



AUDITORS' PROFESSIONAL SKEPTISM AND ABILITY TO DETECT FRAUD IN PUBLIC ACCOUNTING FIRM IN MEDAN CITY

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Abstrak

Penelitian ini merupakan studi empiris mengenai skeptisisme profesional dan kemampuan mendeteksi kecurangan. Penelitian ini bertujuan untuk menguji pengaruh skeptisisme profesional terhadap kemampuan mendeteksi kecurangan. Penelitian ini dilakukan dengan menggunakan metode survei pada Kantor Akuntan Publik di kota Medan. Unit analisisnya adalah auditor. Analisis regresi linier sederhana dengan bantuan SPSS Statistics 20 digunakan untuk menganalisis data. Temuan penelitian ini menunjukkan bahwa skeptisisme profesional berpengaruh positif signifikan terhadap kemampuan mendeteksi kecurangan. Temuan ini menjelaskan bahwa semakin tinggi skeptisisme profesional auditor maka semakin tinggi kemampuan auditor dalam menemukan kecurangan sehingga kemungkinan terjadinya kecurangan akan semakin kecil.

Kata Kunci: Skeptisisme Profesional, Kemampuan Mendeteksi Kecurangan, Auditor

Abstract

This research is an empirical study regarding professional skepticism and the ability to detect fraud. This research aims to examine the influence of professional skepticism on the ability to detect fraud. This research was conducted using a survey method at the Public Accounting Firm in the city of Medan. The unit of analysis is the auditors. Simple linear regression analysis with the help of SPSS Statistics 20 was used to analyze the data. The findings of this research indicate that professional skepticism has a significant positive effect on the ability to detect fraud. This finding explains that the higher the professional skepticism of auditor the higher the auditor's ability to find fraud so that the possibility of fraud will be smaller.

Keywords: Professional Skepticism, Ability to Detect Fraud, Auditor

INTRODUCTION

Auditing is a process of checking the level of suitability of information from a report by referring to predetermined evidence and criteria. Good and reliable audit quality must be produced by auditors. To produce good audit quality, auditors are responsible for planning and carrying out audits to ensure that the financial reports do not contain material errors caused by fraud or errors (Auditing Standards Boards, 2011). In the development of the audit profession, auditors have developed various methods in relation to detecting fraud. Auditors are responsible for detecting errors in material presentation caused by fraud or errors by conducting audits based on Audit Standards (Handoko, 2022).

However, in practice the audit process does not always run correctly, some of cause auditors to fail to detect financial report fraud. The failure of auditors to detect fraud is proven by the existence of several financial scandals involving public accountants such as Enron, Enron, Xerox, Walt Disney, World Com, Merck, and Tyco which occurred in the United States (Peterson and Buckhoff, 2004; Rezae et. al. 2004). Besides that, the Kimia Farma case and a number of banks frozen in operations involving public accountants in Indonesia are evidence of auditors' failure in detecting fraud (Sabeni, 2006).

Audit assignments in the field carried out by auditors should not only follow the audit procedures stated in the audit program, but must also be accompanied by an attitude of professional skepticism. In carrying out their duties, an auditor must apply an attitude of professional skepticism in order to avoid failures in the audit. Professional skepticism is the attitude of an auditor by always questioning and critically evaluating

existing audit evidence (IAI, 2012, SA section 230).

Research conducted by the SEC (Securities and Exchange Commission) found that the third cause of audit failure was an inadequate level of professional skepticism. There were 40 audit cases studied by the SEC, 24 cases (60%) of which occurred because auditors did not apply an adequate level of professional skepticism (Beasley, Carcello & Hermanson, 2001). So a low level of professional skepticism can cause failure in detecting fraud. This failure, apart from being economically detrimental to the public accounting firm, also caused the loss of public accountants' reputation in the eyes of the public and the loss of creditors' and investors' trust in the capital markets.

Beasley et al. (2001) found that one of the causal factors makes auditors fail in auditing financial reports is a low level of professional audit skepticism. Of the 45 cases of fraud in financial reports, 60% occurred because auditors were not optimal in applying their professional skepticism. Thus, failure in carrying out audits can occur due to the auditor's low level of professional skepticism.

Peterson and Buckhoff (2004), Martin and Philips (2006) state that professional skepticism is an important attitude for auditors to have in detecting fraud. Auditors' low professional skepticism is one of the causes of auditors' failure to detect fraud (Novianty, 2008). Carpenter, Durtschi and Gaynor (2002) also support this statement, that auditors who are more skeptical will be able to detect fraud at the audit planning level and will increase their detection at the next audit level. Research by Linda Indrawati, et al (2019) states that professional skepticism has a significant effect on the auditor's ability to detect fraud. Likewise, research by Eko Ferry Anggriawan (2014) and Subiyanto et al, (2022) states that there is a significant positive influence of

auditors' professional skepticism on the ability to detect fraud. However, this is different from research by Sanjaya (2017), Rafnes and Primasari (2020) which states that auditors' professional skepticism has no effect on fraud detection.

Based on the phenomenon and inconsistent results of previous research (research gap), the aim of this research is to examine the influence of auditors' professional skepticism on the ability to detect fraud.

LITERATURE REVIEWS

Professional Skepticism

Professional skepticism is an auditor's attitude in carrying out audit assignments, where this attitude includes a mind that always questions and critically evaluates audit evidence. Because audit evidence is collected and assessed during the audit process, professional skepticism must be used throughout the process (IAI, 2012, SA section 230; AICPA, 2002, AU 230). Auditors need to have professional skepticism, especially when obtaining and evaluating audit evidence.

Skepticism does not mean being cynical, criticizing too much, or using insults. The auditor's professional skepticism will lead him to question any signs that indicate the possibility of fraud (Louwers et al., 2005). Auditors should not simply assume that leaders are dishonest, but auditors should also not assume that leaders are completely honest (IAI, 2012, SA section 230; AICPA, 2002, AU 230). Almost the same statement is also found in ISA No. 200 (IFAC, 2004) which says that auditors must plan and carry out audits with an attitude of professional skepticism, recognizing that there is the possibility of misstatements in the financial statements.

Auditors apply an attitude of professional skepticism when asking questions and carrying out audit procedures, without being quickly satisfied with audit evidence that is less than persuasive which is only based on the

belief that management and related parties are honest and have integrity (IFAC, 2004, ISA 240.23-25). In ISA No. 200, it is said that an attitude of professional skepticism means that the auditor makes a critical assessment, with a mind that always questions (questioning mind) the validity and audit evidence obtained, being alert to audit evidence that is contradictory or raises questions regarding reliability and documents. , and provide responses to questions and other information obtained from leaders and related parties (IFAC, 2004). Hurtt, et al. (2010) developed 6 characteristics of professional skepticism consisting of Questioning Mind, Suspension on Judgment, Search for Knowledge, Interpersonal Understanding, Self-Confidence. and Self-Determination.

Fraud Detection Ability

The auditor's ability to detect fraud is the auditor's capability and ability to detect whether there is fraud in an entity he is examining (Marcellina and Sugeng, 2009). Responsibility for detecting fraud lies at the leadership level, however, auditors must participate in providing contributions to leadership. Indicators of the auditor's ability to detect fraud include knowledge about fraud and ability in the detection stage.

In the accounting context, fraud is defined as a misstatement in financial reports that is carried out intentionally. Fraud is carried out to obtain benefits by deception, cunning, deception and other dishonest methods. Fraud generally occurs because of pressure to commit fraud or encouragement to take advantage of existing opportunities. There are two types of fraud, namely: financial statement fraud and asset misappropriation. Financial statement fraud is a misstatement or deletion of amounts or deliberate disclosure to deceive users of the financial statements. The company writes off the amount by overstating income by writing off accounts payable or other liabilities. Companies can also deliberately understate

revenue when profits are high to create profit reserves that can be used to increase profits at a later date. This practice is known as income management and "income smoothing". Asset misappropriation is fraud that involves the theft of assets owned by an entity. Asset misuse is often used to refer to degradation carried out by employees and internal parties in an organization.

In the book *Audit and Assurance Services* (Arens et al., 2012) it is explained that there is a fraud triangle which contains three conditions that cause fraud, namely pressure, opportunity and rationalization.

The Relationship between Professional Skepticism and the Ability to Detect Fraud

An auditor must be able to produce good audit quality and reliable. To be able to produce good audit quality, the auditor is responsible for planning and carrying out audits to obtain assurance that the financial statements do not contain material errors caused by fraud or error (Auditing Standard Boards, 2011). Quadackers et al. (2009) states that internal auditors with a high level of skepticism can detect fraud early from the planning stage to implementation of audits. Therefore, the auditor's professional skepticism needs to be taken into consideration when detecting fraud when carrying out an audit.

Professional skepticism is an absolute attitude that auditors must have (Tuanakotta, 2013). In any situation auditors are required to have an attitude of professional skepticism such as that listed in SAS No. 99 of 2002. Professional skepticism includes a mind that always questions and evaluates critically audit evidence. Because audit evidence is collected and assessed during the audit process, then Professional skepticism should be used throughout the process. Auditors may not assume that the

leadership of the entity being examined is dishonest, but also not may assume that the leadership's honesty is beyond doubt.

Peterson and Buckhoff (2004), Martin and Philips (2006) stated that professional skepticism is an important attitude for auditors to have in detecting fraud. Auditors' low professional skepticism is one of the causes of auditors' failure to detect fraud (Beasley et al. 2001 in Novianty, 2008). Carpenter, Durtschi and Gaynor (2002) also support this statement, that auditors who are more skeptical will be able to detect fraud at the audit planning stage and will increase their detection at the next audit stage.

Auditors who carry out their duties in accordance with standards and uphold norms so that audit quality is maintained are auditors who have professional skepticism (Gusti and Ali, 2008). Research by Linda Indrawati, et al (2019) states that professional skepticism has a significant effect on the auditor's ability to detect fraud. These results indicate that professional skepticism will lead to asking for any audit evidence and signals that indicate the possibility of fraud and is able to increase the auditor's ability to detect any symptoms of fraud that arise. Likewise, research by Eko Ferry Anggriawan (2014) and Subiyanto et al, (2022) states that there is a significant positive influence between auditors' professional skepticism and the ability to detect fraud. This explains that the higher an auditor's skepticism, the better the auditor's ability to detect fraud. Thus, the research hypothesis is as follows:

H1: Professional skepticism has a positive and significant effect on ability to detect fraud.

METHODS

The population of this research are auditors who work in Public Accounting Firms in Medan City. From the source

www.iapi.or.id, there are 19 Public Accounting Firms in the city of Medan with a total of 130 auditors (Directory, 2018). Samples were taken using the simple random sampling method. Data is collected by sending a list of questions (questionnaire) to respondents. The data obtained were analyzed using simple linear regression.

RESULTS AND DISCUSSION

There were 80 questionnaires returned from the 130 questionnaires distributed. Based on the questionnaires that were returned, it was found that the majority of respondents were male (73.75%), the majority of respondents aged 26-36 years (58.75%), their highest level of education was at most S1 (82.5%). Based on their position, most of them are senior auditors (53.75%).

From the scatterplot graph below (Figure 1), it can be seen that the points are spread randomly and are spread both above and below the number 0 on the Y axis. It can be concluded that heteroscedasticity does not occur in the regression model.

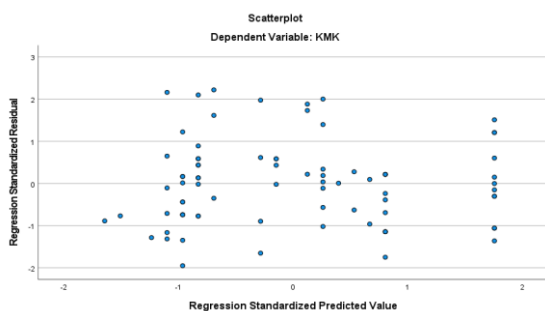


Figure 1. Scatter Plot

By looking at the display of the histogram graph (Figure 2) and the normal plot graph (Figure 3), it can be concluded that the histogram graph provides a distribution pattern that is close to normal. Meanwhile, on a normal graph plot, you can see the dots spreading around the diagonal line, and the distribution follows the direction of the diagonal line. These two graphs show that the regression model

is suitable for use because it meets the normality assumption.

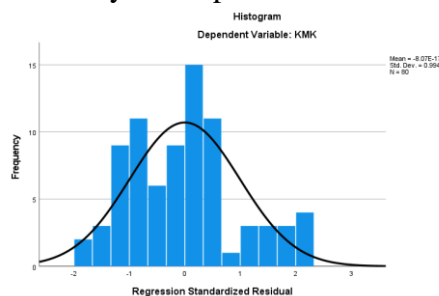


Figure 2. Histogram

From the SPSS output display (Table 1), it is known that the Adjusted R2 is 0.038. This means that 3.8% of the variation in KMK (Ability to Detect Fraud) can be explained by variations in the SP variable (Professional Skepticism). The remainder (100% - 3.8% = 96.2%) is explained by other causes outside the model.

Table 1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.224a	.050	.038	6.61446

a. Predictors: (Constant), SP

From the ANOVA test or F-Test (table 2), the calculated F was obtained at 4.112 with a probability level of 0.046 (significance). Because the probability is smaller than 0.05, the regression model can be used to predict KMK (Ability to Detect Fraud). In other words, it can be said that SP (Professional Skepticism) influences KMP (Ability to Detect Fraud).

Table 2. ANOVAa

Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression 179.902	1	179.902	4.112	.046b
	Residual 43.751	78	342.585		
	Total 3592.487	79			

a. Dependent Variable: KMK
b. Predictors: (Constant), SP

To interpret the coefficient of the independent variable (Professional Skepticism) it can be seen in table 3 using the unstandardized coefficients below.

Table 3. Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	(Constant)	11.780	7.229			
		1.629	.107			
	SP	.205	.101	.224	2.028	.046

a. Dependent Variable: KMK

From the variable X included in the regression, it can be seen that the variable SP (Professional Skepticism) is significant with a regression coefficient of 0.205. This can be seen from the significance probability for SP of 0.046 below 0.05. From this it can be concluded that the KMK variable is influenced by SP with the following mathematical equation: $KMK = 11,780 + 0.205 SP + e$

The results of this study support hypothesis (Ha). The research results are in line with previous research (Linda Indrawati, et al, 2019 : Eko Ferry Anggriawan, 2014) which states that there is a significant positive influence of auditors' professional skepticism on the ability to detect fraud. This explains that the higher an auditor's skepticism, the better the auditor's ability to detect fraud. Thus, the higher the professional skepticism an auditor has, the smaller the possibility of fraud occurring.

CONCLUSION

Based on the results obtained, it can be concluded that professional skepticism has a positive and significant effect on the auditor's ability to detect fraud. This

proves that the higher the professional skepticism an auditor has, the higher the auditor's ability to find fraud so that the possibility of fraud will be smaller. The amount of Adjusted R2 is 0.038. This means that 3.8% of the variation in KMK (Ability to Detect Fraud) can be explained by variations in the SP variable (Professional Skepticism), the remainder (100% - 3.8% = 96.2%) is explained by other causes outside the model. For this reason, in the future it is recommended that KAP in the city of Medan must be able to maintain and increase the professional skepticism of auditors in carrying out each audit process. For further research, it would be better to expand the research variables that can influence the auditor's ability to detect fraud. Apart from that, it is hoped that further research can develop research methods such as direct interviews with respondents to obtain higher quality data.

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