

# Do Indonesian's Auditors Lack Moral Competence?

*by* Harti Budi Yanti, Hasnawati Christina Dwi Astuti , And Haryo Kuntjoro

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## Conference Paper

# Do Indonesian's Auditors Lack Moral Competence?

Harti Budi Yanti<sup>1</sup>, Hasnawati<sup>1</sup>, Christina Dwi Astuti<sup>1</sup>, and Haryo Kuntjoro<sup>2</sup>
<sup>1</sup>Fakultas Ekonomi & Bisnis Universitas Trisakti, Tomang, Grogol petamburan, Kota Jakarta Barat, Daerah Khusus Ibukota, Jakarta 11440, <sup>22</sup>onesia

<sup>2</sup>Fakultas Ekonomi Universitas Negeri, Jakarta, Indonesia

## Abstract

This study aims to provide empirical evidence of an influence of technical expertise, professional skepticism, persistence, critical thinking skills and communication skills on the ability to detect fraud at external auditor. This study also examines the role of moral competence on the relationship between technical competence with fraud capabilities as moderating variables. Samples used were auditors working in the public accounting firm located in Jakarta. The research data is the primary data obtained through a questionnaire. The study sample was numbering 342 auditors from all levels of the hierarchy in 13 KAP (junior, medior, senior, supervisor, associate partner and partner). Technical competence is measured using indicators of the level of education, professional certification, job level employment as auditor until today. Results of the study revealed that technical competence, professional skepticism, persistence, critical thinking skills, communication skills were empirically proven to have a positive effect on fraud-detection skill. Moral competence does not affect the fraud-detection skill, and it also moderates technical and detection skill relationship. One suggestion for IAI and IAPI is balancing technical and soft skills, and moral competence on designing advanced professional training materials. KAP should notice this matters in the recruitment process. The implication of this research is the strengthening of the reconstruction of public accounting profession code of ethics to include an obligation Indonesia to ward accountant to God Almighty. Reconstruction is necessary to appreciate and recognize the value of Indonesia nationality a 'God Present' in Indonesia Public Accountant ethical rules as stated in Constitution 1945 and Pancasila.

**Keywords:** technical competence, professional skepticism, persistence, critical thinking skills, communication skills, competence moral, fraud detection capability

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## 1. Introduction

Law of the Republic of Indonesia No. 5 of the year 2011 on Public Accountants expressly states that public accountant services are services used in economic decision-making. The results of the work of public accountants provide widespread influence in the era of globalization that has an important role in supporting a healthy national economy and efficiency and improve the transparency and quality of information in the financial field.

An auditor has several tasks related to the detection of fraudulent financial statements as contained in International Standard Auditing (SA 450), that is, (1) identifies and assesses the risk of material misstatement of financial reports due to fraud, (2) Obtains appropriate audit evidence related to the assessment. The risk of material misstatement resulting from fraud by planning and implementing appropriate responses. (3) Responds appropriately to the indication of fraud occurrence. An auditor should pay attention to potential fraudulent factors in the financial statements, recognize the initial signs of possible fraud, assess existing fraud risks, estimate the impact of the fraudulent practices and communicate the fraud detection to management, audit committee, BOC and suggest whether or not it is a necessary Forensic auditor. The auditor must also be able to maintain his independent attitude, his professional skepticism and retain the code of ethics of the accountant on each assignment.

The obligation to detect fraud is found in all areas of the accounting profession, not just the public accountant. However, this study only discusses the specific duties of public accountants. The task of fraud detection is a new work for public accountants and is not an easy task and can be done by any auditor. The 2016 annual report of ACFE mentions that the external auditor ranks eighth out of twelve lists of fraud detection mechanisms. Meanwhile, internal auditors rank second. Complaints from employees, customers, communities, vendors and competitors rank first in the detection mechanism. This fact raises the concern of large-scale KAP CEOs (DiPiazza & Eccles; 2002) and is a concern for professional accounting organizations. Joseph Wells, founder and chairman of the Certified Fraud Examiner (CFE), reveals that the new CPAs are not yet involved with the fraud phenomenon. Until the last 80 years, uneducated accounting graduates faced cunning and manipulative cheats. Billions of dollars have been lost until now, but no resistance has been provided yet (Wells, in Ramamoorti, 2008). The quiet auditor's ability to detect fraud is a harsh criticism of the accountant's service user. Industry parties criticize the need for auditors to improve the ability of financial fraud detection.

Characteristics of individual auditors observed in this study only include persistence, critical thinking and communication skills. This feature is the main component required to perform the duties of the public accounting profession with the various complexities and task characteristics and assignment of financial statement audits as described by Davis, Farrell and Ogilby (2009).

This research raises the issue of moral competence in public accountants. The low moral competence of the auditor (equivalent to high school students) based on the results of Ponemon (1992), Bernardi and Arnold (1997) and Armstrong (1987), the ability to maintain integrity in certain situations can be disrupted. Low morality is formed by the failure of character education throughout life, especially at an early age. A good character is made up of three interrelated parts: knowing the good, wanting the good and doing good in thinking, feeling and acting.

The ability of fraud detection in this study is the capacity to recognize symptoms of a potential fraud by recognizing and understanding the indication of the occurrence of fraud (red flags). These red flags contain signs of potential fraud from fraud culture, questionable relationships, financial pressure, fraud opportunities, fraud rationalization, accounting red flags. The assumption used in the audit performed is an audit of financial statements by external auditors/public accountants and not forensic audits or investigative audit. Based on this assumption, the ability of fraud detection in this study is at the level of understanding that the indication of the potential fraud does not prove the occurrence and calculation of losses due to the scam. This is under the duties of the external auditor to detect possible fraud in the audit of its financial statements.

## 2. Conceptual Framework

Potential accounting jobs contain misstatements either intentional or unintentional. A deliberate miscarriage is certainly aimed as manipulating and is a crime. To verify the accounting records and the nature of these errors, an audit is conducted. The auditor as the party who verifies the accounting records must apply high moral standards for the community to be convinced and the auditor to gain credibility. The auditor shall maintain and implement the ethical principles that prevent him from unethical conduct and rationalize such unethical behavior. The public trusts the accountant to carry out his or her duties properly. The higher the public confidence in the performance of auditors, the higher the morality that must be owned by the accountant to maintain the mandate.

Idiab et al. (2012) explains that an auditor must have the moral character of patience, endurance and encourage. An auditor must be able to restrain himself and not lose self-control, nurture from vain words, never give up, complain or grumble. The auditor should be able to stay patient that gives him the ability to endure the suffering, mental challenges, psychological and social challenges brought during the audit and training process. Patience is an important part of any work related to others. The ability to be patient and to endure various situations must be followed by the courage to defend the truth without any fear except to God. Courage must be displayed during the audit, must be firm on the principle of honesty, both in action and in speech. Truth must be accepted and appreciated for what it is. The difficulties and obstacles that exist during the audit are not considered to be a barrier to prove the truth. Auditors should show patience but also be assertive when on duty. He must be able to resist *kemunfikan* (deception), praise, flattery, dependence, fear and reluctance in situations that require courage.

Auditors and managers facing each other during the audit process are at the forefront of ethical practice. The understanding should be that the fraudulent financial statements only benefit a few parties but sacrifices the public interest. And further, affect the economic motion of the various sectors must be firmly entrenched in the business and auditor.

Looking at the fraudulent practices of financial statements in different financial scandals, it is seen that this practice is not just an accidental and occasional misstatement, but rather a systematic, comprehensive, planned, routine and customary fraud. To that end, the auditor must have high knowledge, skills and persistence to complete the task. As a profession that works by trust, the auditor must have a higher morality than management (the users of his services). Excellent moral auditors are characterized by those who perform their duties responsibly, prioritizing the public interest in every professional judgment and action it chooses, are objective, honest, trustworthy, and have high integrity.

The application of an accountant's code of ethics can improve the auditor's 'fraud awareness' and can eliminate the confusion that the auditor encounters when meeting clients and situations that are chaotic, confusing and full of fraud indications. Ethical rules are the minimum standards that auditors must be consciously aware of, and this rule is absolute, not a gray area. The ability to maintain ethical attitudes, obey rules and even fear of doing bad things is a primary source of enforcement of the role of accountants as moral agents and reduces the practice of financial report fraud in Vietnam as investigated by Yen (2010).

Shanteau (1991) shows that even a junior auditor can become an expert at his job by the description of his duties and responsibilities. Repetitive work, with multiple contexts, provides references to new and renewable knowledge to the auditor. The sensitivity of the problems encountered increases with increasing curiosity. The ability to sort information (the relevance of information to the problem) increases as well as the capacity to simplify the problem increases as comprehension of the problem becomes comprehensive. This accumulation of knowledge and skills makes him more confident to show his quality and be more responsible for showing his best performance.

In the context of the auditor, when the accumulation of knowledge and skills is increasing, the ability to audit also increases. This provision is enough to find the awkwardness, irregularities and inconsistencies encountered while auditing and which attracts the auditor's attention to dig out more audit information and evidence and more intensely to locate the source of the problem. A more comprehensive understanding of the task at hand and relevant information will improve the fraud detection performance by auditors. <sup>13</sup> Based on the aforementioned exposure, the first research hypothesis formulated is as follows:

**H<sub>a1</sub>:** Technical competence positively affects fraud-detection skill

The auditor faces an ethical dilemma when it comes to deciding what level of skepticism should be applied. If the skepticism of the profession increases, the consequence is the duration of the field assignment and the audit cost increases as well as the quality of the audit. Conversely, if minimalist professional skepticism is applied, the length of audits <sup>23</sup> and audit costs, as well as audit quality, is likely to decrease. This pressure of time and cost requires the auditor to work more effectively and efficiently without lowering the skepticism of the profession. Effective and efficient work is only created when the auditor has a qualified technical competence to apply sound decision-making and professional judgment thoroughly and minimize the bias of cognition. Also, this technical competency also allows the use of multiple framing in recognizing, identifying and making decisions, planning audits and an effective audit program. Based on the aforementioned exposure, the second research hypothesis is formulated as follows:

**H<sub>a2</sub>:** Technical competence has a positive effect on professional skepticism

<sup>5</sup> Beasley et al. (2001) concluded that one of the causes of the auditor's failure to detect fraud is the low level of professionalism in audit assignment and the lack of auditor's



knowledge of accounting fraud (Asare; 2004). Braun in Carpenter et al. (2002) mentions that although auditor skepticism increases, is not equipped with the knowledge of accounting fraud, the auditor is unable to detect such fraud. Similarly, Zikmund and O'Reilly-Allen (2007) state that failures of fraud detection by auditors are caused by excessive belief in clients, new auditors being unable to recognize situations that contain fraud risks and auditors having a close relationship with clients. All of these factors will ultimately lower the professional skepticism so as not to be able to detect existing fraud. The results of experiments conducted by Carpenter et al. (2011) on two groups of expert auditors (from Big 5 KAP) and novice auditors (disturbed with accounting students given forensic auditor courses for one semester and never audited) demonstrated increased knowledge and detection skills of significant fraud in the novice auditor group compared to expert auditors. This novice auditor has been shown to identify a variety of fraud risk factors better than expert auditors. Finally, novice auditors can separate risk factors relevant to deliberate accounting fraud and to accidental errors. The process of identifying various fraud-risk factors and detecting fraud through risk factors is an indicator for measuring professional skepticism. Knowledge will improve the ability to recognize fraud-risk factors in the audit execution phase; skepticism will increase the chances of auditors finding evidence of fraudulent acts in the planning phase of the audit. The combination of knowledge and skepticism will improve audit quality by gathering and analyzing evidence through tailored program audits and possible frauds to be detected. Consistent with the results of this study, Fullerton and Durtschi (2004) provide empirical evidence that auditors with high skepticism will develop additional information seeking when confronted with fraud symptoms. This skepticism is proven to improve the auditor's fraud detection ability empirically.

#### **H<sub>a3</sub>:** Professional skepticism positively affects fraud-detection skill

The complexity of the task, the limited time of audit and the obligation to maintain professional skepticism in the performance of its duties and the responsibility to detect these frauds require high-persisting auditors to be able to manage the rhythm of work, enthusiasm and persistence until the assignment is completed with the best-audit quality. Auditors with high persistence can maintain their morale until the end, are able to control themselves, stay focused on their work, be patient with the situation, work diligently through various ways to complete the task. Auditors who have high

knowledge and persistence are allegedly able to detect fraud better than other auditors.

**Ha<sub>4</sub>:** Persistence positively affects fraud-detection skill

Auditors need critical thinking skills to be able to audit more efficiently, improve the reliability of the auditor's work, to search information with a more structured and more systematic approach, to sort information so that the quality of decisions and professional judgments increases. Professional judgment must be done through a careful and thoughtful process of thinking. To that end, the auditor requires adequate knowledge, sufficient evidence, appropriate methods, an ability to conceive and knowledge of the criteria or proper professional standards. This process of judgment requires the willingness and ability to think critically. Through this critical-thinking skill, the auditor produces a rational, logical and realistic consideration which further becomes the auditor's professional judgment. The auditor's judgment is a review made by a combination of sound logic, knowledge of audits and standards and knowledge of business practices.

The auditor shall organize its activities due to the timeliness of each assignment and make quick and strategic decisions to determine the adequacy, suitability, truth and other decisions related to its audit. The auditor also conducts various rivals, vertical analysis, horizontal, fraud risk analysis, audit risk to gain confidence in the fairness of the audited financial statements. For all these auditor duties, adequate critical thinking skills are required to produce audit judgment and quality audit results. Based on the aforementioned exposure, the fifth research hypothesis is formulated as follows:

**Ha<sub>5</sub>:** The ability to think critically has a positive effect on fraud detection skill

The auditor must demonstrate an independent, competent and professional attitude and avoid being nervous, anxious, confused, excessive and unorthodoxy (Zacchea: 2013). Professional considerations are often made to overcome communication barriers and facilitate audit and fraud-detection tasks. Each resulting attention has consequences. The auditor applies standardized procedures, that is, discussions, brainstorming, consultations and review with supervisors, managers and partners as a means to finalize the ideas and decisions to be taken. Each team member contributes to the discussion, guided by senior auditors and managers. Discussion, consultation and brainstorming can prevent auditors from formulating professional judgments according to clients' wishes (Vinciguerra, 2003).



At this stage, the auditor is in the ethical dilemma. Is the auditor faced with two choices to follow his client's wishes or follow his conscience and professional standards? If the auditor chooses to follow his client, there is a win solution for both the auditor, KAP and his client, but it denies the rules of his profession and harms the public. If the auditor chooses to remain objective and independent, following his or her conscience and professional standards, then the worst possibility is the client being uncooperative and closing the auditor's access to information. The auditor may respond to this condition by withdrawing from premature signing or continuing the audit but providing disclaimer opinion and loss of the client, declining reputation of KAP.

Such situations can be avoided if the auditor has high communication skills so that he can access information from multiple sources and overcome various communication barriers with clients, audit and management committees. The auditor will use the media of discussion, consultation and brainstorm to produce a professional judgment of quality. The auditor's fraud detection capabilities will increase as learning processes occur through discussion and brainstorming. Based on this description, the sixth research hypothesis is:

**Ha<sub>6</sub>:** Communicating skill positively affects the fraud-detection skill

Auditors are faced with a variety of complex information, events and indications. The technical competence of the auditor becomes a reference source for addressing the problem, identifying important and relevant information, reconstructing pieces of information to direct it to the conclusion of the source of potential fraud, motivation, methods used by the perpetrator of fraud and the impact of the losses it causes. Activities leading up to the end of the accounting period such as work program initiation end of the year, sudden investment decisions, contract marketing program changes are also indications that must be verified in many ways and various sources of information.

The essence of a human being is a lover of truth. The man is born in the best of circumstances and carries the nature of goodness and honesty in his life. In detail, a moral person has a cautious character to God, upholding honesty, integrity, keeping promises, loyalty, faithfulness and obedience, justice and responsibility (Idiab et al., 2012). This moral character is built by his love of God and to all beings on earth.

In the context of auditors, honesty concern with credibility in the presentation of facts, truths, openness in disclosing issues. The attitude of integrity shows the position of a firm person by principle, not plin plan, has a definite purpose and strives to improve themselves continue to take care. Keeping promises and fulfilling commitments made

both in writing and orally, endeavoring to carry out their responsibilities well. The other character is loyalty shown by not using the data it gets during the audit assignment to testify and against its clients. Justice is demonstrated by giving all parties the right. Justice is achieved only if the auditor is open-minded, willing to listen and accept suggestions, forgive mistakes, treat every individual (either his boss, colleagues or subordinates) naturally, not using others for his benefit, providing public services as a manifestation of responsibility to their homeland, obeying the law and fully supporting the implementation of the right of democratic rights for the whole society. He will strive to do his best when given the responsibility both as an individual and a professional by working persistently and very efficiently. He will maintain his competence by enhancing his skills and competencies so that the results obtained are more qualified.

In line with those discussed in the code of ethics of the public accounting profession prepared by the Indonesian Institute of Public Accountants, a practitioner of a public accountant must practice the principles of integrity, objectivity, principles of competence as well as an attitude of professional precision and caution, the principle of confidentiality and the principle of professional conduct. The principle of integrity contains the meaning of a firm, honest attitude in his professional practice. The principle of objectivity implies being fair, impartial and avoiding anything that can lead to personal views in thinking and acting professionally. The duty of a human being is lifelong learning to be able to benefit more beings in the world. An obligation to learn and raise competence with further professional education and training, seminars, workshops and more. As a form of accountability profession, practitioners of public accountants must practice carefully and thoroughly to satisfy employers. The implementation of an attitude of trust is to keep the confidentiality of information provided by the client even when the engagement has ended. Furthermore, accountant practitioners demonstrate obedience to laws, regulations and laws and avoiding actions that may discredit the profession.

Expertise inherent in accounting professionals is technical competencies, soft skills and moral competencies as embodied for accounting education. Technical skills reflect logic and intellectual qualities. Soft skills reflect his emotional intelligence, and moral competence reflects the quality of values and ethics that he embraces and believes in carrying out his professional and daily practices.

The task of fraud detection is not an ordinary job. This job requires the accumulation of adequate knowledge and experience and specialized training to carry it out, albeit an unstructured task, with high task complexity. This type of job requires the ability to recognize and formulate problems, the formulation of various alternatives, the search

for information, complex calculations, and analysis, the development of arguments at each stage. All accountant practitioners at any level of competence can do so by their capacity, especially with their moral competence.

Intellectual intelligence supported by moral competence gave birth to a wise accountant, working sincerely, honestly and confident that all he did was to worship God. The devotion to God creates an impulse to work to optimize and practice all of his professions for the good of all. Based on the aforementioned exposure, the seventh research hypothesis is:

**Ha<sub>7</sub>:** Moral competence strengthens the influence of technical competence on fraud detection skill

This research is a hypothesis testing study, primary data obtained through the distribution of questionnaires. The data used is cross-section data, primary data achieved by using questionnaire. Respondents of this study are auditors in Public Accounting Firm. The unit of analysis used is the auditor group.

This study uses primary data obtained through the distribution of questionnaires to external auditors. Thirteen Public Accounting Firms participated in this study, with a relatively high rate of return of 92.5 percent. The results of the data processing show that the respondents of this study are more female auditors. Most of them are undergraduate level, uncertified, have considered fraud audit, are at senior auditor level, with audit frequency 8 to 15 times and have experience detecting fraud less than 7 times, with a working period of as an auditor of 2 to 4 years.

The first stage of hypothesis testing is the evaluation of model measurement (outer model measurement), test the quality of data using all variable indicators with the help of statistical progression SmartPLS 3.2. In summary, the outer model measurements of all variables have met the validity and reliability requirements. Although the AVE number is mostly less than 0.5, it is probably caused by the number of indicators used in the measurement of variables. The test results of all variables are summarized in Table 1.

Structural model testing reveals the accuracy of model and research hypothesis. Model accuracy is denoted by R Square and Adjusted R Square values. While the hypothesis testing is done by looking at the magnitude of the coefficient path and the value of  $T$  greater than 1.96 or  $P$ -value smaller than 0.05. The value of  $R^2$  and Adjusted  $R^2$  for the dependent variable detection capability does not differ much, by 19–20 percent and significant, because the sample used is relatively large enough. The interesting thing is the fact that this small adjusted  $R^2$  value does not make this

TABLE 1: Outer model measurement.

|                         | Loading        |              |            | Cronbach   |
|-------------------------|----------------|--------------|------------|------------|
| Variable                | Factors        | AVE          | CR         | Alpha      |
| Technical Competence    | 0.3–0.8        | 0.44         | 0.811      | 0.754      |
| Professional Skepticism | 0.5–0.6        | 0.329        | 0.872      | 0.847      |
| Persistence             | 0.5–0.6        | 0.375        | 0.782      | 0.726      |
| Communication skill     | 0.6–0.7        | 0.407        | 0.92       | 0.914      |
| Critical Thinking       | 0.6–0.9        | 0.706        | 0.875      | 0.773      |
| Moral Competence        | 1              | 1            | 1          | 1          |
| MC*TC                   | 1              | 1            | 1          | 1          |
| Fraud Detection Skill   | 0.3–0.7        | 0.338        | 0.872      | 0.843      |
| <b>Expected Value</b>   | <b>0.4–0.7</b> | <b>0.5</b>   | <b>0.7</b> | <b>0.6</b> |
| Result                  | Valid          | Low Validity | Reliable   | Reliable   |

research model wrong, because it is still able to explain the variation of the dependent variable changes due to the change in its independent variables. In behavioral studies predicting human behavior, psychological research, social research in general,  $R^2$  value is below 50 percent. Human behavior is hard to predict than physics.

The results of hypothesis testing research can be seen on the path coefficient, and the value of  $T$ -Statistics are also in confirmation with  $P$ -Value. The higher the number, the better. Ho research hypothesis is accepted if the  $T$ -Statistic value is smaller than 1.96 or the value of  $P$ -value is greater than 0.05. The results of path coefficient,  $T$ -value and  $P$ -value presented in Table 2.

This study examines the determinant factors that affect the ability of fraud detection at external auditors. Included in the factor are technical competence, professional skepticism, persistence, critical-thinking skills, communication skills and moral competence. The ability of fraud detection to be the factor affected. A professional accountant has a set of competencies that contain knowledge, skills and ethical values as well as professional attitudes established through a series of accounting, formal and informal higher education and experience of practicing as an accountant. This study examines the competency set of accountants represented by the variables of technical competence (intellectual ability), professional skepticism, persistence attitude, critical-thinking skills and communication skills (affective ability) as well as moral competence (ethics, moral and professional attitudes). Their third application in professional practice is expected to result in quality professional judgment (IES 4, IAI, 2013).

TABLE 2: Inner model measurement.

|                                           | Hypo               | Path  | Sample | Stan  | T Stat | P      |
|-------------------------------------------|--------------------|-------|--------|-------|--------|--------|
|                                           | thesis             | Coef  | Mean   | Dev   |        | Values |
| Technical skill → Fraud Detection Skill   | H <sub>1</sub> (+) | 0.152 | 0.155  | 0.051 | 2.945  | 0.003  |
| Technical skill → Professional Skeptism   | H <sub>2</sub> (+) | 0.096 | 0.120  | 0.076 | 1.269  | 0.205  |
| Prof. Skeptism → Fraud Detection Skill    | H <sub>3</sub> (+) | 0.188 | 0.185  | 0.072 | 2.601  | 0.009  |
| Persistence → Fraud Detection Skill       | H <sub>4</sub> (+) | 0.128 | 0.150  | 0.050 | 2.529  | 0.012  |
| Communication → Fraud Detection Skill     | H <sub>5</sub> (+) | 0.159 | 0.183  | 0.071 | 2.233  | 0.026  |
| Critical Thinking → Fraud Detection Skill | H <sub>6</sub> (+) | 0.278 | 0.278  | 0.057 | 4.887  | 0.000  |
| Moral Competence → Fraud Detection Skill  |                    | 0.068 | 0.068  | 0.049 | 1.371  | 0.171  |
| MC*TS → Fraud Detection Skill             | H <sub>7</sub> (+) | 0.057 | 0.047  | 0.048 | 1.187  | 0.236  |

The result of the research proves that technical-competence factor and soft-skill ability have a positive effect on auditor's fraud-detection ability. Meanwhile, moral competence is not empirically proven to strengthen the relationship between technical competence and fraud-detection ability.

Technical competencies measured by the level of education, ownership of professional certification, position in KAP, audit experience and fraud detection and tenure practice as auditor have proven empirically to have a positive effect on fraud-detection ability on the external auditor. The accumulation of auditor's knowledge gained from formal and informal education, certification education and discussion/brainstorming during field audit practices with various parties shapes the intellectual ability, thinking ability and ability to utilize such knowledge in solving problems. The practice's experience as an auditor complements knowledge to establish technical competence. The depth, breadth and complexity of knowledge and intellectual ability are influenced by the level of education and practical experience. This technical competence equips the auditor to complete the audit task. The higher the technical competence, the better the audit performance.

The Audit Standards 200 outlined in SPAP (2013) and ISA 200 A18-A19 explains the importance of professional skepticism in the performance of professional duties. The



attitude of professional skepticism is a critical view in assessing the reliability or evidence obtained during the assignment to get confidence about the accuracy and adequacy of evidence obtained. Auditors with high professional skepticism will develop additional information seeking in the face of symptoms of cheating, raising awareness, expanding evidence, suspending judgments, modifying plans and audit procedures until accumulated evidence to assure the accuracy of professional decision-making. The combination of high technical competence supported by proper professional skepticism resulting in better quality detection performance (Fullerton and Durstchi, 2004).  
<sup>8</sup> The results of this study prove that professional skepticism is a dependent variable, not as an intervening variable that affects the ability of fraud detection.

Characteristics of a fraud-detection task, a task with high complexity is an abstract and difficult to identify the problem. For that, it takes critical-thinking skills, namely, the ability to analyze, evaluate, synthesize, detect and solve problems and draw conclusions. The auditor confronts the fraudster who tends to conceal and even evaporates the evidence. Various tactics are used to manipulate and mislead auditors, making it difficult to detect fraudulent incidents. Misleading descriptions, creating the impression that everything is okay, rationalizing the managed accounts, etc. (Johnson et al., 1991). The manipulative behavior of fraudsters plus the variety of fraud schemes and the uniqueness of cheating on each event, the time constraints add to the difficulty and complexity of the fraud detection task. Critical-thinking skills, communication skills and persistence skills are highly relevant to current auditors. This study proves that critical-thinking skills, as well as communication skills and persistence, have a positive effect on fraud-detection ability.

Auditors are still finding it difficult to detect fraud, as evidenced by this study. Knowledge of the symptoms of fraud that comes from the behavior of the perpetrators cheating, cheating motives, organizational culture and leadership style that opens the opportunity to act cheating is too not considered as an indicator of the occurrence of fraud. Until now, based on unstructured interviews with KAP audit managers, Partners, Quality Controllers, auditors control fraud indications from financial indicators, not non-financial. The high complexity of fraud as it does with companies with block holder, corruption, collusion, planned manipulation, is an ever-increasing and highly auditable thing to learn. The lack of current knowledge causes the auditor to misstate.

Technical competence does not strengthen the relationship between technical competence and detection ability. The result of this study is that moral competence also does not affect the ability of fraud detection. The interesting thing about this research



is that moral auditor competence shows high moral competence. Based on unstructured interviews with KAP audit manager, Partner, Quality Controller, there is an abuse of power from top management to direct and even refine the findings of the auditor team. Also, consideration of potential impacts arising from the publication of these results is often the reason for not working optimally that can do but only limited to meet the obligations to the standard only. The work culture initiated within the division or department/organization also influences the moral practice of work, as some auditors in KAP and the quality controller say. If the developed organizational culture is full of political interests, then morality is marginalized, and independence disrupted. As a result, there has been a demotivation on the auditors' self to work professionally, decreasing integrity even to the point of losing their integrity, being pragmatic and working on the standards alone and degrading the quality of the audit.

Fee audit is also a consideration for KAP partners to provide opinions as per management expectations. As presented by Hadibroto (2015), there are still many non-paper audit practices, giving a paperless opinion, buying and selling signatures is the reason for the non-detection of fraud. The practice of abuse of power, lack of integrity, audit fee problem, low technical knowledge, is very potential to make accountants who should act as moral agents shifted into supporters and perpetrators of cheating (white collar crime), as described by Kaptein (2012) in his article titled Why Good People Sometimes Do Bad Things: 52 Reflections on Ethics at Work. Consistent with the cheating model developed by Umar (2016) known as the fraud star model, the development of the fraud diamond model. Fraud star model contains that the individual's motivation for cheating is the pressure, the existence of opportunities has a reason (rationalization) for the fraudulent activity, has the capability of power, authority, an authority that smoothens the act of cheating. The last factor is little integrity and mental problems and loss of integrity values.

### 3. Conclusion

The results of this study show that the ability of fraud detection can increase through the improvement of technical competence, professional skepticism, persistence strengthening, development of critical-thinking skills and communication skills. Next research should focus on factors that mimic the occurrence of cognitive bias and logical errors in the application of professional skepticism and fraud detection. Guide accounting professors to develop teaching materials with a discussion approach to ethical dilemmas that can improve the understanding of moral issues, students' moral

competence, critical-thinking skills, communication and toleration of diversity of ideas and provide guidelines for the development of individual characteristics and technical skills relevant to audit quality.

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