financial fairness presented by the company by identifying and proving the fraud properly.

The next test is to test the classical assumption which consists of normality test, multicollinearity test and heteroscedasticity test. The series of tests all passed the classical assumption test and the model fit test.

Table 4. Determination Coefficient Test Results

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.790 ^a	.623	.634	3.30854

a. Predictors: (Constant), Professional Skepticism, Affective Professional Commitment, Continuence Professional Commitment, Normatif Professional

b. Dependent Variable: Auditor's Ability to Detect Fraud

Source: Processed Primary Data (2020)

Based on the table 4, it is known that the adjusted R Square is 0.634, which means that the independent variable can affect the dependent variable by 63.4% and the remaining 26.6% is influenced by other variables.

Furthermore, for hypothesis testing, multiple regression analysis was used with the following results:

Table 5. t-Test Result Coefficients^a

Information	B	Std. Error	t	Sig.	Result
Professional Skepticism	1,448	0,422	3,034	0,003	Accepted
Affective Professional Commitment	0,932	0,237	2,066	0,000	Accepted
<u>Continuence Professional Commitment</u>	0,861	0,225	1,655	0,011	Accepted
<u>Normatif Professional Commitment</u>	0,811	0,292	2,948	0,049	Accepted

a. Dependent Variable: Auditor's Ability to detect fraud

Source: Processed Primary Data (2020)

Based on the test results, the significance value of t was obtained for the variables of professional skepticism and professional commitment <0.05 and the beta coefficient (β) was positive. This means that professional skepticism and professional commitment have a positive effect on the auditor's ability to detect fraud. High skepticism was able to guarantee the better the auditor's ability to detect fraud. The more additional information obtained by the auditor, the more capable the auditor will be to prove whether or not the symptoms of fraud are true, so it can be said that the more skeptical an auditor is, the more critical an auditor will be and ask to get more evidence and impact on the auditor's ability to detect fraud. The results of this study support research conducted by Singleton & Singleton (2010) showing that the variable professional skepticism has a positive effect on fraud detection.

For the results of the professional commitment test, it can be explained that the auditor's commitment to his profession is an important factor that influences the auditor's behavior in carrying out audit tasks. This is due to the auditor instilling the values and norms of the profession well. Auditors who have a strong commitment to their profession will always try to hold ethical values in carrying out their duties, and in dealing with problems will tend to be more active in finding solutions. From the three dimensions of professional commitment, it can be seen that an auditor's commitment to his profession in an affective form is a commitment related to emotional attachment, where the auditor identifies himself with the goals and values of the organization. With the emotional connection of a person to the profession he is living now will tend to make someone maintain the profession that is being lived so that someone will behave well in accordance with the

rules that have been set. With the many assignments of auditors in the audit field, the auditors have come to understand the importance of pursuing their profession, so that in carrying out audit assignments to detect fraud, they can be carried out properly. The results of this study are in line with research conducted by Lopez, et al (2012) which states that affective professional commitment has a positive effect on the auditor's ability to detect fraud.

For the auditor's commitment to his profession in a continuous form, it can be explained that in current conditions people tend not to change professions because they feel they are making personal sacrifices so that people tend to maintain their current profession. Auditors sometimes feel themselves at a loss when leaving their profession as an auditor, and tend to feel like making personal sacrifices when leaving their profession. Meanwhile, the auditor's commitment to his profession in a normative form is a form of the auditor's commitment to his profession because the auditor feels a moral responsibility or obligation to maintain his relationship with his profession. In this case, an auditor feels that he has loyalty and responsibility to the profession he currently has, so that the auditor feels he has to maintain the profession he is currently living and directs his abilities to identify and detect fraud properly. Therefore, it is unlikely that an auditor will engage in deviant behavior. Auditors who are respondents in this study will carry out their assignments well. The results of this test are in line with the tests conducted by Sudirjo (2013) which states that normative professional commitment has a positive effect on the auditor's ability to detect fraud.

Conclusion

From the results of the research above, it can be concluded that professional skepticism, affective professional commitment, continuous professional commitment, and normative professional commitment have a positive effect on the auditor's ability to detect fraud. Professional skepticism and professional commitment in the auditor will result in the auditor being able to ask investigative questions, analyze answers critically and carefully compare the results of the analysis with the evidence obtained. The results of this study support research conducted by Singleton & Singleton (2010), Lopez, et al (2012), and Sudirjo (2013) which state that professional skepticism and professional commitment have a positive effect on the auditor's ability to detect fraud.

Enforcement of the code of ethics and ethical principles needs to be improved continuously in each public accounting firm so that it can become the standard of quality control in the public accounting firm.

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