The Influence of Auditor Competence And Professional Skepticism on Efforts to Detect Fraud

(Survey on Public Accounting Firms in Bandung)

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Abstract:

This research aims to determine if there is an influence of auditor's competence and professional skepticism toward efforts to detect fraud. The auditor in conducting an audit of the financial statements, needs to get the necessary trust in the financial statements of all material, whether due to an error or fraud. Fraud is harder to detect than error because it is hidden by the fraudster. The research takes samples with non-probability sampling method using purposive sampling. This research obtained 36 questionnaires from Public Accounting Firms in Bandung. The analysis technique used were validity test, reliability test, classic assumption test, multiple linear regression analysis, and hypothesis test using t-statistic hypothesis test to test partial regression coefficients and F-Statistics to test the simultaneous regression coefficients with 5% significance level. All the statistic calculations are done by using software SPSS 25. The result shows that auditor's competence and professional skepticism simultaneously influence fraud detection effort significantly. Partially, auditor competence and professional skepticism have a significant influence towards fraud detection effort.

Keywords: Auditor Competence, Professional Skepticism, Efforts to Detect Fraud

1.Introduction

1.1.Research Background

A public accounting firm is a business entity that is established based on statutory provisions and obtains a business license based on the law. Services that can be provided by public accountants include audit services on historical financial reports, audit benefits on chronicled money related data and other protection administrations (Tuanakotta, 2015, p. 10). Based on the latest data in 2019 there are 472 Public Accountant Offices in Indonesia that already have licenses from the finance minister (Center for Financial Professional Development, 2019).

The IMF and World Bank compile a Report on the Observance of Standards and Codes (ROSC). The ROSC makes an inventory of accounting and auditing standards and practices, and looks at the readiness of countries to adopt international standards. The 2010 ROSC contained an interview with PPAJP. PPAJP found that from the existing KAP (more than 400), only a few were able to meet the audit standards well. There are several gaps in compliance with standards (compliance gap). One of them is that many auditors do not make the best effort to implement procedures to detect fraud (Tuanakotta, 2015,201).

Cases involving Indonesian auditors failed to detect fraud. First, Hans Tuanakota & Mustofa Public Accounting Firm was declared unable to detect financial statements containing fraudulent elements. PT. Kimia Farma marked up net profit in the 2001 financial statements. Management of PT. Kimia Farma reported a net profit of Rp132 billion. The Ministry of BUMN and Bapepam considered that the net profit was too large and contained engineering elements. BUMN and Bapepam restated these financial statements and generated a profit of Rp 99.56 billion, or lower of Rp 32.6 billion, or 24.7% of the reported initial profit (Tempo.co, 2003).

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Secondly, Deloitte's Public Accounting Firm failed to detect any fraudulent schemes in SNP Finance's financial statements. SNP Finance falsified data and manipulated financial statements. Among these are making fictive receivables through fictitious sales. The receivables are guaranteed by the creditors, as the reason that when the receivables are collected the money will be used to pay debts to creditors. To support the action, SNP Finance provides fictitious documents containing Columbia customer data (Leo & Soepriyanto, 2018).

PPPK examined the KAP and two public accountants. The examination results concluded that the Public Accountants Marlinna and Merliyana Syamsul have not fully complied with the Audit Standards - Professional Standards of Public Accountants in conducting general audits of SNP Finance's financial statements. Things that have not been fully fulfilled are understanding of information system control related to customer data and accuracy of financing receivable journals, obtaining sufficient and appropriate audit evidence on Consumer Finance Accounts Receivable Accounts, and PPPK also notes that there is no fairness of the occurrence of assertions and the assertion of separate financial income account boundaries. , the implementation of adequate procedures related to the fraud risk detection process and response to fraud risk, and professional skepticism in planning and conducting audits (Kontan.co.id, 2019).

There are many factors that cause the auditor unable to detect fraud. Among others, the lack of competence of the auditor and auditor professional skepticism.

Professional competence requires a high level of education accompanied by special education, training, examinations in relevant subjects, and work experience. Competence also requires ongoing awareness by professional accountants for developments in the accounting profession and the application of quality control programs (Hayes, Wallage, and Gortemaker, 2014, 80)

Professional skepticism is a demeanor that incorporates addressing mind, caution to conditions that can demonstrate the chance of misquote because of misrepresentation or blunder and basic evaluation of review proof (Arens, Elder, & Beasley, 2015, 41)

Based on the background above and the need to understand auditor competence and professional skepticism, the writer is interested in conducting a study entitled "The Effect of Auditor Competence and Professional Skepticism on Efforts to Detect Fraud (Survey on Public Accountant Firms in Bandung)".

1.2. Identification of problems
Does the competence of auditors and professional skepticism affect the effort to detect fraud at the Public Accounting Firms in Bandung.

2. Literature Review
2.1. Efforts to Detect Fraud
Fraud is all criminal acts to obtain benefits that use fraud as the main principle. Fraud includes any intentional action to take assets or money belonging to another person by trickery, fraud or other fraudulent actions. (Association of Certified Fraud Examiners, 2017)

Fraud is a deliberate act of one or more people on the management team, supervisors, employees, third parties, by deceptive ways to obtain unlawful profits (against the law) (Tuanakotta, 2015, 194)

Efforts to detect fraud is an action to find out that fraud occurred, who is the perpetrator, who is the victim and what is the cause. One important element in fraud detection is the ability to recognize and identify quickly. (Karyono, 2013, 92-94)

Widiyastuti & Pamudji (2009) defines that an effort to detect fraud is the process of finding or determining an illegal action that can result in a misstatement in financial reporting that is done intentionally. The method that can be used to detect fraud is to look at signs, signals, or red flags of an action that is suspected of causing or potentially causing fraud.

2.2. Auditor Competence
Competence start with instruction in bookkeeping since examiners hold themselves out as specialists in bookkeeping norms, monetary revealing, and evaluating. Notwithstanding college level instruction preceding starting their vocations, evaluators are likewise required to take part in proceeding with proficient training all through their professions to guarantee that their insight keeps pace with changes in the bookkeeping and inspecting calling. Indeed, one of the significant necessities for keeping up a CPA permit is adequate proceeding with proficient instruction and another significant measurement is understanding, which is picked up with hands-on training and hands on preparing.
A significant part of this experience is the capacity to create and apply proficient judgment in genuine review circumstances. These circumstances incorporate different decisions identified with social affair proof identified with

the reasonableness of a substance's fiscal summaries and assessing whether that proof shows that the budget reports are set up as per sound accounting guidelines (Louwers, Ramsay, Sinason, Strawser, & Thibodeau, 2015, hal. 46)

2.3. Professional Skepticism

Professional skepticism is a demeanor of conduct with a receptive outlook that questions (a scrutinizing mind), is alert (being alert) in circumstances that demonstrate the chance of misquote because of blunders and extortion, and basic evaluation of proof (Tuanakotta, 2015, 26)

The Indonesian Institute of Certified Public Accountants (2013) states that professional skepticism is an attitude that includes a mind that is always questioning, alert to conditions that can indicate the possibility of misstatement, whether caused by fraud or error, and an important assessment of audit evidence.

Professional skepticism is a mentality that incorporates addressing mind, being aware of conditions that can show the chance of misquote because of extortion or blunder, and basic assessment of review proof.

2.4. Effects of Auditor Competence and Professional Skepticism on Efforts to Detect Fraud

The auditor in carrying out the assignment must have competence and apply professional skepticism. Competence is measured through the auditor's knowledge and experience. Whereas professional skepticism is an attitude that does not assume that the auditee is dishonest but does not assume absolute honesty (Arens, Elder, & Beasley, 2015, 402).

According to Tuanakotta (2015, p. 195), to find fraud the auditor must always be vigilant and apply a high degree of caution to the possibility of fraud. The auditor must also make use of his experience and training regarding fraud. Thus, the effort to detect fraud requires adequate competence and also professional skepticism.

3. Research Methods

3.1. Types of Research

This type of research is explanatory research. Explanatory research is research whose purpose is to obtain answers about "how" and "why" a phenomenon occurs.

3.2. Data and Data Sources

The type of data used is primary data in the form of a questionnaire. Questionnaires were distributed to 12 public accounting firms in the city of Bandung which were registered in the IAPI directory in 2019.

3.3. Method of Collecting Data

The population in this study is professional auditors who work at 35 Public Accountants in Bandung that have been registered in the IAPI directory in 2019. The sampling method used in this study, namely non-probability sampling in the form of purposive sampling. Hypothesis testing conducted consisted of partial hypothesis testing (t test) and simultaneous hypothesis testing (F test). Testing for the validity of the data uses a validity test and a reliability test.

3.4. Data Analysis Technique

3.4.1. Classic Assumption Test

Before carrying out multiple regression testing, there are several assumptions that must be met, as follows:
1. Data Normality Test
2. Multicollinearity Test
3. Heteroscedasticity Test

3.4.2. Coefficient of Determination

The coefficient of determination (R^2) aims to measure how far the model's ability to explain the variation of the dependent variable

3.4.3. Multiple Linear Regression Analysis

Regression analysis quantifies the quality of the connection between at least two factors and shows the course of the connection between the needy variable and the autonomous variable.

Hypothesis testing conducted consisted of partial hypothesis testing (t test) and simultaneous hypothesis testing (F test).

4. Results and Discussion
4.1. Descriptive Analysis

For the Auditor Competence variable as a whole obtained an average total score of 36 respondents amounting to 4.03 in the interval range from 3.40 to 4.20. This means that the respondent's competence in terms of education and experience has met the requirements.

While the Professional Skepticism variable as a whole obtained an average total score of 36 respondents at 3.98 in the interval range from 3.40 to 4.20. This means that respondents' professional skepticism in terms of questioning mind, suspension of judgment, search for knowledge, interpersonal understanding, self-confidence, and autonomy are sufficient.

Finally, the overall Efforts to Detect Fraud variable obtained a total average score of 36 respondents at 3.87 in the interval range from 3.40 to 4.20. This means that respondents can detect fraud well by means of internal control testing, by auditing or operational auditing, gathering intelligence data with elicitation techniques on lifestyle and personal habits, using the principle of exceptions in controls and procedures, reviewing irregularities in operational performance and reactive approach.

4.2. Analysis of the Effect of Auditor Competence and Professional Skepticism on Efforts to Detect Fraud
4.2.1. Classic Assumption Test Results

So that the analysis carried out on the research model used is BLUE (Best, Linear, Unbias and Estimator) assumptions will be conducted first.

1. **Normality Test Results**

Normal P-P Plot of Regression Standardized Residual
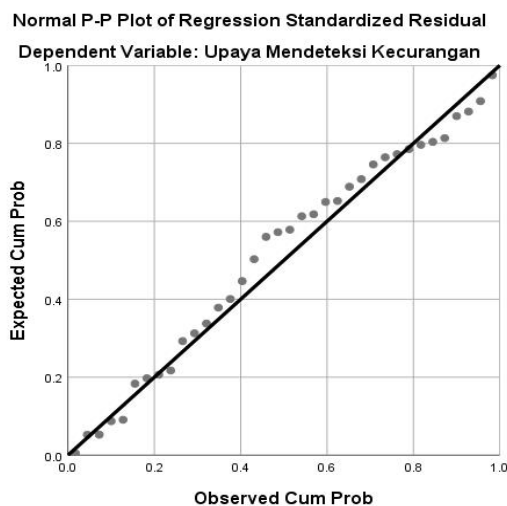Dependent Variable: Upaya Mendeteksi Kecurangan

Figure 4.1. Normality Test

The figure shows that the points are close to the diagonal line. In the event that the remaining information dispersion is ordinary, at that point the line that speaks to the real information will follow the askew line. In this way it very well may be reasoned that the model is fit or acceptable and it tends to be expressed likewise that the remaining information appropriation is normal.

2. **Multicollinearity Test Results**

Table 4.1. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Auditor Competence	.470	2.126
	Professional Skepticism	.470	2.126

The output of the VIF test turns out which the value is 2,126 which means that it is less than 10, it can be deduced that the data doesn't have multicollinearity.
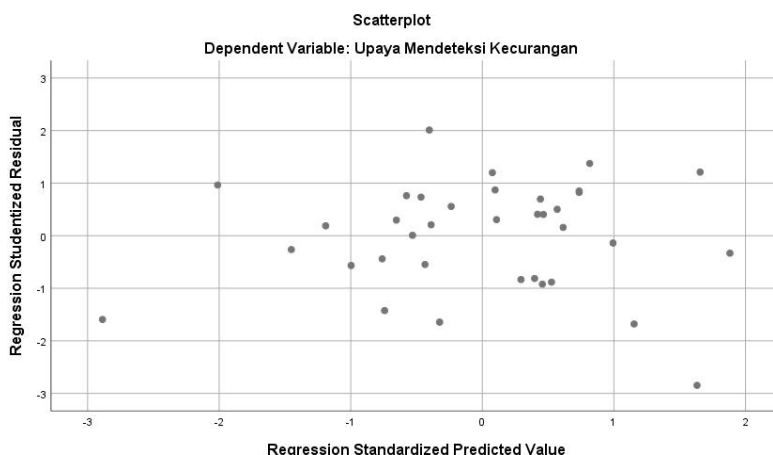
3. **Heteroscedasticity Test Results**

Figure 4.2. Heteroscedasticity Test

Figure shows that the focuses spread arbitrarily and spread both above and beneath the number 0 on the Y hub. It very well may be reasoned that there was no heteroscedasticity in the relapse model in this study.

4.2.2. Coefficient of Determination

Table 4.2 Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.849[a]	.721	.704	.332

The value of R Square in table 4.2 is 0.721 or 72.1%. This implies the variety of the needy variable that can be clarified by the autonomous variable is 72.1%, while the remaining 27.9% is explained by other variables not included in the regression model in this study. So it can be concluded that auditor competence and professional skepticism have an effect of 72.1% on efforts to detect fraud, while the remaining 27.9% is influenced by other variables not examined.

4.2.3. Multiple Linear Regression Equations

Table 4.3. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.560	.271		2.064	.047
Auditor Competence	.309	.120	.344	2.565	.015
Professional Skepticism	.574	.136	.565	4.214	.000

From the test results contained in table 5.29 unstandardized coefficient (B), the regression equation that has been formed can be stated as follows :

$Y = 0{,}560 + 0{,}309\ X1 + 0{,}574\ X2 + e$

4.2.4. Hypothesis Test
4.2.4.1. Partial Test

The calculation results in table 4.3 show that the auditor competency variable has a tcount of 2.565 which means it is greater than the table of 2.035. The significance value is 0.015, which means it is smaller than the significance level of 0.05. Then it can be concluded that Ha is accepted which shows that auditor competency is a

factor that influences efforts to detect fraud.

The calculation results show that the professional skepticism variable has a t count of 4.214 which means it is greater than the table of 2.035. The significance value is 0,000, which means it is smaller than the significance level of 0.05. Then it very well may be closed that Ha is accepted which shows that professional skepticism is a factor influencing efforts to detect fraud.

4.2.4.2. Simultaneous Test

Table 4.4. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.372	2	4.686	42.606	.000[b]
	Residual	3.629	33	.110		
	Total	13.001	35			

Based on the results of table 4.4 shows the calculated F value of 42.606 and the significance value in the ANOVA table of 0,000. The calculated F value is compared with the calculated F table that is equal to 3.28 and it appears that the calculated F value is greater than the F table which means Ha or the alternative hypothesis used is accepted. Then the second way is to compare the value of sig. in the ANOVA table with a significance value of 0.05, it can be seen that the value of sig. in the ANOVA table has a value smaller than the predetermined significant value that is 0.05. From the results of the sig it can be interpreted that the alternative hypothesis is accepted. So from the two methods it can be concluded that there is an influence between the independent variables together on the dependent variable.

5. Conclusion

1. Auditor competence partially influences efforts to detect fraud. This indicates that the better the competence of auditors, the better the effort to detect fraud

2. Professional skepticism partially influences efforts to detect fraud. This indicates that the better professional skepticism, the better the effort to detect fraud.

3. Professional auditor competence and professional skepticism simultaneously influence efforts to detect fraud. This indicates that the better the competence of auditors and professional skepticism, the better the effort to detect fraud.

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