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The Effect of Work Experience, Independence, and Professional Skepticism on Auditor's Ability to Detect Fraud at Public Accountant Firm in Bali

P A Kartika P[1)], I B Anom Y[2)], and I M Sumartana[3)]
Accounting Department, Bali State Polytechnic
Jalan Kampus Bukit Jimbaran, Kuta Selatan, Badung, Bali – 80364

E-mail to:
[1)]kartikapratiwi2512@gmail.com
[2)]ibanomyasa@gmail.com
[3)]madesumartana@pnb.ac.id

Abstract: An auditor in carrying out the audit process of financial statements requires good fraud detection capabilities so that the auditor can provide reasonable assurance that the financial statements are free from material misstatement caused by fraud. The auditor's ability to detect fraud is influenced by various factors including work experience, independence and professional skepticism. This study aims to analyze the effect of work experience, independence and professional skepticism on the auditor's ability to detect fraud. The population in this study is all auditors who work at Public Accountant Firms in Bali registered in the IAPI directory in 2020. The number of samples used is 136 auditors determined based on the saturated sample or census method. Analysis technique used in this study is a modeling technique with Partial Least Square (PLS) through the Smart PLS 3.0 application. The results showed that work experience, independence and professional skepticism had a positive and significant effect on the auditor's ability to detect fraud.

Keywords: *Auditor's Work Experience, Auditor's Independence, Auditor's Professional Skepticism, Auditor's Ability to Detect Fraud*.

1. Introduction

The ability of several auditors to detect fraud is in fact still in doubt due to a case of auditor failure at the Public Accountant Firm Sutanto Fahmi Bambang & Partners. which audited PT Garuda Indonesia in 2018 [1]. Auditing Standard 200 states that the auditor must be able to provide reasonable assurance that the financial statements are free from material misstatement as a whole either due to fraud or error [2]. The case of auditor failure in detecting fraud shows that the auditor's responsibility in detecting fraud in the financial statements is still in doubt so that the auditor is unable to provide adequate assurance on the fairness of a financial report to interested parties.

This case causes the auditor must re-establish the confidence of financial statement's users related to the audit results issued by the Public Accountant. The ability of the auditor to detect fraud in the financial

statements must be improved to restore the confidence of the financial statement's users to the audit results of the Public Accountant.

The auditor's ability to detect fraud is influenced by several factors. There are factors that affect the auditor's ability to detect fraud which are still being debated due to differences in research results, namely work experience, independence and professional skepticism. The research of Sania and others (2019) stated that audit experience had a positive and significant effect on the auditor's ability to detect fraud [3], while Larasati and Puspitasari (2019) stated the opposite [4]. The independence variable was declared to have a positive effect on the auditor's ability to detect fraud by Sofie and Nugroho's research (2019) [5] and stated otherwise by Larasati and Puspitasari's research (2019) [4]. Research by Larasati and Puspitasari (2019) states that professional skepticism has a positive and significant effect on the auditor's ability to detect fraud [4], while Budianto (2017) states the opposite [6].

This research was conducted on auditors who work at Public Accountant Firms in Bali registered in the IAPI directory 2020. Based on this background, this study aims to determine whether work experience, independence, and professional skepticism have a positive and significant impact on the auditor's ability to detect fraud at KAP in Bali.

2. Literature Review

Auditing is the process of evaluating evidence related to management's assertions with the aim of assessing the level of compliance between assertions and established criteria and communicating the results to interested parties [7]. The auditor is responsible for the audit of financial statements by evaluating evidence about economic events and comparing it with established criteria to provide reasonable assurance about the fairness of a financial statement [7]. The ability of the auditor to detect fraud is the ability of an auditor to identify and prove irregularities in a financial report that is intentionally presented by the company [8]. Work experience is something that is obtained by an auditor through the number of assignments and the intensity of the tasks carried out by the auditor in the audit of financial statements [9]. The experience of public accountants will increase along with the complexity of the company being audited [10]. Auditor independence is the attitude of the auditor who is impartial and influenced by other parties in considering the facts found in the financial statements [11]. Professional skepticism is the mind of the auditor who always questions, is alert to conditions that indicate misstatements in the financial statements and evaluates audit evidence critically [12]. This study aims to examine and obtain empirical evidence about the effect of work experience, independence and professional skepticism on the auditor's ability to detect fraud. Based on the theoretical basis and the results of previous research, the research hypotheses formulated are as follows: (H_1) Auditor's work experience has a positive and significant effect on the auditor's ability to detect fraud. (H_2) Auditor's independence has a positive and significant effect on the auditor's ability to detect fraud. (H_3) Auditor's professional skepticism has a positive and significant effect on the auditor's ability to detect fraud.

3. Research Methods

3.1 Types of Research, Population, Sample and Data

This study uses a quantitative approach in the form of an associative causal relationship. The sampling method in this study used a saturated sample or census with a total of 136 auditors working at 16 Public Accountant Firms in Bali. The number of questionnaires distributed was 114 copies with only 86 returned questionnaires so that the response rate of respondents was 75.44%.

3.2 Data Collection, Measurement and Analysis

Data on the number of auditors working at Public Accountant Firms in Bali were obtained through documentation techniques. The method of data collection is done by giving a questionnaire that is a series of written statements to the respondents to be answered [13]. The research questionnaire given to the respondents has been tested for validity and reliability through the IBM SPSS Statistic 20

application. The hypothesis was tested with a significant level of 5% through the SmartPLS 3.0 partial least square (PLS) application with the steps of making PLS modeling: (a) Designing the model structural (inner model) which describes the causal relationship between latent variables which is built based on the substance of the theory [14]. (b) Designing a measurement model (outer model), the relationship between indicators and latent variables in this study is reflective. (c) Construct the path diagram (d) Convert the path diagram to a system of equations. (e Estimation through path estimation and means parameters (f) Goodness of fit and (g) Hypothesis testing.

Table 1. List of Indicators for Each Variable

Latent Variable	Indicator	Code
Work Experience (X_1)	Experience in Audit	$X_{1.1}$
	Task Intensity	$X_{1.2}$
Independence (X_2)	Independence in Fact	$X_{2.1}$
	Independence in Appearance	$X_{2.2}$
	Independence in Competence	$X_{2.3}$
Professional Skepticism (X_3)	*Questioning Mind*	$X_{3.1}$
	Suspension of Judgment	$X_{3.2}$
	Search for Knowledge	$X_{3.3}$
	Interpersonal Understanding	$X_{3.4}$
	Self Confidence	$X_{3.5}$
	Self Determination	$X_{3.6}$
Auditor's Ability to Detect Fraud (Y_1)	Knowledge of Fraud	$Y_{1.1}$
	Ability in Detection Stage	$Y_{1.2}$

4. Results and Discussion

4.1 Research Result

4.1.1 Instrument Test

The research instrument test was conducted on 30 research respondents with the result that all indicators of the research variables had met the validity requirements, namely the Pearson correlation value > 0.30 with a sig. value <0.05. All research variables can be said to be reliable because they already have Cronbach's alpha value > 0.70.

4.1.2 Model Evaluation

Measurement Model or Outer Model

Evaluation of the measurement model or outer model is carried out to assess the validity and reliability of the model. Evaluation of this model is done through convergent validity and discriminant validity [15].

Convergent validity is measured through the value of loading factor and average variance extracted (AVE). The loading factor value for confirmatory research should be more than 0.70 and values between 0.60 – 0.70 are still acceptable for exploratory research [15]. The average variance extracted (AVE) test must have a value > 0.50 [15]. The results of the output loading factor and average variance extracted (AVE) are as follows

Table 2. Loading Factor Output Results

Indicator	*Loading Factor*	Description
$X_{1.1}$	0,956	Valid
$X_{1.2}$	0,960	Valid
$X_{2.1}$	0,842	Valid
$X_{2.2}$	0,941	Valid
$X_{2.3}$	0,958	Valid
$X_{3.1}$	0,911	Valid
$X_{3.2}$	0,767	Valid
$X_{3.3}$	0,876	Valid
$X_{3.4}$	0,859	Valid
$X_{3.5}$	0,879	Valid
$X_{3.6}$	0,755	Valid
$Y_{1.1}$	0,872	Valid
$Y_{1.2}$	0,925	Valid

Table 3. Average Extracted (AVE) Output Results

No	Construct	*Average Variance Extracted (AVE) Value*
1	Work Experience (X_1)	0,917
2	Independence (X_2)	0,837
3	Professional Skepticism (X_3)	0,711
4	Auditor's Ability to Detect Fraud (Y_1)	0,808

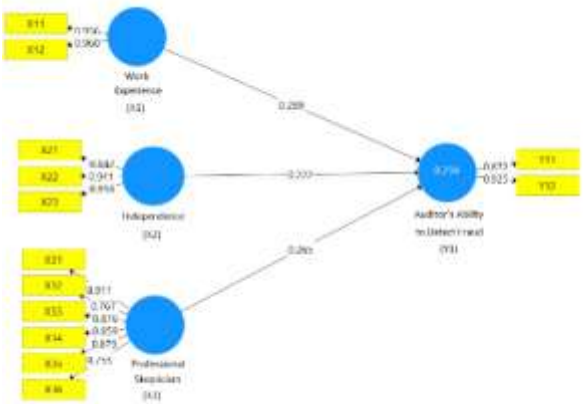

Figure 1. Results of PLS Algorithm

Table 2 and Figure 1 show that the loading factor value for all latent variable indicators is > 0.70 so it can be said to be valid and meet convergent validity. The higher the indicator loading factor value means the greater effect of the indicator on the latent variable. Table 3 shows that the AVE value of the latent variable has been > 0.50 so that all the latent variables used in this study have met convergent validity and can be said to be valid.

The way to test discriminant validity for reflective indicators is look at the cross loading value for each variable in the PLS Algorithm that must be greater than 0.70 (Ghozali & Latan, 2015). Another method that can be used to assess discriminant validity is to compare the AVE root for each construct with the correlation value between constructs in the model. The model has a fairly good discriminant validity if the AVE root for each construct is greater than the correlation between constructs in the model [14]. The output results of the discriminant validity test are as follows:

Table 4. Cross Loading Output Results

Indicator	Work Experience	Independence	Professional Skepticism	Auditor's Ability to Detect Fraud
$X_{1.1}$	0,956	0,132	0,285	0,375
$X_{1.2}$	0,960	0,128	0,312	0,394
$X_{2.1}$	0,170	0,842	0,212	0,267
$X_{2.2}$	0,130	0,941	0,237	0,310
$X_{2.3}$	0,076	0,958	0,149	0,297
$X_{3.1}$	0,270	0,195	0,911	0,371
$X_{3.2}$	0,134	0,225	0,767	0,235
$X_{3.3}$	0,225	0,164	0,876	0,351
$X_{3.4}$	0,280	0,149	0,859	0,393
$X_{3.5}$	0,291	0,171	0,879	0,305
$X_{3.6}$	0,344	0,217	0,755	0,344
$Y_{1.1}$	0,355	0,257	0,258	0,872
$Y_{1.2}$	0,368	0,311	0,445	0,925

Table 5. AVE Square Root

No	Construct	*Average Variance Extracted (AVE) Value*	$\sqrt[2]{AVE}$
1	Work Experience (X_1)	0,917	0.958
2	Independence (X_2)	0,837	0.915
3	Professional Skepticism (X_3)	0,711	0.843
4	Auditor's Ability to Detect Fraud (Y_1)	0,808	0.899

Table 6. *Latent Variable Correlation*

	PK	ID	SP	KC
PK	1.000	0.135	0.312	0.402
ID	0.135	1.000	0.218	0.319
SP	0.312	0.218	1.000	0.403
KC	0.402	0.319	0.403	1.000

Table 4 shows the cross loading value of each measured latent variable indicator is higher than the cross loading value of other latent variable indicators. All indicators of this study are valid because they have met discriminant validity. Table 5 and Table 6 show that the AVE root value for each latent variable is greater than the correlation between latent variables in the model. These results indicate that the indicators used in this study are valid.

The reliability test for reflective construct indicators can be seen through the value of Cronbach's alpha and composite reliability. The value of Cronbach's alpha and composite reliability for confirmatory research must be greater than 0.70 and for exploratory research, the acceptable value of Cronbach's alpha is between 0.60 to 0.70 [15]. The results of the reliability test output are as follows:

Table 7. *Cronbach's Alpha* Output Results

No	Construct	***Cronbach's Alpha Value***
1	Work Experience (X_1)	0,910
2	Independence (X_2)	0,901
3	Professional Skepticism (X_3)	0,918
4	Auditor's Ability to Detect Fraud (Y_1)	0,765

Table 8. *Composite Reliability* Output Value

No	Konstruk	**Nilai *Composite Reliability***
1	Work Experience (X_1)	0,957
2	Independence (X_2)	0,939
3	Professional Skepticism (X_3)	0,936
4	Auditor's Ability to Detect Fraud (Y_1)	0,893

Table 7 and 8 show that the value of cronbach's alpha and composite reliability for each construct is greater than 0,70. These results indicate that the construct in this study is reliable.

Structural Model or Inner Model
Testing on the structural model is a goodness of fit test which is carried out by looking at the R-square value to explain the effect of certain exogenous latent variables on endogenous variables whether they have a substantive effect [15]. The results of the R-Square output are:

Table 9. R-Square Output Results

	R Square	***R Square Adjusted***
Auditor's Ability to Detect Fraud	0,294	0,268

The result of R-square (R^2) in this study was 0.294. The R-Square value of 0.294 indicates that the model is classified as "weak". It can be interpreted that the variability of the construct of the auditor's ability to detect fraud is 29.4%, while 70.6% is explained by other variables outside the study.

5. Discussion

Hypothesis testing is done through a bootstrapping procedure. The results of the analysis are presented in Table 10:

Table 10. Hypothesis Test Results

Variable	**Original Sample**	***T-Statistic***	***P Value***
Work Experience → Auditor's Ability to Detect Fraud	0,289	2.607	0.009
Independence → Auditor's Ability to Detect Fraud	0,222	2.216	0.027
Professional Skepticism → Auditor's Ability to Detect Fraud	0,265	2.451	0.015

H_1 states that the auditor's work experience has a positive and significant effect on the auditor's ability to detect fraud. Table 10 shows that the relationship between the auditor's work experience and the auditor's ability to detect fraud is significant with t-statistic value > 1.989, which is 2.607 with p-value <0.05, which is 0.009. The direction of the relationship between the auditor's work experience and the auditor's ability to detect fraud is positive, as indicated by the original sample value of 0.289. Based on this, H_1 is accepted. This shows that the higher the auditor's work experience will be in line with the increase in the auditor's ability to detect fraud. The results of this study support research conducted by Sania and others (2019) which states that work experience has a significant effect on the auditor's ability to detect fraud [3] and research conducted by Biksa and Wiratmaja (2016) which states that work experience has a positive effect on the auditor's ability. in detecting fraud [11], but contrary to research by Larasati and Puspitasari (2019) which states otherwise [4]. Based on the results of descriptive statistics, the highest average answer chosen by the respondents is a statement on the task intensity indicator. This means that auditors who work at Public Accountant Firm in Bali already have a high task intensity where the intensity of an auditor's duties can be reflected in the level of frequency of auditors in dealing with audit objects. The longer being an auditor, the more intense the assignments carried out by an auditor so that the auditor's ability to detect fraud on the object being examined increases.

H_2 which states that auditor independence has a positive and significant effect on the auditor's ability to detect fraud is accepted. This is evidenced by the results of hypothesis testing showing the results of the t-statistic value > 1.989, which is 2.216 with p-value <0.05, which is 0.027 with an original sample of 0.222. Based on the results of the hypothesis test, it can be concluded that the higher the auditor's

independence attitude will be in line with the increase in the auditor's ability to detect fraud. The results of this study support the research of Sofie and Nugroho, 2019 which states that independence has a positive effect on the auditor's ability to detect fraud [5] and the research of Ode and others (2020) which states that independence has a positive and significant effect on the auditor's ability to detect fraud [8], but contrary to research by Larasati and Puspitasari (2019) which states the opposite [4]. The independence indicator which has the highest average answer from respondents among other indicators is independence in fact. This shows that auditors who work at Public Accountant Firm in Bali already have independence in fact or auditor freedom from personal interests which is very high where independence in this fact can mean that an auditor is free from personal interests or other parties that can limit the auditor so that the auditor can be honest. in carrying out audit procedures.

H_3 which states that the auditor's professional skepticism has a positive and significant effect on the auditor's ability to detect fraud is accepted. This is evidenced by the results of hypothesis testing that the relationship between auditors' professional skepticism and the auditor's ability to detect fraud is significant as seen from the t-statistic value > 1.989, which is 2.451 with p-value <0.05, which is 0.015. The direction of the relationship between the auditor's professional skepticism and the auditor's ability to detect fraud is positive, as indicated by the original sample value of 0.265. This means that with high professional skepticism, the auditor's ability to detect fraud will be better. The results of this study support the research of Sofie and Nugroho (2019) which states that auditors' professional skepticism has a positive effect on the auditor's ability to detect fraud [5] and the research of Larasati and Puspitasari (2019) which states that professional skepticism has a positive and significant effect on the auditor's ability to detect fraud [4]. This is contrary to the research of Ode and others (2020) which states that professional skepticism has no significant effect on the auditor's ability to detect fraud [8]. Based on the results of the descriptive statistical analysis that has been carried out, the respondents' responses to the statement of the indicator of suspension of judgment or delay in decision making have the highest average among other indicators. This shows that auditors working at Public Accountant Firm in Bali have suspended judgment or delayed decision making if there are things that indicate fraud so that the auditor's ability to detect fraud is good. Suspension of judgment describes the character of an auditor who takes a longer time to determine a decision in the audit process of financial statements.

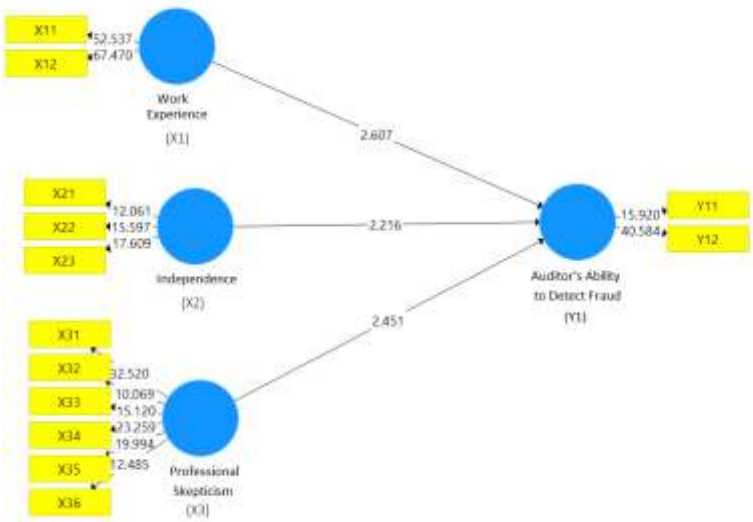

Figure 2. Bootstrapping Results

6. Research Limitations

This study uses a saturated sample, but not all auditors who work at the Public Accountant Firm in Bali can be used as respondents and data collection in this study only uses questionnaires due to the limited time of data collection.

7. Conclution

Based on the results of the analysis and discussion above, the research can be concluded as follows: 1) work experience has a positive and significant effect on the auditor's ability to detect fraud, 2) independence has a positive and significant effect on the auditor's ability to detect fraud, 3) professional skepticism has a positive effect and significant to the auditor's ability to detect fraud.

8. Acknowledgment

We would like to thank all parties who helped in this research such as the auditors who have filled out the questionnaire properly

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