

# Auditors' Experience in Financial Statement Fraud Detection: The Role of Professional Scepticism and Idealism

Syamsuri Rahim<sup>1\*</sup>, Hamzah Ahmad<sup>1</sup>, Andi Widya<sup>1</sup>,  
Nur Wahyuni<sup>1</sup> and Junaidi Junaidi<sup>2</sup>

<sup>1</sup>*Department of Accounting, Faculty of Economics and Business, Universitas Muslim Indonesia, Kota Makassar, Sulawesi Selatan, Indonesia.*

<sup>2</sup>*Department of Accounting, Faculty of Economics and Business, Universitas Muhammadiyah Palopo, Kota Palopo, Sulawesi Selatan, Indonesia*

## ABSTRACT

The number of financial misstatements globally and their correlation to auditors' roles in detecting fraud has raised questions about professionalism among auditors. Various studies have investigated how to reduce cooking books among companies. This study aimed to examine the role of auditors' experience and how to detect fraud in financial statements through auditors' professional scepticism and idealism. The sample consisted of 446 auditors and structural equation modelling (SEM) was applied to examine the research hypotheses. This study found that auditors' experience positively affected professional scepticism and had a less significant impact on auditors' idealism. Furthermore, mediator variables, namely, auditors' professional scepticism and idealism, had a positive influence on fraud detection and fully mediated the relationship between auditors' experience and skill to detect fraud in financial statements. This research can contribute to providing recommendations to auditors to detect fraud in financial statements because auditors' attitudes, behaviours, skills, and education can help detect fraud in financial statements. The limitations of this research lie in the research method, the time of the research, and the limited number of respondents who participated in the study.

**Keywords:** Auditors' Experience, Professional Scepticism, Idealism, Fraud Detection, SEM

---

### ARTICLE INFO

#### Article History:

*Received: 09 April 2023*

*Accepted: 15 September 2023*

*Available online: 01 December 2023*

---

\* Corresponding Author: Syamsuri Rahim, Department of Accounting, Faculty of Economics and Business, Universitas Muslim Indonesia, Jalan Urip Sumoharjo Km 5, 90231, Makassar, Sulawesi Selatan, Indonesia; Email: syamsurirahim@umi.ac.id; Tel: +62811411127

## INTRODUCTION

Financial statement fraud has occurred at global companies such as Enron, Nissan, Toshiba, Satyam, and WorldCom. In the context of financial statements, the objective of an audit is to provide a reasonable assurance regarding the accuracy of financial statements. The quality of an audit can be impacted by a number of elements, including experience, accountability, professional scepticism, idealism, and ability to detect fraud during audit process (Francis, 2011; Nazri et al., 2023). In order to have great confidence in the audited financial statements and audit report users, the auditor trainer is conducted by professional auditors (Fakhfakh & Jarboui, 2020; Nigrini, 2019). Because incompetent auditors' impediments undermine society's trust. Furthermore, auditors must have adequate knowledge and skills before becoming autonomous. The accountability component, together with the competency factor, has an impact on how well auditors perform (DeZoort & Harrison, 2018).

Despite the intuitive appeal of auditors' competencies positively impacting audit quality and helping to confirm financial reporting quality, empirical studies are still needed to confirm this field. For example, Abbott et al. (2016) used primary data from bank members to find that internal auditor competence had a positive role in influencing financial reporting quality. In the public sector, the same pattern emerged, where auditor professionalism played an important role in influencing auditors' accountability (Ismail & Yuhanis, 2018; Yendrawati et al., 2023). Accountability is a social and psychological impetus that a person has to complete his or her obligations for which he or she will be responsible as a professional. Also, each auditor must always use moral judgement in all his activities. The responsibilities assigned to the auditor must be completed in conformity with the moral standards that apply to his line of employment. Professional auditors' scepticism is a core tenet of auditors' guidelines for carrying out high-quality audits (Abdallah et al., 2016; Farcane et al., 2023; Hammond et al., 2022).

As Indonesia's government auditor, the audit board of the Republic of Indonesia has the role of making sure that the financial governance of the central and local government is according to financial standards and giving an audit opinion based on criteria and financial report standards. However, the audit process still has many drawbacks, namely that direct observation

cannot be replaced, complicates the relationship between the auditor and auditee, lacks personal interaction, and opens up opportunities for fraud (Brennan, 2021; Wahidahwati & Asyik, 2022). Some conflicts of interest occur between the auditee and the auditor. The condition certainly has an impact on auditors' professional activities, such as errors in the audit process in recording the financial statements. It happened in Indonesia where an auditor was caught by the anti-corruption commission in some districts and central governance office, such as the Ministry of Villages, the development of disadvantaged regions, and transmigration in 2017. The motivation was to obtain an unqualified opinion for their financial reports. Recently, some local district leaders were suspected of bribery where employees of the audit board of the Republic of Indonesia were found to avoid financial and other forms of corruption in their report. It happened among some governors, heads of districts, and the audit board of the Republic of Indonesia teams in Sulawesi Selatan, West Java, Riau, and Jakarta. It is a violation of Indonesia's public accountant professional standards (SPAP) numbers 315, 500, and 700, which organise audit standards and audit opinions on financial reports (IAPI, 2022).

Previous studies conducted by Brennan (2021), Hamdi et al. (2022), and Ismail and Rasheed (2019) have obtained different results with different approaches, even though they examined private companies; therefore, the researchers found inconsistencies in the findings. The current study attempted to fill this gap and uncover the role of auditors' experience, professional scepticism, and idealism on detection of fraud in financial statements. Furthermore, this directly contributes to the government audit agenda to enhance audit quality, reduce financial misstatement because of fraud, and make professional scepticism in auditing an important focus. The purpose of the current study was to ascertain how auditors' professional scepticism, idealism, and experience affected the accuracy of audits and fraud detection among Indonesian public sector auditors. This study makes a unique contribution in that it offers concrete evidence from a developing nation, and the conclusions are crucial to the government in encouraging professionalism and a positive attitude among public sector auditors.

## LITERATURE REVIEW

### The Agency Theory

The Agency Theory (AT) is based on economic theory that describes how principals (owners or top management) supervise agents (lower employees or managers) to carry out efficient performance. The relationship between the AT and the detection of fraudulent financial statements is the asymmetry between principals and agents. The detection of fraud in financial statements has an impact on the quality of the audit by the auditor. It is indispensable in making economic decisions (Argilés Bosch et al., 2012). The link between the AT and current research is the ability to work at the Board of Public Accounts of Indonesia (BPK) as professional auditor. The detection of fraud in financial statements can determine the quality of the audit produced by the auditor. Audit quality cannot be separated from agency conflicts, which occurs due to conflicting interests between two parties. When the principal surrenders decision-making authority to the agent, the agent has a wider range of information than the principal. This will result in agents reporting financial statements opportunistically for their personal interests. The quality of financial reports is dependent on auditors' independence during the audit process (Nazri et al., 2023).

### The Attribution Theory

The Attribution Theory can be interpreted as a process by which someone seeks clarity on the causes of other people's behaviour (Spilka et al., 1985). The Theory was first put forward by Heider (1958). This Theory is used to develop explanations for the ways in which we judge individuals' attitudes and behaviours. Basically, this Theory posits that when observing an individual's behaviour, it is important to note whether the behaviour is caused by internal or external factors during the decision-making process. Internal behaviour is influenced by an individual's personal control. Behaviour is the outcome of an individual's actions in a certain situation (Morrison & Robinson, 1997). Researchers frequently employ the Attribution Theory to explain the auditor's judgement, performance evaluation, and decision-making in the context of auditing. Judgements are related to attributes, which describe an auditor's behaviour. Internal attribution, in which the characteristics that affect the ability to detect

fraud come from within the auditor, accounts for a major portion of what determines the auditor's ability to do so. Capability can be formed through one's efforts, for example, by seeking knowledge, maintaining independence, and increasing the attitude of professional scepticism (Nolder & Kadous, 2018).

## **Fraud**

In accounting, there are two types of mistakes: errors and fraud. The difference between these two types of errors may be detected by whether or not there was an element of intent. The standard recognises that it is often more difficult to detect fraud than mistakes because management or employees will try to hide the fraud. Fraud is a fraudulent act that is carried out in such a way as to benefit oneself, a group, or other parties (individuals, companies, or institutions) (Gleason et al., 2022). The conclusion drawn from this is fraud or cheating requires a variety of human inventiveness that is planned and executed either individually or in groups in order to gain advantages or benefits from other parties in an improper manner or through criminal activities. In other terms, fraud is willful deception aimed to get another person's property or legal rights. The circumstances that create opportunities for fraud to occur are described by what is called the fraud triangle, namely, pressure, opportunity, and rationalisation (Achmad et al., 2022).

## **Detection Fraudulent Financial Statements**

A deliberate act or omission that leads to a major misstatement that falsifies the financial statements is known as financial statement fraud. In addition, financial statement fraud is the intentional omission or misrepresentation of a certain amount or disclosure in financial statements (Brennan & McGrath, 2007). There are two common financial statement definitions. Pohlmann et al. (2020) define financial statement fraud as management fraud, that is, intentional fraud perpetrated by management that harms investors and creditors through material misdirection. Thus, the terms management fraud and financial statement fraud are often used interchangeably, but in general, fraud is an intentional act to harm another person. Financial reporting that contains elements of fraud can result in a decrease in the integrity of financial information and can affect various

parties. Apart from investors and creditors, auditors are victims of financial statement fraud because they may suffer financial losses and/or lose their reputation (Nain et al., 2022). The auditor must therefore be aware of the techniques used by some parties to commit financial statement fraud. The following actions can be taken to commit financial statement fraud: (a) manipulating, falsifying, or altering accounting records or supporting documents from prepared financial statements; (b) purposefully making errors or omissions in information that has a material impact on the financial statements; and (c) intentionally abusing the rules governing amounts, classification, presentation, or disclosure.

### ***Auditors' Experience***

The Attribution Theory explores how people interpret events and the motivations behind their behaviour (Nazri et al., 2023). According to Heider (1958), a person's actions are influenced by both internal and external factors. An individual's personality, character, attitude, talent, expertise, and effort are all examples of internal strengths that can influence how well he/she performs and behaves. In contrast, pressure is an example of an external force that is beyond an individual's control (Duska, 2005; Hoos et al., 2019). An auditor's experience in an audit is dependent on how many tasks they have accomplished over the course of time. The organisation may face fraud, and auditors with extensive expertise will be able to identify it and explain it more effectively than auditors with limited or no experience. Additionally, as the number of audits of financial statements conducted by auditors rises, so does the level of professional scepticism held by auditors. Even seasoned auditors may not always be able to conclusively identify fraud in an organisation. Results from research by Dimitrijevic et al. (2021) and Wahidahwati and Asyik (2022) demonstrate the auditors' experience play an important role in influencing fraud detection. These results imply that a performing auditor must have extensive audit expertise training. Experienced auditors are better equipped to comprehend many audit issues in greater detail and will also discover that tracking developing circumstances that get more complex is easier.

The ethical idealism perspective looks at how the workplace and how public auditors use it can be used to create and modify circumstances, that enable to enhance and promote ethically beneficial outcomes for the members of the professional organisation, including chances for their

members' empowerment and flourishing. This approach to auditor ethics views the relationships between experience and idealism as a system that either facilitates, encourages, or obstructs interactions that could lead to both individual and group ethically dubious behaviour among auditors. It does this by using idealism as a parallel to auditors' idealism. Based on the description above, the following hypotheses was formulated:

H<sub>1</sub>: Auditor experience has a positive effect on professional scepticism

H<sub>2</sub>: Auditor experience has a positive effect on idealism

### ***Auditors' Professional Scepticism***

Beasley et al. (2001) and DeZoort and Harrison (2018) found a significant correlation between professional scepticism and the capacity to identify fraud through audit preparation. Hence, auditors must practise professional scepticism, or a mindset that involves a sceptical mind and an unbiased assessment of the quality, competency, and applicability of the evidence. Francis (2011) and Hurtt (2010) discovered that the auditors' ability to detect fraud is positively impacted by their professional scepticism. The more professional scepticism an auditor possesses, the more ready or driven they are to search for signs of fraud surrounding the audit process. Fullerton and Durtschi (2011) found that auditors with high scepticism will increase their ability to recognise fraud by developing more information searches when presented with evidence of it. This result is supported by research from Tang and Karim (2019) and Farag and Elias (2016). A professional sceptic attitude is essential for an auditor to adopt when doing audit activities, especially given the risk of fraud, even though fraud does not always occur. Auditors take a sceptical attitude towards their work performance. Auditors continually look for more information and supporting documentation that can be used to support management's assertions. In addition to being more cautious, auditors who approach choices and opinions with professional scepticism may look for more information and proof to make sure the financial statements under audit are accurate in all respects. The findings of research by DeZoort and Harrison (2018), Hoos et al. (2019), and Nigrini (2019) also showed evidence that professional scepticism has a favourable impact on an auditor's capacity to spot fraud because of the auditor's level of scepticism, the greater their scepticism the greater their capacity to spot fraud. Based on the description above, the following hypotheses was formulated:

- H<sub>3</sub>: Auditors’ professional skepticism has a positive effect on idealism
- H<sub>4</sub>: Auditors’ professional skepticism has a positive effect on detecting fraud

**Auditors’ idealism**

Referring to the Professional Standards for Public Accountants (SPAP) SA Section 350 Paragraph 01, audit sampling is defined as follows: Placement of audit procedures for less than 100% of the parts in a group of transactions or account balances with the goal of evaluating some of the account balance of the transaction group’s features. The objective of the auditor is to select a sample from a population, according to Arens et al. (2021), to obtain a representative sample. A representative sample is a sample that has the same characteristics as the population. This means that the part that is sampled is the same as the part that is not sampled. Auditors’ idealism can be applied both to perform tests of control as well as substantive tests (Nagirikandalage et al., 2022). Nevertheless, auditors’ idealism usually applies to testing procedures in the form of asking questions or debriefing, observation, and analytical procedures.

- H<sub>5</sub>: Auditors’ idealism has a positive influence on detection of fraud

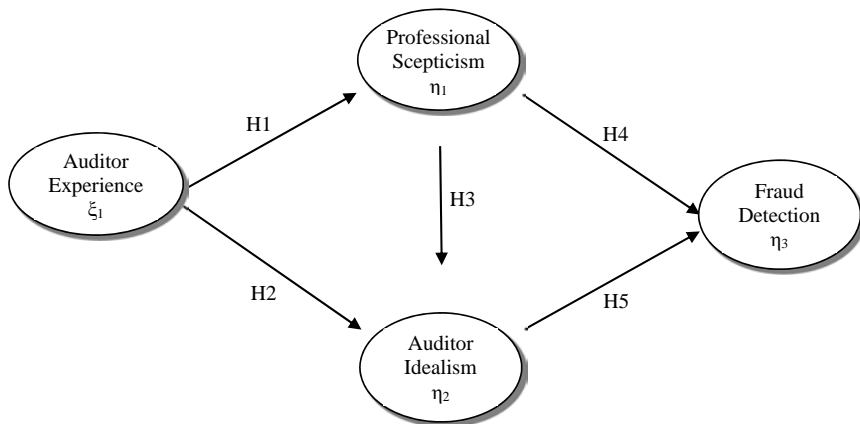


Figure 1: Research Proposed Framework



## **METHODOLOGY**

### **Research Design**

This quantitative study collected primary data by distributing questionnaires that were filled out. We used the back-translation technique and hired a certified translator to translate the English questionnaire into Indonesian in order to make sure that the meaning of the measurement questions remained the same for each construct. After attempting a pretest, these words were modified in person to make sure they were completely integrated into the Indonesian context. We assessed the assessment items and constructs to see how well they met the stated requirements for reliability, convergent validity, and discriminant validity prior to conducting the official survey. The auditors who worked at the Audit of the Republic of Indonesia (BPK) were invited to fill out an online survey to filter out unqualified participants. Data was collected from March 1 to April 30, 2022, and 487 samples were obtained. These respondents were invited by email and social media platforms and asked about their real work before filling out the questionnaires. We also attached a formal letter to the auditor offices to make sure that all the participants were government auditors. The response rate was 93.43%, and 41 samples were rejected for being unsuitable and inconsistent. Nonresponse bias was not a problem as a result.

### **Measures**

A seven-point Likert scale anchored between 1 (“strongly disagree”) and 7 (“strongly agree”) was used for auditor experience scales with seven items: length of work, number of examination tasks, career development, task intensity, and field (Tubbs, 1992). Professional scepticism comprised six items and was relevant to Hurlburt (2010) and Krambia-Kapardis (2002), namely auditors’ behaviour, critical thinking, professionalism, assumptions, accuracy in examining the government’s financial statements, and skills in audit evidence collection process. Auditors’ idealism, was relevant to Francis (2011), namely audit performance, the existence of professional auditing, the number of audit training programmes, solving audit dilemmas, and maintaining the conflict-of-interest. Audit skills to detect fraud in financial statements comprised of five items, relevant to Abbott et al. (2016) and Krambia-Kapardis (2002), namely how to know about internal control systems, audit methods, fraud audit tasks, audit documentation, and testing.

## RESULTS

### Participants Demography

The sociodemographic features of the participants are detailed in Table 1. Male respondents made up a larger portion of the overall respondents than did female respondents, with 52.7% women and 47.3% men. In addition, the majority of participants were over 40 years old (34.5%), followed by those under 26 years old (33.4%). The highest number of respondents had completed a bachelor’s degree (52.9%), while the second-highest finished their master’s (47.1%). Furthermore, the majority of the participants had experience as professional auditors for 6–15 years (35.0%), followed by below 5 years (33.6%) and the lowest over 15 years (31.4%). We also applied a critical selection technique as part of the purposive sampling strategy in the absence of a complete list of professional auditors.

**Table 1: Respondent Demographics**

Demographic Items	Frequency	Percentage (%)
Gender		
Male	235	52.7
Female	211	47.3
Age		
Under 26 years old	149	33.4
26~40 years old	143	32.1
Over 40 years old	154	34.5
Education		
Bachelor	236	52.9
Master	210	47.1
Time period of as auditor		
Below 5 years	150	33.6
6~15 years	156	35.0
Over 15 years	140	31.4

**Table 2: Correlation Matrix for Measurement Scales**

Constructs	Mean	SD	AE	PS	AI	FD
AE	5.41	1.04	0.771			
PS	5.05	1.41	0.521**	<b>0.725</b>		
AI	5.11	1.22	0.633**	0.591**	<b>0.785</b>	
FD	5.21	1.25	0.571**	0.521**	0.635**	0.764

Note: AE: Auditor experience, PS: Professional scepticism, AI: Auditor idealism, FD: Auditor skill/fraud detection

SD: standard Deviation

Diagonal elements are the square roots of the AVE for each construct

Significant at \*:  $p < 0.05$ , \*\*:  $p < 0.01$ , \*\*\*:  $p < 0.001$

## Measurement Model

Table 3 shows the result of the CFA and model fit on all the constructs. Furthermore, the result of the measurement model (CFA) showed that all the constructs had a good fit (Hair Jr et al., 2019).

**Table 3: Measurement Results**

Constructs	Composite reliability (CR)	Average of variance extracted (AVE)	Cronbach's $\alpha$
Auditor Experiences	0.906	0.616	0.785
AE1: I have experience as an auditor	0.752		
AE2: I have experience in fraud examination	0.816		
AE3: I have auditor career development	0.858		
AE4: I have task more than 5 times	0.789		
AE5: I can detect symptoms in financial misstatement	0.708		
AE6: I have experience in fraud detection	0.777		
Professional Scepticism	0.921	0.625	0.790
PS1: I accept people's opinion by fact	0.823		
PS2: I accept an issue based on fact	0.797		
PS3: I am confident on my abilities as an auditor	0.843		
PS4: I like searching for information and knowledge	0.801		
PS5: I examine the financial statement carefully	0.761		

PS6: I can collect audit evidence	0.742			
PS7: I can keep audit scepticism professionally	0.761			
Auditor Idealism		0.914	0.681	0.825
AI1: I believe I can work properly	0.808			
AI2: I can work professionally	0.909			
AI3: I obtained professional audit training	0.746			
AI4: I understand the effect of pressure	0.841			
AI5: I can maintain conflict of interest	0.813			
Auditor Skill/Fraud detection		0.912	0.635	0.797
AS1: I understand government internal control system	0.720			
AS2: I understand government audit methods	0.857			
AS3: I can detect fraud	0.813			
AS4: I can document the audit process	0.841			
AS5: I can audit test objectively	0.751			
AS6: I can detect financial report misstatement	0.790			

Fit statistics (N = 446)

CMIN = 698.13, DF = 224,  $\chi^2/df = 3.117$ , Goodness-of-Fit Index (GFI) = 0.907, Nonnormed fit index (NFI) = 0.897, Comparative Fit Index (CFI) = 0.906, Incremental fit index (IFI) = 0.911, and Root Mean Square Error of Approximation (RMSEA) = 0.073

## Structural Model

Auditors' experience had a considerable and favourable impact on professional scepticism ( $\gamma_{11} = 0.202, p < 0.001$ ), negative effect on auditors' idealism ( $\gamma_{21} = 0.056, p > 0.05$ ). H1 supported and H2 was unsupported, additionally, auditors' professional scepticism had a favourable and important impact on supporting auditors' idealism and H3 ( $\beta_{21} = 0.152, p < 0.05$ ). This study further confirmed that auditors' professional scepticism and idealism positively affected auditors' skill to detect fraud in financial statements ( $\beta_{31} = 0.273, p < 0.001, \beta_{32} = 0.216, p > 0.001$ ). H4 and H5 were supported. Figure 1 and Table 4 shows the results of hypotheses testing.

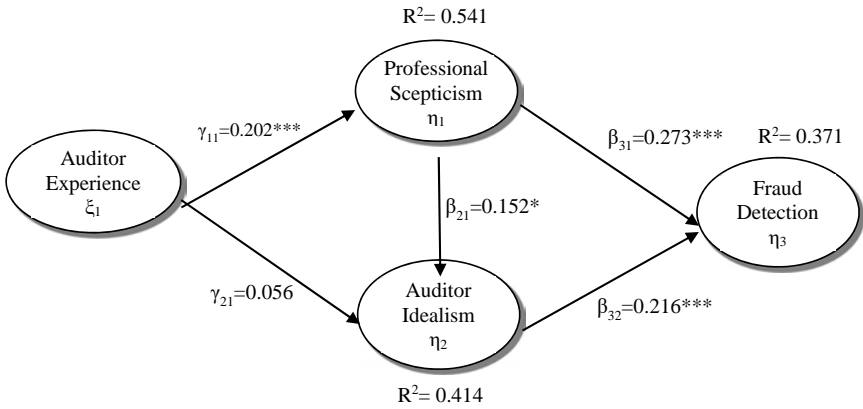


Figure 1: Structural Result

Table 4: Proposed Model Results

Hypotheses	Symbol	Path	Coefficients	Test results
H1	$\gamma_{21}$	Auditor experience → Auditors' idealism	0.056	Unsupported
H2	$\gamma_{11}$	Auditor experience → Professional scepticism	0.202***	Supported
H3	$\beta_{21}$	Professional scepticism → Auditors' idealism	0.151***	Supported
H4	$\beta_{31}$	Professional scepticism → Fraud detection	0.273***	Supported
H5	$\beta_{32}$	Auditors' idealism → Fraud detection	0.216***	Supported

Note: Significant at \*:  $p < 0.05$ , \*\*:  $p < 0.01$ , \*\*\*:  $p < 0.001$

### Mediating Effect

As shown in Table V auditors' professional scepticism had a partial role in mediating the relationship between auditors' experience and auditor idealism, as well as the capability to detect fraud in financial statements. It means that auditors' professional scepticism has significant role in mediating relation between auditors' experience and fraud detection and less effect to address relation between auditors' experience and auditors' independent. Moreover, auditors' idealism also played a positive role in bridging the relationship between auditor experience and the auditors' ability to complete the task. Which implied that auditor experience, professional scepticism, idealism, and fraud detection were indispensable.

**Table 5: Mediation Effects**

IV	M	DV	IV->DV (c)	IV->M (a)	IV+M->DV		Bootstrapping 95% CI	
					IV (c')	M(b)	Percentile method	Bias-corrected
AE	PS	AI	0.018	0.166**	0.070	0.073	[0.048, 0.050]	[0.059, 0.061]
Standard Error			0.089	0.041	0.065	0.067		
AE	PS	FD	0.392***	0.166**	0.179**	0.114	[0.070, 0.110]	[0.086, 0.136]
Standard Error			0.091	0.041	0.071	0.034		
AE	AI	FD	0.240***	0.070	0.180**	0.162**	[0.100, 0.110]	[0.123, 0.136]
Standard Error			0.058	0.065	0.071	0.070		

Note: AE: Auditors' experience, PS: Professional scepticism, AI: Auditors' idealism, FD: Fraud detection  
 Significant at \*:  $p < 0.05$ , \*\*:  $p < 0.01$ , \*\*\*:  $p < 0.001$

## DISCUSSION

### Key Findings

According to this results, there is a significant relationship between auditors' experience and behaviour through professional scepticism and idealism, which in turn affects how committed they are to their responsibilities and jobs. Auditors' professional scepticism and idealism have become mediators between the length of work and work performance, subsequently enhancing their skills to detect financial misstatements. Based on our knowledge, these are novel discoveries because few studies have examined this issue. Particularly, the findings demonstrated that auditors' work standards and time periods are consistent with their commitment to organisation and professionalism. Additionally, it supports the idea that auditors' kinds of tasks have been crucial in bridging capacity and credibility regarding ethics in the workplace and fraud detection.

Although an auditor's professional organisation has launched a clear code of conduct for its members, it doesn't guarantee that auditors have the capacity to detect fraud during the audit process. There is evidence that the AT and the Attribution Theory can explain auditors' actions and behaviour towards a sense of responsibility (Abdallah et al., 2016; Faraq & Elias, 2016; Ismail & Yuhanis, 2018). This study showed that four of the existing hypotheses were unsupported, namely, the auditors' experience of idealism. This is assumed to occur due to a lack of frequent tasks, which can influence

audit quality. This is in accordance with the AT, which discusses the problem of asymmetry between principals and agents by requiring independent third parties (auditors) so that the resulting financial reports are fair in the eyes of the public as stakeholders. This is in agreement with prior studies, which revealed that in order to enhance audit quality, sufficient auditor experience is needed (Abbott et al., 2016; Christensen et al., 2015; Tubbs, 1992).

The results of the analysis showed that auditors' experience has a positive effect on professional scepticism at the workplace. This is due to the large number of auditor tasks and training so that fraud in financial statements can be detected. It is in accordance with prior studies that concluded that in order to enhance auditors' professionalism, there is a strong correlation between professionalism and the ability to prevent fraud through the implementation of professional audits. Hence, H1 was supported. Interestingly, career development played a less important role in influencing audit performance and maintaining conflicts of interest during the audit process. It meant that H2 was unsupported.

H3 was accepted and was significant; these results are supported by Nigrini (2019) and Rashid and Ghazi (2021), who found auditors' professional scepticism was in line with the auditors' idealism, subsequently having an effect on fraud detection. The better the task, the more crucial it is to enhance audit quality and fraud detection. Similarly, professional auditor scepticism has a positive and significant effect on fraud and misstatement detection in financial reports. Hence, H4 was supported. This confirms prior studies by Tang and Karim (2019), who found that professional scepticism can be used to detect fraud in financial statements through the selection of appropriate audit sampling and methods. Lastly, auditors' idealism proved to have a positive and significant role in influencing factors that affect audit quality, such as internal control systems, fraud audit tasks, audit documentation, and testing. Hence, H5 was supported which is in line with prior studies by Abbott et al. (2016), Francis (2011), and Wahidahwati and Asyik (2022), who revealed that audit quality depends on the audit process and auditors' skills.

## CONCLUSIONS

Auditors' dedication to the organisation is influenced by idealism. In addition, professional scepticism and auditor idealism play a positive and significant role in mediating the relationship between auditor personal experience and audit quality. Despite the fact that certain studies came to the conclusion that organisational culture has a crucial role in influencing auditors' attitudes and behaviours, most auditors' skill and professionalism depend on their experience and professional training to solve problems during the audit process. It occurs because participants have different understandings of the job description and level of task in different offices and regions. It might also help to sustain the bond between the auditee and auditor, which in turn affects their devotion to the organisation and task. The findings showed that auditors' professional scepticism and idealism, particularly involving the auditors and their organisation, are the central concepts of the Attribution Theory. Additionally, the auditors' ethics dimension significantly and favourably influenced both the auditors' idealism and audit quality. Auditors' work standards, code of conduct, and behaviour partially mediated the relationship between auditors' professionalism and their ability to detect fraud in financial statements. Hence formal training is needed to protect against moral hazards that occur among auditors.

## Theoretical Implications

The study offers satisfaction and makes some ethical contributions. A greater understanding of auditors' ethical and decision-making processes is provided by the research model, which simultaneously evaluated the impact of professionalism, scepticism, and idealism. This study came to the conclusion that personal attitude and ethics are significantly influenced by one another with one's level of experience. Auditors who are deeply invested in their professionalism are more likely to feel a sense of commitment and belonging. The study also explains how auditors' attitudes and behaviours are influenced by their experience and task frequency. As a result, it offers a strong foundation for further investigation by outlining the function of the individual in mediating the development of commitment and ethics as well as the reduction of moral hazard in accounting and financial fields. Additionally, it implies that morals, idealism, and the auditors' commitment must be developed at the foundational level. It helps to establish auditors'



decision-making procedures in a methodical way. Finally, this research improves the Attribution and the Stakeholder Theories to anticipate variables (such as the love of money, ethical belief, ethical ideology and ethical judgement) that affect personal attitude and conduct. Another significant implication is that the business and finance sectors should continue to be directed by the goal of comprehensive auditors' professionalism, which is supported by an ethical worldview, moral philosophy, and the professional auditors' principles of fairness and altruism

### **Practical Implications**

The results suggest that academics and auditors and professional organisation leaders or members need to be more concerned about the enforcement of the code of conduct. Furthermore, the results of this study and the discussion regarding the implementation of the audit professionalism process on fraud detection can be useful in the education context, especially for accounting students. Besides, the stakeholders also need to enhance ethical standards. There are important topics regarding the auditors' organisation rules that strongly correlate with the auditors' ethics and commitment to the organisation. This finding implies that the auditors' organisation leaders and auditees need to adhere to the rules and law. It implies that auditors' ability to detect fraud depends on their ethics experience and training, which provide a pivotal value to enhance audit quality. Practically, this study provides input regarding auditors' experience and work procedures that can be used to detect fraud in financial reports and implement risk-based audits.

### **Limitations and Future Research Directions**

The questionnaire given by the auditor has weaknesses, namely, that the respondent can answer questions based on the condition of the respondent's feelings, and the researcher cannot see a direct response from the respondent when filling out the questionnaire. Therefore, further studies need to collect data using the interview method so that the results of the answers obtained are more accurate and conduct research outside of the auditor's busy time. Furthermore, future studies will also need to apply different methods and instruments to prove auditors' professionalism.

## REFERENCES

- Abdallah, A., Maarof, M. A., & Zainal, A. (2016). Fraud detection system: A survey. *Journal of Network and Computer Applications*, 68, 90–113. <https://doi.org/10.1016/j.jnca.2016.04.007>
- Abbott, L. J., Daugherty, B., Parker, S., & Peters, G. F. (2016). Internal audit quality and financial reporting quality: The joint importance on independence and competence. *Journal of Accounting Research*, 54(1), 1–38. <https://doi.org/10.1111/1475-679X.12099>
- Achmad, T., Ghozali, I., & Pamungkas, I. D. (2022). Hexagon fraud: Detection of fraudulent financial reporting in state-owned enterprises Indonesia. *Economies*, 10(1), 1–16. <https://doi.org/10.3390/economies10010013>
- Arens, A. A., Elder, R. J., Beasley, M. S., Hogan, C. E., & Jones, J. C. (2021). *Auditing: The art and science of assurance engagements*. Pearson
- Argilés Bosch, J. M., Sabata Aliberch, A., & García Blandón, J. (2012). A Comparative Study Of Difficulties In Accounting Preparation And Judgement In Agriculture Using Fair Value And Historical Cost For Biological Assets Valuation. *Revista De Contabilidad-Spanish Accounting Review*, 15(1), 109–142. [https://doi.org/10.1016/S1138-4891\(12\)70040-7](https://doi.org/10.1016/S1138-4891(12)70040-7)
- Beasley, M. S., Carcello, J. V., & Hermanson, D. R. (2001). Top 10 audit deficiencies. *Journal of Accountancy*.
- Brennan, N. M., & McGrath, M. (2007). Financial statement fraud: Some lessons from US and European case studies. *Australian Accounting Review*, 17(2), 49–61. Available at SSRN: <https://ssrn.com/abstract=2257459>
- Brennan, N. M. (2021). Connecting earnings management to the real World: What happens in the black box of the boardroom? *The British Accounting Review*, 53(6), 101036. <https://doi.org/10.1016/j.bar.2021.101036>

- Christensen, B. E., Elder, R. J., & Glover, S. M. (2015). *Insights into Large Audit Firm Sampling Policies*. *Current Issues in Auditing*, 9(2), P7–P18. doi:10.2308/ciia-51223.
- DeZoort, F.T., & Harrison, P.D. (2018). Understanding Auditors' Sense of Responsibility for Detecting Fraud Within Organizations. *Journal of Business Ethics*, 149, 857–874. <https://doi.org/10.1007/s10551-016-3064-3>.
- Dimitrijevic, D., Jovkovic, B., & Milutinovic, S. (2021). The scope and limitations of external audit in detecting frauds in company's operations. *Journal of Financial Crime*, 28(3), 632–646. <https://doi.org/10.1108/JFC-11-2019-0155>.
- Duska, R. (2005). The Good Auditor–Skeptic or Wealth Accumulator? Ethical Lessons Learned from the Arthur Andersen Debacle. *Journal of Business*, 57(1), 17–29. <https://doi.org/10.1007/s10551-004-3818-1>
- Fakhfakh, I., & Jarboui, A. (2020). Audit certification, earnings management and risk governance: a moderated-mediation analysis. *Journal of Financial Reporting and Accounting*, 18(2), 277–299. <https://doi.org/10.1108/JFRA-01-2019-0015>
- Farang, M. S., & Elias, R. Z. (2016). The relationship between accounting students' personality, professional skepticism and anticipatory socialization. *Accounting Education*, 25(2), 124–138. <https://doi.org/10.1080/09639284.2015.1118639>
- Farcane, N., Bunget, O.C., Blidisel, R., Dumitrescu, A. C., Deliu, D., Bogdan, O., & Burca, V. (2023). Auditors' perceptions on work adaptability in remote audit: a COVID-19 perspective. *Economic Research-Ekonomska Istraživanja*, 36(1), 422–459. <https://doi.org/10.1080/1331677X.2022.2077789>
- Francis, J. R. (2011). A framework for understanding and researching audit quality. *Auditing: A Journal of Practice & Theory*, 30(2), 125–152. <https://doi.org/10.2308/ajpt-50006>

- Fullerton, R., & Durtschi, C. (2011). The effect of professional skepticism on the fraud detection skills of internal auditors. *SSRN Electronic Journal*, 435. <https://doi.org/10.2139/ssrn.617062>
- Gleason, K., Kannan, Y. H., & Rauch, C. (2022). Fraud in startups: what stakeholders need to know. *Journal of Financial Crime*, 29(4), 1191–1221. <https://doi.org/10.1108/JFC-12-2021-0264>
- Heider, F. (1958). *The Psychology of Interpersonal Relations*, New York: Wiley.
- Hair, J. F., & Sarstedt, M. (2019). Composites vs. factors: Implications for choosing the right SEM method. *Project Management Journal*, 50(6), 1–6.
- Hamdi, K., Guenich, H., & Saada, M. B. (2022). Does corporate financial performance promote ESG: Evidence from US firms. *Cogent Business & Management*, 9(1), 2154053. <https://doi.org/10.1080/23311975.2022.2154053>
- Hammond, P., Opoku, M. O., & Kwakwa, P. A. (2022). Relationship among corporate reporting, corporate governance, going concern and investor confidence: Evidence from listed banks in sub Saharan Africa. *Cogent Business & Management*, 9(1), 2152157, <https://doi.org/10.1080/23311975.2022.2152157>
- Hoos, F., Pruijssers, J.L., & Lander, M.W. (2019). Who’s Watching? Accountability in Different Audit Regimes and the Effects on Auditors’ Professional Skepticism. *Journal of Business Ethics*, 156, 563–575. <https://doi.org/10.1007/s10551-017-3603-6>
- Hurt, R. K. (2010). Development of a scale to measure professional skepticism. *Auditing: A Journal of Practice & Theory*, 29 (1), 149–171. <https://doi.org/10.2308/aud.2010.29.1.149>
- Indonesian Institute of Certified Public Accountant (IAPI). (2022). Audit standard - 2021. Available at: Standar Audit (SA) - IAPI (Accessed at July, 27<sup>th</sup> 2023)

- Ismail, S., & Rasheed, Z. (2019). Influence of ethical ideology and emotional intelligence on the ethical judgement of future accountants in Malaysia. *Meditari Accountancy Research*, 27(6), 805–822. <https://doi.org/10.1108/MEDAR-04-2018-0326>
- Ismail, S., & Yuhanis, N. (2018). Determinants of ethical work behaviour of Malaysian public sector auditors. *Asia-Pacific Journal of Business Administration*, 10(1), 21–34. <https://doi.org/10.1108/APJBA-07-2017-0068>
- Krambia-Kapardis, M. (2002). A fraud detection model: A must for auditors. *Journal of Financial Regulation and Compliance*, 10(3), 266–278. <https://doi.org/10.1108/13581980210810256>.
- Lanny, K., & Utami, W. (2023). Determinant of auditors' judgement on the detection of fraudulent financial statements. *Management and Accounting Review*, 22(1), 182–200.
- Morrison, E. Z., & Robinson, S. L. (1997). When employees feel betrayed: A model of how psychological contract violation develops. *The Academy of Management Review*, 22(1), 226–256. <https://doi.org/10.2307/259230>
- Nagirikandalage, P., Binsardi, A., & Kooli, K. (2022). Audit sampling strategies and frauds: an evidence from Africa. *Managerial Auditing Journal*, 37(1), 170–192. <https://doi.org/10.1108/MAJ-06-2020-2695>
- Nain, S., Mail, R., & Lajuni, N. (2022). Antecedents of Management Accounting practices and hotel performance: Evidence from Malaysian Borneo states. *Management and Accounting Review*, 21(1), 120–149.
- Nazri, S.N.F.S.M., Zahba, I.H., Zolkaffil, S., & Zainuddin, N. (2023). The Influence of professional skepticism on fraud detection: The case of Malaysian non - Big 4 Auditors. *Management and Accounting Review*, 22(1), 201–228.
- Nigrini, M.J. (2019). The patterns of the numbers used in occupational fraud schemes. *Managerial Auditing Journal*, 34(5), 606–626. <https://doi.org/10.1108/MAJ-11-2017-1717>

- Nolder, C. J., & Kadous, K. (2018). Grounding the professional skepticism construct in mindset and attitude theory: A way forward. *Accounting, Organization and Society*, 67, 1–14. <https://doi.org/10.1016/j.aos.2018.03.010>
- Pohlmann, M., Dannecker, G., & Valarini, E. (2020). Bribery, Fraud, Cheating: How to explain and to avoid organization wrongdoing. Springer/VS Verlag für Sozialwissenschaften, Wiesbaden, Germany.
- Rashid, A., & Ghazi, M. S. (2021). Factors affecting Shari‘ah audit quality in Islamic banking institutions of Pakistan: a theoretical framework. *Islamic Economic Studies*, 28(2), 124–140. <https://doi.org/10.1108/IES-07-2020-0025>
- Spilka, B., Shaver, P., & Kirkpatrick, L. A. (1985). A general attribution theory for the psychology of religion. *Journal for the Scientific study of religion*, 24(1), 1–20. <https://doi.org/10.2307/1386272>
- Tang, J., & Karim, K.E. (2019). Financial fraud detection and big data analytics – implications on auditors’ use of fraud brainstorming session. *Managerial Auditing Journal*, 34(3), 324–337. <https://doi.org/10.1108/MAJ-01-2018-1767>
- Tubbs, R.M. (1992). The Effect of Experience on the Auditor’s Organization and Amount of Knowledge. *The Accounting Review*, 67(4), 783–801. <http://www.jstor.org/stable/248324>.
- Wahidahwati, W., & Asyik, N. F. (2022). Determinants of auditors ability in fraud detection. *Cogent Business & Management*, 9(1), 1–20. <https://doi.org/10.1080/23311975.2022.2130165>
- Yendrawati, R., Riantika, R.L., Kusumadewi, F.Z., Azmi, N.A., & Mohd.Sanusi, Z. (2023). Effects of corporate governance and financial performance on fraudulent financial statements: Evidence from Indonesia’s property, real estate, and building construction sectors. *Management and Accounting Review*, 22(1), 1–25.