

# The Effect of Professional Skepticism, Independence, Audit Experience, and Understanding of the Internal Audit Control System on the Ability of Auditors in Detecting Fraud Surveys of Internal Auditors of Ministry/Institutions in Indonesia

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## Abstract

This research aims to discover how effective the professional scepticism, independency, audit experience, and the knowledge of internal control system on the ability of auditors to detect some frauds. The population in this study are the Internal Auditor of Minister/Institutions of the Republic of Indonesia. The sample size of the population on this research using the statistical method with purposive sampling technique. Data were collected by giving questionnaire to the respondents. Data were analyzed using the smartPLS 3.2.7's software Structural Equation Modelling (SEM) that method is used to improve the weaknesses of the regression method. The results of this research are professional scepticism, independency, audit experience, dan the knowledge of internal control system that are positively and significantly affected to the auditor's ability to detect fraud.

**Keywords:** Professional Scepticism, Independency, Audit Experience, Knowledge Over the Internal Control System, Fraud Detection

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## 1. Introduction

The definition of fraud according to the Association of Certified Fraud Examiners (ACFE) is an act that intentionally with a specific purpose, which violates legal provisions.

The phenomenon of Corruption, Collusion and Nepotism (KKN) is still often found in Government Agencies. Some data indicate that the enforcement aspects of good governance in Indonesia is still poor, namely:

1. Based on the Corruption Perception Index that in 2020 Indonesia is ranked 120 out of 180 countries with a score of 37 out of 100. During the last 5 years since 2017 the score of Indonesia's Corruption Perception Index has not experienced a significant increase, namely at a score of 37 out of 100 in 2016, 37 from 100 in 2017, 38 out of 100 in 2018, 40 out of 100 in 2019 and then down to 37 out of 100 in 2020.
2. An integrity survey by the Corruption Eradication Commission in 2014 showed that the quality of public services in Indonesia for central agencies only reached a score of 7.22 on a scale of 1 – 10.
3. Indonesia's control of corruption based on the World Bank's assessment scores 32.70 (2013), 33.65 (2014), 39.42 (2015), 48.08 (2016) and 41.38 (2017) from a scale of 0 to 100 on the following chart:

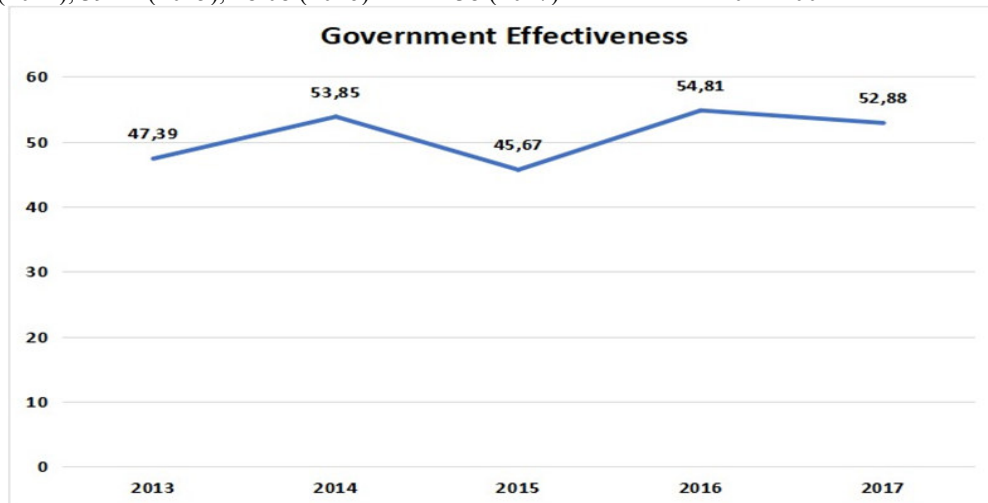


Figure 1. Government Effectiveness Chart

The condition of poor financial management in Indonesia has prompted the government to do some reforms in the field of State Finance, which is marked by strengthening the government's role in overseeing budget execution by establishing a Government Internal Supervisory Apparatus in accordance with Government Regulation Number 60 of the Government's Internal Control System.

The leveling mapping of the Government Internal Supervisory Apparatus's capability made by the Financial and Development Supervisory Agency in 2013 on 474 Government Internal Supervisory Apparatus in Indonesia showed that 85.23% were at level 1 (Initial), 14.56% at level 2 (Infrastructure), and 0.21% level 3 (integrated). The highest level of capability is still at level 1, indicating that the effectiveness of Government Internal Supervisory Apparatus's governance is less effective. The Government Internal Supervisory Apparatus, which is expected to be the "first defense" in preventing criminal cases of corruption and rampant irregularities, are not functioning.

At the Government's Internal Oversight Coordination Meeting on May 13, 2015 in Jakarta, the President of the Republic of Indonesia gave target to the Financial and Development Supervisory Agency within 5 years Government Internal Supervisory Apparatus's capability leveling is at Level 3 as much as 85% and level 1 only 1%. However, until 2020 this target has not been achieved. The results of the IACM assessment made by Financial and Development Supervisory Agency in 2020 on 628 Central and Regional Government Internal Supervisory Apparatus's still show results that are far from the 2015 President's direction. From that 5 levels, 11.62% or 73 Government Internal Supervisory Apparatus's Are still at level 1 (initial), 52.55% or 330 Government Internal Supervisory Apparatus at level 2 (infrastructure), and 225 Government Internal Supervisory Apparatus or 35.83% at level 3 (integrated). This shows that massive efforts are still needed to continuously improve Government Internal Supervisory Apparatus capabilities towards level 4 (managed) and 5 (optimizing) as follows:

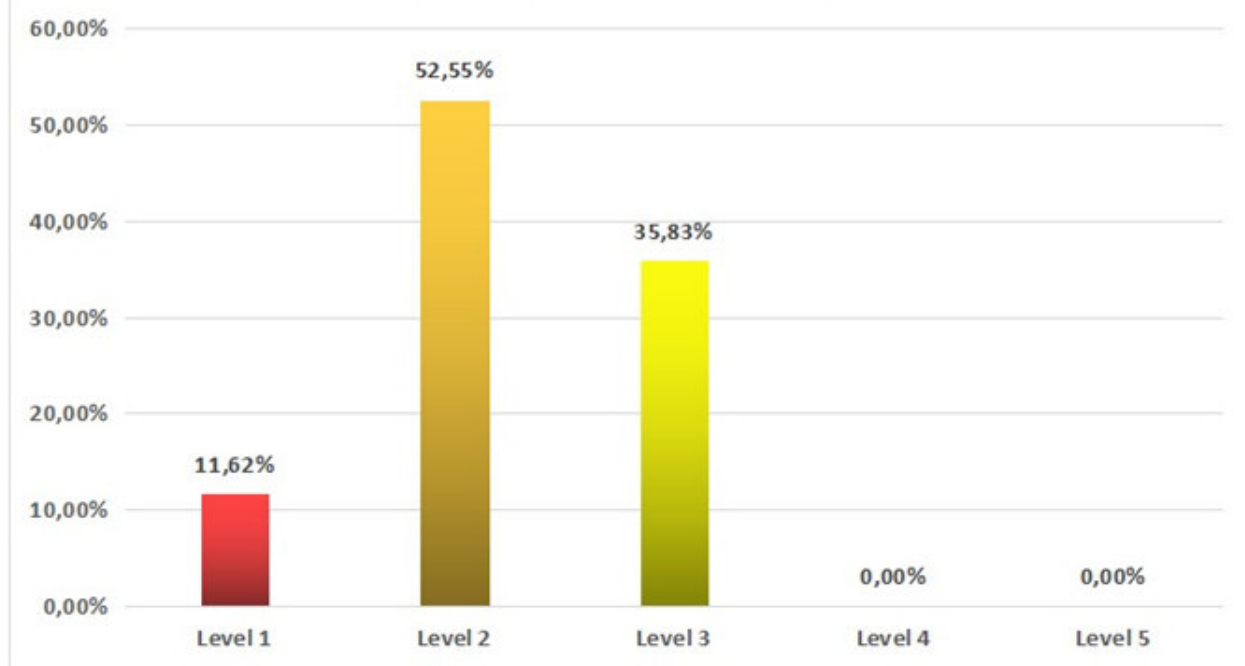


Figure 2. APIP Capabilities Chart 2020

The Minister of PAN-RB (Asman Abnur) in 2017 said that, to be able to identify irregularities that occur in state administration, internal supervision must play an inherent role from the planning section. Studying from previous irregularities, general irregularities occur because of the ineffectiveness of internal control. Therefore, the Government Internal Supervisory Apparatus is required to optimize its role to ensure that all activities are carried out effectively and efficiently through strengthening the auditee internal control system so that irregularities can be prevented. The problem that arises is that the auditor has limitations in detecting fraud.

Each auditor has a different ability to detect fraud due to several factors, such as different levels of auditor experience, different skepticism, different understandings of the auditee's internal control system and different auditors' ability to maintain their independency.

SA 240, 2015 par. 8 states that in obtaining reasonable assurance, the Auditor is responsible for maintaining professional skepticism during the audit; considering the potential for management override of controls; and aware that there is the fact that audit procedures cannot detect fraud.

An important factor that can influence the auditor in detecting fraud is the attitude of independency. The attitude of independency is an impartial perspective in carrying out tests, evaluating examination results and in

preparing audit reports (Arens & Beasley, 2012). Harold's research (2010) reveals that the lack of auditor's independency will lower the auditor's ability to find fraud. Hanifah (2016) states that audit experience and professional skepticism have a positive effect on increasing the ability of auditors to detect symptoms of fraud. And Riyani (2016) in his research states that an understanding of the auditee's Internal Control System has a significant effect on the ability to detect regional losses and Salem (2012) finds that a good understanding by the auditor of the auditee's Internal Control System will assist the auditor in detecting fraud.

Referring to the existing problems, theoretical basis and previous research, this research was carried out to find out the root of the problem with the title "The Effect of Professional Skepticism, Independency, Audit Experience and the Knowledge of Internal Control System on the Auditor's ability to detect fraud in the Internal Auditor Ministries/Agencies of the Republic of Indonesia".

## **2. Review of Related Literature**

### **2.1 Agency Theory**

Agency Theory Jensen & Meckling, (1976) states that "There is a contract between one or more people that involves an agent to take an action for them (actors) by delegating decision-making authority to the agent".

Agency theory can be used to help government internal auditors understand conflicts of interest that occur between the president (principal) and the management of the Ministry/Agency or Local Government (agent).

### **2.2 Cognitive Dissonance Theory**

The basic view of Festinger's (1957) cognitive dissonance theory is that if a person has two cognitions (ideas and thoughts) simultaneously and contradict each other. The gap that occurs between two inconsistent cognitive elements will cause psychological discomfort. Efforts that a person can do to achieve harmony in behavior and reduce pressure from the inconsistencies of the existing elements are to reduce or avoid dissonance. In this study, this theory helps explain the interaction effect of professional skepticism and the factors that influence it (competence, independency, experience and audit time pressure) if there is cognitive dissonance when detecting fraud. Competence, independency, and audit experience will increase professional skepticism and the ability to detect fraud.

### **2.3 Behaviorism Theory**

Behaviorism psychology theory that was coined by Gage & Berliner (1979) is a theory that views that human life consists of elements that are interconnected with one another. This theory places great emphasis on observable and measurable behavior. The theory of behaviorism in this study relates to the competence and ability of the auditors as well as the auditor's understanding of the auditee's internal control system. The auditor's understanding of the auditee's internal control system is obtained from the auditor's need to make an assessment of each risk factor in audit planning.

### **2.4 Government Internal Auditor**

People or groups of people who carry out audits are grouped into three groups, namely independent auditors, internal auditors, and government auditors (Mulyadi, 2014). Government internal auditors are professional auditors who work in government agencies whose main task is to audit financial accountability presented by organizational units or government entities or financial accountability addressed to the government. The government's internal supervisory apparatus in Indonesia is the Financial and Development Supervisory Agency, and internal auditors at the inspectorate of each ministry/institution as well as the provincial and district/city governments.

### **2.5 Auditor's Ability to Detect Fraud**

The ability to detect fraud is the skill or expertise possessed by the auditor to find indications of fraud. Detecting fraud is an effort made by the auditor to obtain adequate early indications of fraud, as well as making the space for fraudulent behavior narrower. The auditor's ability to detect fraud actually shows the quality of an auditor's self (Susanto et al., 2020). The presence of red flags is considered an important and effective factor for detecting fraud and becomes a finding for auditors (Rahim et al., 2019).

### **2.6 Professional Skepticism**

Professional skepticism is an attitude that includes a mind that constantly questions and evaluates audit evidence critically (IAPI, 2014). Said & Munandar, 2018 research results show that professional skepticism owned by auditors can support success in detecting fraud. The low professional skepticism of the auditor will cause the auditor's inability to detect the possibility of fraud because the auditor will easily believe the assertions given by management without sufficient evidence to support the assertion. The auditee's explanation will not be immediately accepted by the auditor who uses his professional skepticism. Many questions will be given to the

evidence that has been collected to obtain reasons and confirmation of the object of examination (Rahim et al., 2019)

*Hypothesis 1: Professional Skepticism Affects Auditor's Ability to Detect Fraud*

### 2.7 Independency

Independency is the freedom from conditions that threaten the ability of internal audit activities to carry out internal audit responsibilities objectively (Shohihah et al., 2018). Susanto et al.'s research (2020) found that independency had a positive and significant effect on the auditor's ability to detect fraud and Hamilah et al.'s research (2019) that professionalism had a significant effect on the ability to detect fraud; audit experience has a significant effect on the ability to detect fraud; audit independency has a significant effect on the ability to detect fraud; Professionalism, audit experience, and audit independency together have a significant effect on the ability to detect fraud.

*Hypothesis 2: Independency Affects the Auditor's Ability to Detect Fraud..*

### 2.8 Audit Experience

The competence of internal auditors is the key to an effective internal audit. Competent auditors are those who have educational qualifications, professionalism, audit experience, and audit training that are followed (Shohihah et al., 2018). Experience is a factor that is often associated with the auditor's ability to detect fraud. The experience referred to here is the experience of the auditor in conducting investigations to find fraud in a financial report, an auditor must have adequate expertise. Auditor experience will help him improve his skills. Previous research revealed that auditors with a high level of experience would be easier to find fraud, because the number and types of cases found were more than auditors with less experience (Yessie, 2020).

*Hypothesis 3: Audit Experience Affects Auditor's Ability to Detect Fraud.*

### 2.9 The Knowledge of Internal Control System

An effective internal control system can provide managers with the means to provide accountability for their programs as well as the means to obtain reasonable assurance that the programs they direct meet the goals and objectives that have been set (Joseph et al., 2015). In the context of Indonesia, the government's internal control system according to PP no. 60 of 2008 (Regulation of the Government of the Republic of Indonesia, 2008) is defined as an integrated process of actions and activities carried out continuously by the leadership and all employees to provide reasonable assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations. From Agyemang's research (2011) it was found that the implementation of a strong internal control system by management was able to prevent fraud.

*Hypothesis 4: Understanding of the Internal Audit System Affects the Auditor's Ability to Detect Fraud.*

Based on previous research, professional skepticism, independency, audit experience and understanding of the internal control system tend to affect the auditor's ability to detect fraud.

The framework of this research is as follows:

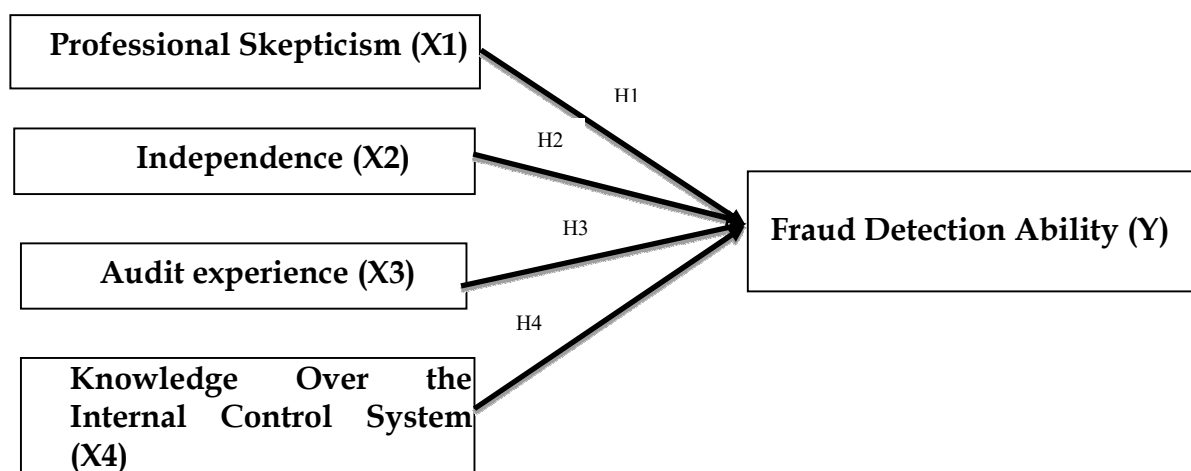


Figure 3. Frameworks

## 3. Methods, Data and Analysis

### 3.1 Type of research

This study is a causality study with the aim of analyzing how far the independent variable (X) affects the

dependent variable (Y). This study is intended to determine the effect of professional skepticism (X1), independency (X2), audit experience (X3) and understanding of the auditee's internal control system (X4) on the auditor's ability to detect fraud.

### 3.2 Population and Research Sample

The population used in this research is 2337 internal auditors who are in 86 Ministries and Institutions in Indonesia. The sampling method in this study used purposive sampling. Purposive sampling technique is a technique to determine the sample by following certain considerations. The criteria for selecting respondents in this study are:

1. Respondents are employees of the PIP Deputy for the Economy and Maritime Affairs, the Deputy for Polhukam PMK, the Deputy for Regional Finance, and the Deputy for State Accountants.
2. Respondents are not limited by the position of auditor (beginner skilled auditor, primary skilled auditor, junior skilled auditor, primary expert auditor, junior expert auditor, middle expert auditor, main expert auditor).
3. Respondents are auditors who have at least 2 years of work experience, with the consideration that if the auditor has worked over 2 years, they are considered to have auditing time and experience
4. Minimum education in diploma degree.

The sample size of the population determined in this study was carried out by means of statistical calculations, namely by using the Slovin formula according to (Husein, 2011). The level of precision set by the researcher in determining the sample is 10%.

### 3.3 Data Collection Techniques

The data used in this study is quantitative data, namely data that is extracted through calculations, measurements, and statistics. Data collection is carried out through questionnaires given to the Ministry/Agency auditors in Indonesia. Questionnaire is a data collection technique that is done by giving a set of questions or written statements to respondents to answer. The questionnaire used is a google form questionnaire which is distributed in the network (online). The source of data in this study comes from the answers of internal auditors at Ministries/Institutions in Indonesia.

### 3.4 Data Analysis Method

This study uses a method to collect data by collecting data / information on research. The approach used in this research is the Structural Equation Model (SEM) with the help of Partial Least Square (PLS) software, namely the SmartPLS version 3.0 application. The evaluation of the PLS model is based on a non-parametric predictive orientation. Evaluation of the PLS model with descriptive statistical analysis, outer model, and inner model. The structural model (outer model) tests the reflective validity and reflective reliability. Indicators that do not meet the loading factor requirements are omitted and are not included in the next analysis stage. Validity tests in the form of convergent validity, discriminant validity, composite reliability, average variance extracted (AVE), and Cronbach's alpha. Convergent validity test was conducted to find out how good the value obtained was, by considering the loading factor  $> 0.7$  and the average variance extract (AVE)  $> 0.5$ . The discriminant validity test measures various constructs that should not be highly correlated, by considering that the square root value of the AVE must be greater than the correlation value between latent variables and/or the AVE value must be greater than 0.5. Reliability test can refer to the value of Cronbach's alpha and composite reliability  $> 0.7$ . The structural model (inner model) describes the latent variables based on substantive theory. Assessment uses R<sup>2</sup> (R-Squared) of the dependent variable. Furthermore, Q<sup>2</sup> (Q-Squared predictive relevance) was used to determine the diversity of the independent variables that could be explained in the model.

## 4. Results

### 4.1 Data Analysis

The results of descriptive analysis on the variables of this study are described as follows:

#### a. Internal Auditor Professional Skepticism

The first independent variable (X1) in this study, namely professional skepticism consists of several dimensions, namely questioning mind, suspension of judgment, search for knowledge, interpersonal understanding, autonomy, and self-esteem. The highest mean value of the professional skepticism variable is found in the statement of considering information before making a decision with a mean value of 4.76. In this statement, 100% almost agree and agree, the indicator is to consider information before making a decision, which means considering all the information obtained, the auditor is very concerned about being able to detect fraud. The smallest mean value of 3.69 can be seen in the decision-making speed indicator, which is 23.96% in neutral conditions, and only 12% in disagreeing and disagreeing conditions. This means that the agency's ministry auditors cannot make decisions in a hurry and must first analyze the information obtained. However, decision

making cannot be carried out for too long, so that policy making based on the decisions taken can be carried out on time.

#### **b. Independence Internal Auditor**

Furthermore, the second independent variable (X2) in this study is independency which consists of independency in fact, and independency in appearance. The highest mean value of the independency variable is found in the statement that accounts payable affect judgment with a mean value of 4.34. In this statement, 89.58% almost agree and agree, which means the auditor agrees that the existence of debts or obligations between the auditor and the auditee can affect the facts reported by the auditor to the Ministry/Agency. The smallest mean value is in the statement of the Auditee helping to collect evidence in the implementation of audit tasks with a value of 3.96. As many as 29.16% of respondents in the condition of Neutral and Less agree. This means that the Ministry of Institutional auditors do not agree that in carrying out the audit, the auditee helps in collecting audit evidence.

#### **c. Experience Internal Audit**

The third independent variable (X3), namely audit experience, also consists of 5 dimensions, namely making decisions, experience in auditing, task intensity, work ability, and length of work. The highest mean value of the audit experience variable is found in the statement of being able to analyze problems with a mean value of 4.71. In this statement, 97.92% almost agree and agree, which means that the more experienced an auditor is, the more able to analyze problems that occur in the Ministry/Agency. While the smallest mean value is in the statement of length of service as an auditor with a value of 4.19, which means that new auditors can also have the ability to analyze fraud in Ministries/Institutions in Indonesia.

#### **d. Knowledge Over the Internal Control System**

The fourth independent variable (X4) in this study is knowledge of the internal control system. The highest mean value of the knowledge variable on the internal control system is found in the statement of behavioral rules applied to all levels of leadership and employees with a mean value of 4.67. In this statement, 95.83 respondents almost agree and agree on the importance of the rules of behavior being applied to all levels of leadership and employees of Ministries/Institutions. The smallest value is in the statement of supervision in the accounting field, besides being carried out by internal auditors, external auditors also have a mean value of 4.43 and only 7% in neutral conditions. This means that the internal auditors of the Ministry of Institutions agree that the supervision of the accounting sector is not only carried out by internal auditors but also by external auditors.

#### **e. Fraud Detection Ability**

The affected variable (Y) in this study is the ability to detect fraud which consists of the dimensions of knowledge about fraud, and the ability of the auditor to detect fraud. The highest average value of the ability to detect fraud is found in the statement of understanding that internal control is a measure of fraud with a mean value of 4.59. In this statement 92.76% of respondents almost agree and agree. This means that the Ministry/Agency auditors agree that knowing the auditee's internal control structure is the initial stage of detecting fraud that occurs in Ministries/Agencies. While the smallest mean value is in the statement of understanding the nature of fraud with the number of respondents 18.75% in neutral conditions, disagreeing and disagreeing, which means understanding the nature of fraud is not the main indicator in detecting fraud with a mean value of 4.13.

#### **f. Test Outer Model**

The structural model of the construct variable in this study is presented in the graph below:

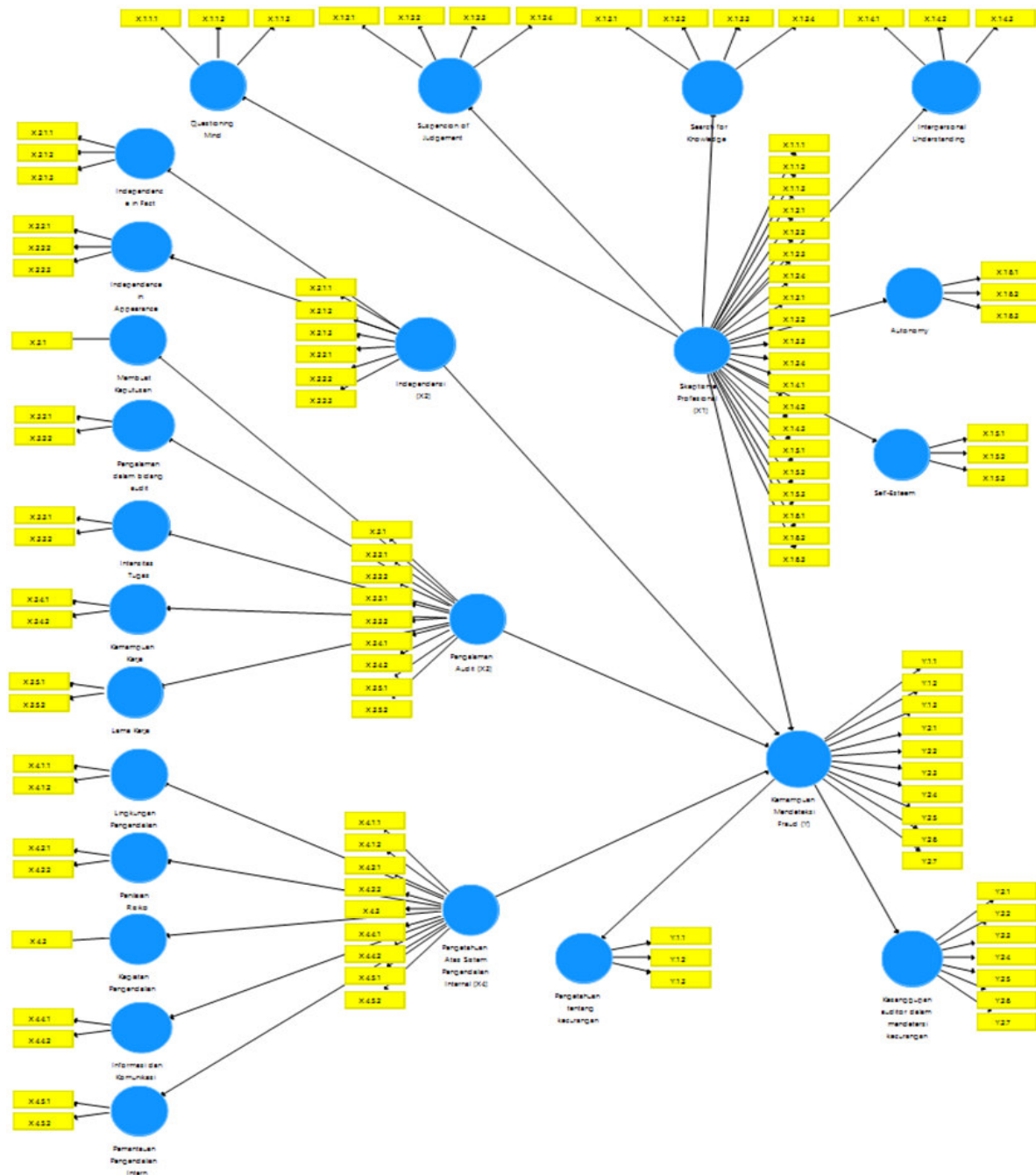


Figure 4.1. Designing a Construct Variable Structural Model

**g. Validity Test**

Based on the results of testing the validity of the instrument items on the questionnaire used in this study using the help of the SmartPLS 2020 software, the results are shown in the following graph:

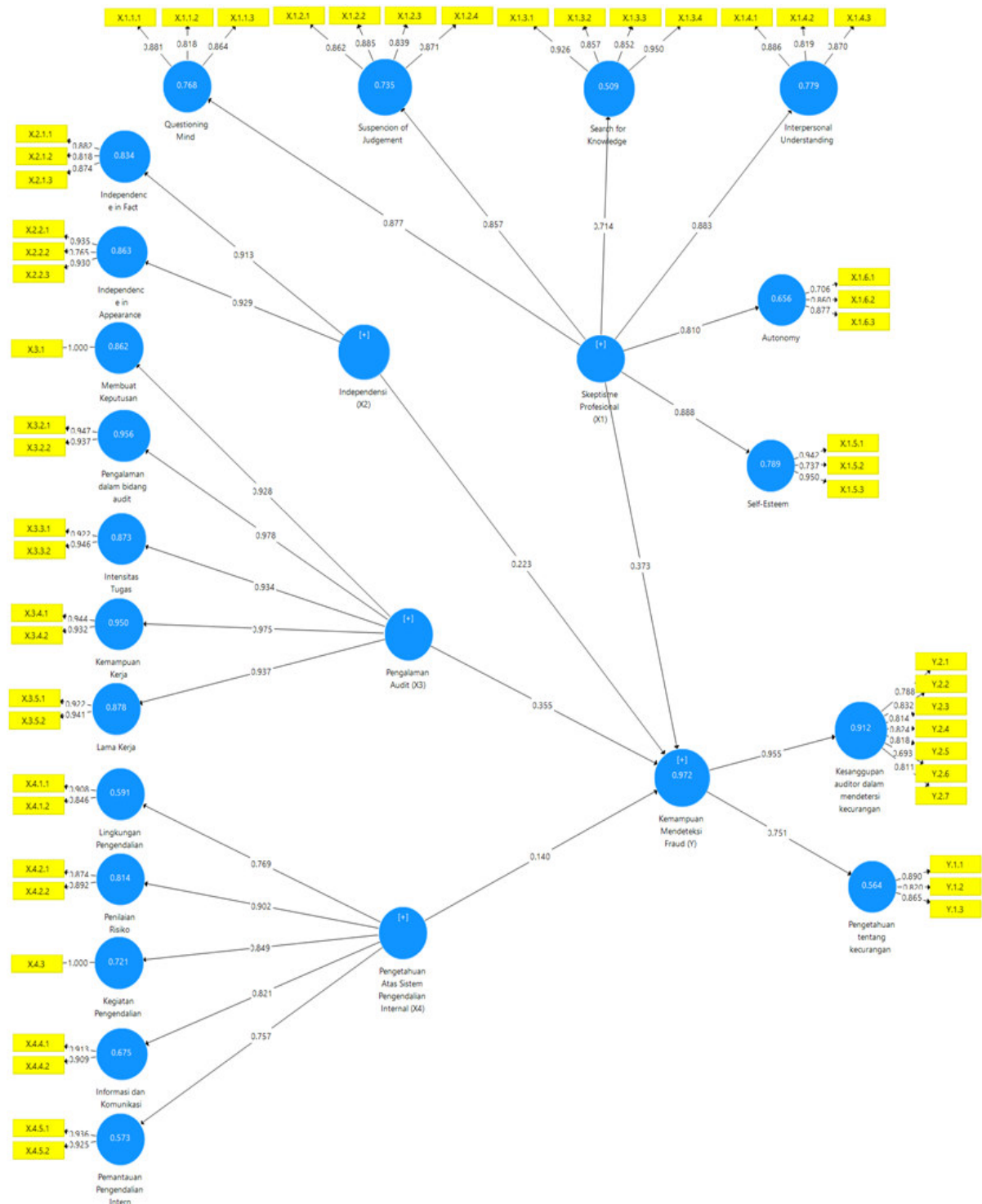


Figure 4.2.Outer Model

From the graph above, the overall loading factor of the questions on the questionnaire instrument is greater than 0.5, which means that the questionnaire used in this study is valid, in other words, it is used as a measuring tool to measure the variables in this study. The results of the test with discriminant validity obtained the following results:



Table 1. Discriminant validity test results

Variable	Average Variance Extracted (AVE)	Square Root of AVE	Criteria	Result
Professional Skepticism (X1)	0.73	0.85	0.50	Valid
Independence (X2)	0.81	0.90	0.50	Valid
Auditory Experience (X3)	0.78	0.88	0.50	Valid
Knowledge Over the Internal Control System (X4)	0.51	0.72	0.50	Valid
Fraud Detection Ability (Y)	0.75	0.86	0.50	Valid

**h. Reliability Test**

From the test results, it was found that the overall composite reliability value was greater than 0.7, which means that the instrument items on the questionnaire used in this study can be said to be reliable with the results in table 4.2 below:

Table 2. Composite reliability value

Variable	Composite Reliability	Criteria	Result
Professional Skepticism (X1)	0.891	0.70	Valid
Independence (X2)	0.943	0.70	Valid
Auditory Experience (X3)	0.912	0.70	Valid
Knowledge Over the Internal Control System (X4)	0.954	0.70	Valid
Fraud Detection Ability (Y)	0.922	0.70	Valid

Based on the results of the reliability test, it can be seen that all instrument variables have a Cronbachs alpha coefficient value > 0.60 so it can be concluded that the variables of professional skepticism (X1), independency (X2), audit experience (X3), understanding of the internal control system (X4) and ability auditor in detecting fraud (Y) is reliable with the following results:

Table 3. Cronbachs Alpha . coefficient values

Variable	Cronbachs Alpha	Criteria	Result
Professional Skepticism (X1)	0.816	0.60	Valid
Independence (X2)	0.919	0.60	Valid
Auditory Experience (X3)	0.849	0.60	Valid
Knowledge Over the Internal Control System (X4)	0.949	0.60	Valid
Fraud Detection Ability (Y)	0.887	0.60	Valid

**i. Designing the Inner Model**

The relationship and the magnitude of the influence of the independent variable on the dependent variable as a whole (simultaneously) can be seen in the following model summary table:

Table 4. Inner Model

	R Square	Adjusted R Square
Fraud Detection Ability (Y)	0.831	0.823

Sumber : Data SmartPLS 2020

From the calculation results, it is obtained that the correlation coefficient between the variables of professional skepticism (X1), independency (X2), audit experience (X3), and understanding of the internal control system (X4) with the auditor's ability to detect fraud (Y) is 0.831. This value indicates that there is a strong, positive and unidirectional relationship between the variables of professional skepticism (X1), independency (X2), audit experience (X3), and understanding of the internal control system (X4) and the auditor's ability to detect fraud (Y). Then, the Adjusted R Square value of 0.823 = 82% means that the independent variables of professional skepticism (X1), independency (X2), audit experience (X3), and

understanding of the internal control system (X4) together affect the dependent variable ability. auditors in detecting fraud (Y) is 82% and the remaining 18% is influenced by other variables that are not included in this study.

**j. Hypothesis test**

Based on hypothesis testing, the data obtained in table 4.5 below:

Table 5. Hypothetical Path Coefficient

<u>Koefisien Jalur Hipotesis</u>	Sampel Asli (O)	T Statistik ( O/STDEV  )	P Values	t-tabel	Keterangan
Professional Skepticism (X1) --> Fraud Detection Ability (Y)	0,426	3,951	0,000	1,96	Signifikan
Independence (X2) --> Fraud Detection Ability (Y)	0,267	2,258	0,000	1,96	Signifikan
Auditory Experience (X3) --> Fraud Detection Ability (Y)	0,354	3,215	0,000	1,96	Signifikan
Knowledge Over the Internal Control System (X4) -> Fraud Detection Ability (Y)	0,576	3,743	0,000	1,98	Signifikan

Source: Data SmartPLS 2020

**4.2 Discussion of Research Results**

**Professional Skepticism Significantly Affects Internal Auditor's Ability to Detect Fraud.**

Based on the results of data analysis, the t-statistic value is 3,951, with a significance level of 10%, where the value is greater than the t-table, which is 1.96. Thus, the hypothesis H1 is accepted, which means that professional skepticism affects the auditor's ability to detect fraud. Furthermore, the original sample was obtained at 0.426, this value is a parameter coefficient that is positive, meaning that the higher the professional skepticism, the higher the auditor's ability to detect fraud.

The results of this study indicate that professional skepticism has a significant effect on the auditor's ability to detect fraud. This shows that the higher the professional skepticism of an auditor, the auditor's ability to detect fraud tends to be higher in the Ministry of Institutions in Indonesia. Conversely, the lower the attitude of professional skepticism possessed by an auditor, the auditor's ability to detect fraud tends to be lower. The more skeptical an auditor is, the auditor will be more careful in making decisions by looking for additional evidence or information to support his conclusions. Professional skepticism is reflected by an interrogative attitude, prudence in making decisions, high curiosity, interpersonal understanding, confidence and confidence in decision making (Hurt, et al, 2001:17).

The results of this study are inconsistent with the results of research by Sulistyowati, L., & Supriyati (2016) and Agustina, F., Nurkholis, & Rusydi, M. K. (2021) which show that independency and audit time pressure have no effect on the ability to detect fraud.

The results of this study support the results of research conducted by Rahim (2019), Deswanto (2020), Agustina, F., Nurkholis, & Rusydi, M. K (2021) found that professional skepticism has a positive and significant effect on fraud detection.

The results of this study indicate that professional auditors should have an attitude of professional skepticism, in accordance with the cognitive dissonance theory by Festinger (1957) which explains the effect of the interaction between auditors' professional skepticism and the factors that influence fraud detection. With professional skepticism, an auditor can collect sufficient audit evidence and not easily accept information from the auditee as a basis for detecting fraud that has occurred.

**Independence Significantly Affects the Ability of Internal Auditors in Detecting Fraud.**

Based on the results of data analysis, the t-statistic value is 2.258 with a significance level of 10%, where the value is greater than the t-table which is 1.96, thus hypothesis H2 is accepted, which means that independency affects the auditor's ability to detect fraud. Furthermore, the original sample was obtained at 0.267, this value is a parameter coefficient that is positive, meaning that the higher the independency, the higher the auditor's ability to

detect fraud.

The results of this study indicate that independency has a significant effect on the auditor's ability to detect fraud. This also shows that the more independent an auditor is, the auditor is free from intervention in carrying out all audit procedures and impartial in conducting tests so as to reveal the facts as a whole to detect fraud. Thus, the attitude of independency is an attitude that must be instilled so that the auditor can maintain an impartial attitude in conducting examinations and other assignments carried out by the Internal Auditors of Ministries/Institutions in Indonesia.

The results of this study are in line with research by Arifin & Kunarto (2020) which found that independency has a positive and significant effect on the auditor's ability to detect fraud. The results of this study are also supported by research by Hamilah (2019) which found that audit independency has a significant effect on the ability to detect fraud;

The results of this study are in line with the agency theory by Jensen & Meckling, (1976) that auditors must avoid conflicts of interest with management (the unit being audited) while maintaining independency. The results of this study also support the cognitive dissonance theory by Festinger (1957) which explains the effect of the interaction between auditor's independency and the factors that influence fraud detection.

#### **Audit Experience Has Significant Influence on Internal Auditor's Ability to Detect Fraud.**

Based on the results of data analysis, the t-statistic value is 3,215 with a significance level of 10%, where the value is greater than the t-table, which is 1.96. Thus, the H3 hypothesis is accepted, which means that audit experience affects the auditor's ability to detect fraud. . Furthermore, the original sample was obtained at 0.354, this value is a positive parameter coefficient, meaning that the higher the audit experience, the higher the auditor's ability to detect fraud.

The results of this study indicate that audit experience has a significant effect on the auditor's ability to detect fraud. This also shows that with a high level of experience an auditor will make it easier for auditors to detect fraud that occurs because the number and types of cases and modes of fraud are known to more than inexperienced auditors. Thus, auditors need to continuously improve their experience and skills to be able to conduct more accurate analysis in carrying out their duties and detecting fraud that occurs in government agencies in Indonesia. The results of this study are supported by research by Arifin, C. N., & Kunarto. (2020) which states that work experience has a positive and significant effect on auditors in detecting fraud. The results of this study are also supported by the research of Sulistyowati, L., & Supriyati. (2016) which says that experience has an effect on fraud detection.

The results of this study also support the cognitive dissonance theory by Festinger (1957) which explains the effect of the interaction between auditors' audit experience and the factors that influence fraud detection.

#### **Understanding of the Internal Control System Has a Significant Influence on the Internal Auditor's Ability to Detect Fraud.**

Based on the results of data analysis, the t-statistical value is 3.743 with a significance level of 10%, where the value is greater than the t-table, which is 1.98, thus hypothesis H4 is accepted, which means that understanding of the internal audit control system affects the ability auditors in detecting fraud. Furthermore, the original sample was obtained at 0.576, this value is a positive parameter coefficient, meaning that the higher the audit experience, the higher the auditor's ability to detect fraud.

The results of this study indicate that an understanding of the audit internal control system has a significant effect on the auditor's ability to detect fraud. This also shows that the better the auditor understands the internal control system built by the auditee, the easier it is for the auditor to detect fraud. Thus, in carrying out audit duties and other duties, internal auditors need to recognize and understand audited controls as a whole to be able to determine the focus of the audit properly.

The results of this study support the research results of Umar, H., Indriani, A., & Purba, R. B. (2019) which states that internal control directly affects the quality of regional financial reports through fraud prevention. This study proves that from the theory of fraud pentagon factors, there are factors related to internal control, namely competence. Competence can make an auditor ignore internal controls, develop concealment strategies, and control social situations for his own benefit. The results of this study are in line with the behaviorism theory by Gage & Berliner (1979) which emphasizes that auditors need to understand risk factors and internal control in audit planning to detect fraud and require auditors to develop an assessment of the level of fraud.

## **5. Conclusion**

Based on the analysis and research results, this study concludes that:

1. Professional skepticism has a positive and significant effect on the auditor's ability to detect fraud. This shows that the higher the level of professional skepticism of an auditor, the more capable the auditor is to detect fraud.
2. Independency has a positive and significant effect on the auditor's ability to detect fraud. This shows that the more independent an auditor is, the more free the auditor is from intervention in carrying out

supervisory duties so as to be able to reveal all facts and detect fraud.

3. Audit experience has a significant effect on the auditor's ability to detect fraud. This shows that with a high level of experience an auditor will make it easier for the auditor to detect fraud.
4. An understanding of the audit internal control system affects the auditor's ability to detect fraud. This shows that the better the auditor understands the internal control system built by the auditee, the easier it is for the auditor to detect fraud.

## 6. Suggestion

Suggestion given to several parties related to this research are:

1. It is advisable for the Government Internal Auditor to maintain an attitude of independency and professional skepticism in carrying out audit duties and other supervisory duties and to pay attention to timeliness in making decisions on supervisory results so that the results of the assignment can provide timely and effective benefits.
2. It is also recommended that the Government Internal Supervisory Apparatus leaders of the Audit Team pay attention to the combination of experienced auditors with inexperienced auditors and combine auditors who have experience in certain assignment fields to the new auditors.
3. For the Government Internal Auditor, it is recommended that in determining the audit procedure to keep in mind the internal control developed by the auditee.

Meanwhile, for further research that has the same dependent and independent variables as this research, it is recommended to:

1. Respondents' data mining should use the interview method so that the information extracted is more extensive and accurate.
2. Increase the number of respondents studied because the large number of respondents will affect the research results obtained to be accurate.
3. Researching other variables that affect the auditor's ability to detect fraud such as: application of risk-based auditing, understanding of the control environment, risk assessment, control activities, information and communication as well as control monitoring activities carried out by the auditee

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