# Determinant of Fraud Detection on Financial Statement

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***Abstract***

This study was a replication of conceptual model of empirical studies aimed to analyze the effect of professional skepticisms, auditor experience, competency, independence and time pressure on the fraud detection of financial statement. The result of this study was expected to be able reducing the gap among the so many empirical studies existing. This study could be categorized as explanatory research. The samples in this study were all the auditors in BPKP Maluku and Papua consisting of 88 auditors. The analysis tool used was multiple linear regression analysis with questionnaire instrument as data collection instrument.

The result of this study showed that; professional skepticism and auditors experience hand significant impact on the author ability in detecting fraud on financial statement, competence and independence of auditors had not significant effect on the auditors ability in detecting fraud and time pressure affected the auditors ability in detecting fraud but it was not significant.

Keywords : Professional Skepticisms, Auditor Experience, Competency, Independence, Time Pressure, Fraud Detection

**Introduction**

Fraud, generally can be classified into 3 forms, namely; corruption, the misuse of organization assets and financial statement fraud in which the actors can come from various circles in organization. The survey by Transparency International stated that Indonesia is one of the highest corruption cases country in the world (Noch, Pattiasina, Seralurin, & Ratag, 2019). They stated that Indonesia has 38 out of 100 and is in position of 39 from 180 countries (Sania Mashabi, 2019). The other survey by *Association of Certified Fraud Examiners* (ACFE) Indonesia in 2016 cooperates with P3K2P STIE Perbanas Surabaya stated that the highest fraud form in Indonesia was corruption, 67% cases, followed by company assets exploitation 31% and the smallest was financial statement fraud, 2% (Association of Certified Fraud Examiners, 2016). In detail, Nahuway Victorio Fernando & Tamaela Eduard Yohannis, (2020) said that the corruption cases occurred mostly in commodity and service commercial field.

A factor potentially affects the fraud is professional skepticism (Mokoagouw, Monica, Lintje Kalangi, 2018). PSA number 4 year of 2011, stated that professional skepticism is the auditor attitude who think critically on the audit evidence by continuously questioning and disbelieving the evidence. The empirical study by Mokoagouw, Monica, Lintje Kalangi, (2018) demonstrated that the auditors ability to detect fraud was affected significantly by professional skepticism. This is supported by Anggriawan, (2014); Indrawati, Cahyono, & Maharani, (2019) and Safira Indriyani, Lukman, (2021) who also stated that professional skepticism had positive impact on fraud detection. However, those studies are contradict with the study by Ranu & Merawati (2017) showing that professional skepticism had no effect on the auditor ability in fraud detecting.

The other factor potentially affecting the author ability in detecting fraud is the author experience (Ranu & Merawati, 2017 and Mokoagouw, Monica, Lintje Kalangi, (2018). It means that the experienced auditors tend to be able detecting the indication of fraud and giving the suitable solution. Nevertheless, it is contrary to Supriyanto, (2014), he found that the ability to detect fraud is not affected by auditors experience.

The next factor potentially affected fraud detection is competence (Silalahi, 2013; Ramadhani, 2015; Julio Herdi Peuranda, 2019). Competence can be defined as qualification the auditors have to do the auditing properly. The qualification in this case can be the

educational background formally or informally and also the auditors experience. Evidence from Ramadhani, (2015) showed that the ability of detecting fraud is affected by auditors competence. However, the study above is contrary to the result of Atmaja Didi, (2016) who stated that competence had no impact on the author ability in detecting fraud.

The next factor is the auditors independence (Ramadhani, 2015). Independence is an absolute thing owned by an auditor. An independent auditor is believed to have honesty, integrity, objectivity, good mental and physic and absolutely he is not easy to be influenced by others in giving audit opinion. Former study by Ramadhani, (2015) found that independence had significant effect on auditors ability in detecting fraud. However, this study must be re-verified because the study by Sandi Prasetyo, (2015) showed different thing.

Besides the factors mentioned above, time pressure, in fact, tends to affect auditors ability in detecting fraud (Molina, 2018). Heriningsih (2002) in Molina, (2018) stated that time pressure in auditing is a condition where the auditors get pressure to finish the auditing. Study by Molina, (2018) showed that time pressure had impact on the auditors ability in detecting fraud, while Dandi Voedha, (2017) showed the contradiction.

The evidences above express that professionalism, experience, competence, independence, and time pressure are not the absolute factors affecting the auditors ability in detecting fraud, since there are found contradict studies. Therefore, there is ambivalence of the research result that must be re-examined in order to minimize the ambivalence. This is the reason motivating the writer to carry replication study. This study was expected to add contribution in explaining the determinant effect of auditor ability in detecting fraud on financial statement (professional skepticism, auditors experience, auditors competence auditor independence, and time pressure).

**Theoretical Framework and Hypotheses**
**Fraud Detection**
Trinanda (2016) stated that an ability that an auditor have to have is the ability to detect fraud whether in from corruption, assets exploitation, or financial statement fraud.

**Professional Skepticism**

Professional Skepticism is the auditor personal trait related to critical thinking on the audit evidence by frequently questioning and proving the evidence. The empirical study by Anggriawan, (2014); Indrawati, Cahyono, & Maharani, (2019) and Safira Indriyani, Lukman, (2021) showed that the auditors ability in detecting fraud was affected significantly by professional Skepticism. In the other hand, the study by (Ranu & Merawati, 2017) show different result

 H1 ; Professional skepticism had positive effect on the auditors ability in detecting fraud

**Auditors Experience**

Experience is a factor supporting auditors ability. It means that an experienced auditor tends to be more capable to detect fraud indication and also give suitable solution (Ranu & Merawati, 2017 and(Mokoagouw, Monica, Lintje Kalangi, 2018). However, study by Supriyanto, (2014) found that the auditors ability in detecting fraud was not affected by buy the auditors experience.

 H2 ; Experience positively affect the auditors ability in detecting fraud

**Auditors Competence**

Competence can be defined as qualification required by an auditor to do auditing properly. The qualification in this term can be from the formal or informal education, and also the auditor experience. Study by Ramadhani, (2015) showed that the auditors ability in detecting fraud was affected by auditors competence. However, a study by Atmaja Didi, (2016) found that competence had no impact on auditors ability in fraud detection.

 H3 ; Competence positively affect auditors ability in fraud detection

**Independence**

Independence is absolutely a must as an auditor. An independent auditor is perceived to be honest, fair, objective, and having good physic and mental, he is not easily influenced by others in giving his audit opinion. Independence also means that the existence of honesty within the auditor in considering facts and the existence of an objective, impartial considerations within the auditor in formulating and expressing his opinion (Pattiasina, Noch, Surijadi, Amin, & Tamaela, 2021).

A former study by Ramadhani, (2015) showed that independence had positive impact on the auditors ability in detecting fraud. Nevertheless, this finding must be re-examined since the finding by Sandi Prasetyo, (2015) showed a contradicting result

H4   ;   Independence had positive effect on the auditors ability in detecting fraud

**Time Pressure**

Time pressure is the condition where the auditors get pressure to finish his task on time. research by Molina, (2018) showed that time pressure affected the auditor ability in detecting fraud whereas a study by Dandi Voedha, (2017) showed different thing.

H5   ;   Time pressure positively affect the auditors ability in detecting fraud

**Research Methodology**

This study was classified as explanatory research which aimed to explain the effect of the variables being researched. The samples in this study were all the auditors in Maluku and Papua Province consisted of 88 auditors. The analysis tool used was multiple linear regression with online questionnaire as data collecting technique.

**Result and Discussion**

**Instrument Testing**

The instrument testing in this research consisted of validity and reliability testing. The validity testing applied the comparison of Product Moment Person correlation index with 5% significance and the reliability testing applied alpha cronbachs coefficient as the measurement of the item reliability.

**Instrument Testing Result**

| Variable | Validity | | | Reliability | |
|---|---|---|---|---|---|
| | **Pearson Corelation** | **Probabilitas (Sig)** | **Note** | **Alpha Cronbachs** | **Note** |
| ` Professional Skepticisms | 0.874 | 0.000 | Valid | 0.946 | Realibel |
| | 0.884 | 0.000 | Valid | | |
| | 0.954 | 0.000 | Valid | | |
| Auditor Experience | 0.865 | 0.000 | Valid | 0.910 | Realibel |
| | 0.801 | 0.000 | Valid | | |
| | 0.883 | 0.000 | Valid | | |
| Competency | 0.945 | 0.000 | Valid | 0.975 | Realibel |
| | 0.950 | 0.000 | Valid | | |
| | 0.965 | 0.000 | Valid | | |

| Variable | Validity | | | Reliability | |
|---|---|---|---|---|---|
| | **Pearson Corelation** | **Probabilitas (Sig)** | **Note** | **Alpha Cronbachs** | **Note** |
| Independence | 0.830 | 0.000 | Valid | 0.927 | Realibel |
| | 0.871 | 0.000 | Valid | | |
| | 0.922 | 0.000 | Valid | | |
| Time Pressure | 0.923 | 0.000 | Valid | 0.950 | Realibel |
| | 0.880 | 0.000 | Valid | | |
| | 0.924 | 0.000 | Valid | | |
| Detecting Fraud | 0.750 | 0.000 | Valid | 0.871 | Realibel |
| | 0.787 | 0.000 | Valid | | |
| | 0.859 | 0.000 | Valid | | |

The result of validity and reliability testing showed that all the variables are valid and reliable, so that the next analysis could be carried out.

**Classic Assumption Testing**

Classic Assumption Testing consisted of; normality testing through normal probability plot graphic by looking at the trend of data spreading toward the regression line. The result of data analysis showed that the dots scattered around the diagonal line and the spreading followed the diagonal line, so the data spreading was normally distributed. The next testing was heteroscedasticity testing through scatter plot graphic. The result showed that the dots scattered randomly and scattered over and below 0 point on Y axis which showed that there no heteroscedasticity occurred. The next testing was Multicoliniearity testing by looking at the value of Variance Inflation Factor (VIF) and tolerance. The result showed that the VIF value was smaller than 10 and the Tolerance value was nearly 1 meaning that there was no multicoliniearity among independent variables.

**The Result of Multiple Linear Regression Analysis**

Multiple linear regression was carried to see the impact of professional skepticism, experience, competence, independence, and time pressure on the auditors ability in detecting fraud whose result can be seen as follow.

**The Result of Multiple Linear Regression Analysis**

| Variable | *Coefficients* | t calc. | Sig. | Note |
|---|---|---|---|---|
| Professional Skepticisms | 0.718 | 12.563 | 0.000 | Significant |
| Auditor Experience | 0.217 | 2.635 | 0.010 | Significant |
| Competency | 0.024 | 0.333 | 0.740 | Not significant |
| Independence | 0.032 | 0.546 | 0.587 | Not significant |
| Time Pressure | 0.097 | 1.710 | 0.091 | Not significant |

| Variable | *Coefficients* | t calc. | Sig. | Note |
|---|---|---|---|---|
| Adjust R Square | 0.719 | | | |
| F calc | 45.434 | | 0.000 | |

## Discussion

### The Effect of Professional Skepticism on the Auditors Ability in Detecting Fraud

Based on the result of partial testing it can be seen that professional skepticism had value of $t_{calc}$ 12.563 > 1.66365 ($t_{calc} > t_{able}$) with positive direction, and the significant score 0.000 < 0.05. Based on the result, the first hypothesis stated that there was impact of professional skepticism on the auditor ability in detecting fraud was accepted (Ha was accepted and Ho was rejected). This showed that the higher the professional skepticism an auditor had, the higher the ability he had in detecting fraud, so the probability of fraud would be smaller (Mokoagouw, Monica, Lintje Kalangi, 2018). This finding is relevant to the finding by Mokoagouw et al. (2018) which showed that professional skepticism affect the auditor ability in fraud detection.

### The Effect of Experience on the Auditors Ability in Detecting Fraud

The analysis result showed that auditors experience had $t_{calc}$ 2.635 > $t_{table}$ 1.66365 with positive direction, and significance value 0.010 < 0.05. Based on this analysis, the second hypothesis was accepted, which stated that there are effect of experience on the auditors ability in detecting fraud (Ha was accepted and Ho was rejected). This showed that experience would affect sensitivity of auditors of the fraud indications. So, in detecting fraud, adequate experience is required to maximize and ease the detection (Atmaja, 2016).

### The Effect of Competence on the Auditors Ability in Detecting Fraud

The analysis result showed that competence had value of $t_{calc}$ 0.333 < $t_{table}$ 1.66365 with positive direction, and the significance value 0.740 > 0.05. it meant that the third hypothesis stated that there is no effect of competence on the authors ability in detecting fraud was rejected (Ha was rejected, and Ho was accepted). This finding stated that competence could not guarantee the quality of auditors in detecting fraud. This is relative since the fraud actors might carry their crime in more sophisticated way which require specific competence to detect the fraud (Atmaja Didi, 2016). This finding is relevant to the study by Atmaja, (2016) which showed that competence was not really affected the auditors ability in detecting fraud.

**The Effect of Independence on the Auditors Ability in Detecting Fraud**

The analysis showed that independence had the value of $t_{calc}$ 0.546 < $t_{table}$ 1.66365 with positive direction, and significance value 0.546 > 0.05. Therefore, the fourth hypothesis was rejected, which means independence had no effect on the auditors ability in detecting fraud (Ha was rejected, and Ho was accepted). In other words, if the author could not hold their independence, there would be potential for the auditors to ignore the fraud. Bribing case from the institution being audited could cause the biased opinion of the auditors. This is relevant to the finding by Prasetyo, (2015) which showed that independence had no effect on the auditors ability in detecting fraud.

**The Effect of Time Pressure on the Auditors Ability in Detecting Fraud**

The analysis showed that time pressure had the value of $t_{calc}$ 1.710 > $t_{table}$ 1.66365 with positive direction, and the value of significance was 0.091 > 0.05. This meant that the fifth hypothesis stating that there was effect of time pressure on the auditors ability in detecting fraud was accepted (Ha was accepted and Ho was rejected). This showed that the higher the time pressure given, the higher the ability of the auditors in detecting fraud (Molina, 2018). This finding is relevant to the study by Molina & Wulandari, (2018) which showed that the time pressure had impact on the auditors ability in detecting fraud.

**Conclusion**

Based on the elaboration above, some conclusions can be drawn, they are;

1. Professional Skepticism and experience significantly affected the auditors ability in detecting fraud.
2. Competence and independence had no significant effect on the auditors ability in detecting fraud.
3. Time pressure affected but was not significant on the auditors ability in detecting fraud.

**Recommendations**

Based on the conclusion above, there are some recommendations the author could give, they are;

1. Further study is expected to enlarge the object of the study not only in BPKP of Maluku Province but also in BPKP institution in other province.

2. Further research is also needed to add other variables potentially affect the auditors ability in detecting fraud like job responsibility, personality type, interpersonal communication, and also by using interview technique to avoid the possibility of subjectivity of respondents in answering the questionnaire.

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