

The Importance of Professional Skepticism in Detecting Money Laundering: Investigating Officers' Perspective

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ABSTRACT

This study aims to examine the characteristics of professional skepticism that influence money laundering detection among the investigating officers of law enforcement agencies in Malaysia. 200 questionnaires were collected and analyzed via Pearson correlation and multiple linear regression to examine the relationship between the six characteristics of Hurr's professional skepticism (questioning mind, suspension of judgment, searching for knowledge, interpersonal understanding, self-determination, and self-confidence) and the detection of money laundering. The findings revealed that questioning mind, suspension of judgment, and self-confidence possessed stronger linear relationships and significantly influenced the detection of money laundering. Since previous studies mostly focused on professional accountants, this study contributes to the body of knowledge by looking into the importance of professional skepticism among the investigating officers working in law enforcement agencies. Hence, future studies may conduct similar studies in other countries to understand the professional skepticism characteristics among the investigating officers. This study recommends the management team of the law enforcement agencies improve training module by including enhanced professional skepticism characteristics, which will eventually improve the officers' evidence-gathering process in the future.

Keywords: Professional Skepticism, Questioning Mind, Suspension of Judgment, Self-Confidence, Investigating Officers, Detection of Money Laundering

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INTRODUCTION

The professional skepticism concept has been practiced by the investigating officers of law enforcement agencies in the United States of America, Australia and Malaysia for decades as it has been stated indirectly in the Police Act 1964, Police and Criminal Evidence Act 1984, Australian Federal Police Act 1979, Permanent Order of the Inspector-General of Police (PTKPN) and Malaysian Anti-Corruption Commission Act 2009. The acts have clearly specified the responsibilities and power of investigating officers in the investigation process. The need for a professional skepticism attitude among investigating officers of law enforcement agencies is essential not only to allow them to acquire more information and evidence to support their opinions and judgment but also eliminate biased conclusions that can potentially lead to wrongful accusations and convictions (McCartney & Parent, 2015). In the context of money laundering investigations, the investigating officers who possess skeptical minds will be able to conduct the investigation effectively and detect money laundering activities (MACC Act, 2009). Therefore, it is strongly believed that the concept of professional skepticism is crucial to be practiced as mentioned by Grenier (2017).

Evaluation of effectiveness assesses the number of money laundering investigations, prosecutions, and confiscation, which is the biggest challenge faced by member countries, including Malaysia. Malaysia has a sound anti-money laundering and countering the financing of terrorism (AML/CFT) framework, yet the number of prosecutions and convictions remains low (APG, 2015). According to the APG (2015), only 132 of 821 money laundering investigations conducted were prosecuted under money laundering charges while 56 convictions were secured. Such a low number of prosecutions indicates that Malaysia is facing difficulties in accurately investigating money laundering activities.

It is emphasised that investigating officers of law enforcement agencies face difficulties in gathering sufficient evidence to proceed with money laundering prosecution (Syed Mustapha Nazri et al., 2019). This observation indirectly indicates that they lack skepticism in detecting money laundering. Since money laundering is complex in nature, the paper trail created through the layering process complicates the investigating officer's task in determining which funds within the legitimate economy are illegal

(Buchanan, 2004). Furthermore, the failure of detecting the financial crime is due to the lack of professional skepticism (Beasley et al., 2001). Hence, money laundering can be successfully detected if the investigating officers apply the concept of professional skepticism. The money laundering investigating officers in Malaysia must adopt professional skepticism to increase their ability to accurately detect acts of money laundering.

Therefore, this study aimed to examine the professional skepticism characteristics that influence money laundering detection among the investigating officers of law enforcement agencies in Malaysia. This study will benefit the law enforcement agencies by providing insights on ways to improve money laundering investigation outcomes by enhancing professional skepticism among the investigating officers. It will eventually improve their evidence gathering process in the future to be able to produce better investigation outcomes.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Detection of Money Laundering

Money laundering is defined as a process of converting cash derived from illegal activities into a legitimate source (Sanusi et al., 2014). The launderer may commonly practice three distinct stages to launder their money to avoid being detected which include placement, layering, and integration (Mohamed, 2012; Thanasegaran & Shanmugam, 2007). Placement is the first step of the process which involves the physical disposal of the cash proceeds obtained from illegal activities into a legitimate financial system, local or international (Aspalella, 2008). The second step is the layering of illegal proceeds where the launderer combines illegal and legal money. This financial transaction layer disguises the owner's illegal revenue and obscures the money trail (Zul Kepli & Nasir, 2016). Finally, through integration, illegal returns are made to appear as economically valid income (Zul Kepli & Nasir, 2016).

Money laundering has become hard to detect because it has been made to appear like a legitimate source of funds due to the several methods

involved in the process (Buchanan, 2004). These steps lead to the difficulty faced by the investigating officers of law enforcement agencies in detecting money laundering. They require a long time to collect evidence before appearing in court, coupled with high costs of investigation and judicial processes (Choo et al., 2014; APG, 2015; Shanmugam & Thanasegaran, 2008; Thanasegaran & Shanmugam, 2007).

Since the illegal proceeds are difficult to be distinguished once it is legalised, there is a need for the investigating officer to detect the illegal activities at the initial stage of money laundering, from where the money was deposited into the financial system (Schneider, 2004). Therefore, the concept of professional skepticism is essential (Grenier, 2017). The concept has been proven in previous literature particularly in terms of an auditing perspective (Hurt et al., 2013; Sayed Hussin & Iskandar, 2013).

Professional Skepticism

Professional skepticism refers to the constant cynical attitude and the habit of deferring consideration until a person has enough information or evidence (Hurt, 2010). The Malaysian Auditing Professional Standards also defined professional skepticism as the attitude which includes a questioning mind, being alert to the conditions that may indicate a possible misstatement due to error or fraud, and a critical assessment of audit evidence (MIA 2008 of ISA 200). Skepticism is very useful for a person who questions the evidence produced by other means until he/she can prove their credibility. However, a long doubt could make any reasonable man be persuaded by the evidence at hand (Mauts & Sharaf, 1961). Professional skepticism can also be applied in law enforcement agencies, since the investigating officers are required to gather sufficient information and evidence in an investigation before it can be presented to the prosecutors (MACC Act, 2009; Police Act, 1967). By continuing to question, more information or evidence can be obtained to ensure a smooth investigation process for the investigating officers of law enforcement agencies to detect the occurrence of money laundering.

Hogarth and Einhorn (1992) stated that skeptical individuals are very sensitive to negative evidence compared to positive evidence. The sensitivity of individuals to the evidence can reduce the risk of unsuccessful detection of

fraudulent financial cases (McMillan & White, 1993). Investigating officers of law enforcement agencies find it difficult to detect the issues related to money laundering once these activities have passed the placement stage of money laundering (Zul Kepli & Nasir, 2016). Hence, the investigating officers need to possess the attitude of professional skepticism to reduce the risk of undetected money laundering. Based on Hurtt (2010), this study refers to questioning, meticulous observation, probing reflection, explicit outlook together with suspension as attributes of professional skepticism.

HYPOTHESIS DEVELOPMENT

Questioning Mind and Detection of Money Laundering

A questioning mind is an attitude of questioning the information and evidence received throughout the investigation process to make conclusions (Charron & Lowe, 2008; Sayed Hussin & Iskandar, 2013). Idawati and Gunawan (2015) proposed that having a skeptical mind will help in assessing risks and making decisions. Their findings also indicated that the questioning mind can influence the ability to detect fraud. Griffith et al. (2014) demonstrated that general thinking improves the ability to identify unreasonable estimates and address the issues that arise. Siew et al. (2018) also supported that a questioning mind has one of the most significant influences to identify professional skepticism. Meanwhile, Peytcheva (2013) argued that suspicious thoughts can significantly enhance cognitive performance in the task of testing hypotheses. The study suggested that an increase in professional skepticism could improve the ability to choose diagnostic evidence against the hypothesis at hand. Therefore, this study hypothesised a significant relationship between the questioning mind and money laundering detection in Malaysia. Hence, the following hypothesis was proposed:

H1: There is a significant relationship between a questioning mind and detection of money laundering.

Suspension of Judgment and Detection of Money Laundering

Suspension of judgment is an attitude where a person suspends their judgment until sufficient evidence is acquired to clarify real causes

(Hurt, 2010). It is found that sceptics mind will spend more time finding a critical solution to make decisions (Quadackers et al., 2009). It was also revealed that the suspension of judgment can be used to identify professional skepticism (Bailey, Daily & Philips, 2011; Quadackers et al., 2009). Meanwhile, Agarwalla et al. (2017) also proved that suspension of judgment can encourage more ethical decisions or motivate others to make more ethical decisions. Bailey et al. (2006) further clarified that the suspension of judgment can significantly impact sceptical judgements and decisions. Postponing the judgment allows an individual to consider all the perspectives and possibilities to see a large picture for subsequent evaluation of evidence.

However, past studies identified that suspension of judgment could have a negative impact (Sayed Hussin & Iskandar, 2013; Royae et al., 2013; Sayed Hussin et al., 2017). This observation was observed when suspension of judgment was not appropriately applied in the Malaysian context due to time constraints like deadlines to adhere to (Sayed Hussin & Iskandar, 2013). Hence, the investigating officer will postpone their judgment until enough evidence is collected before making decisions or conclusions. Based on the aforementioned empirical evidence, the significant correlation between suspension of judgment was hypothesised to test the detection of money laundering.

H2: There is a significant relationship between suspension of judgment and detection of money laundering.

Searching for Knowledge and Detection of Money Laundering

The seeking knowledge trait encourages an individual to seek more knowledge to describe complex situations (Royae et al., 2013). According to Fullerton and Durtschi (2004), highly sceptical minds were more likely to seek more information when dealing with red flags. The authors mentioned that the search for knowledge could identify professional skepticism. Sayed Hussin et al. (2017) suggested that searching for knowledge has a profound effect on the ability of a person to assess the risks associated with the task of detecting frauds. Investigating officers with a high level of professional skepticism tend to make additional checks of information before making judgments. This observation was similar to that of Pramana et al. (2016) who

agreed that searching for knowledge can identify professional skepticism. Ashari (2017) also revealed that a higher level of curiosity can advocate a higher risk assessment of money laundering. The study indicated that individuals who are likely to seek additional evidence will decide to increase the risk assessment that the statement is inappropriate and subjected to conditions.

Contrarily, Glover & Prawitt (2014) identified that searching for knowledge does not contribute to a significant result. The authors stated that time constraint is a major factor in which investigating officers refuse to seek additional evidence and are forced to sacrifice the necessary evidence. Hence, this trait may not be appropriately employed during the evaluation of evidence phase due to the time constraints to complete the task. The investigating officers could find more information to support the evidence obtained to enable them to detect money laundering. Thus, significant relationship between searching of knowledge and detection of money laundering was hypothesised.

H3: There is a significant relationship between searching for knowledge and the detection of money laundering.

Interpersonal Understanding and Detection of Money Laundering

Interpersonal understanding refers to the understanding of the motivation and integrity of the information providers (Hurt, 2010). Jahari and Kiswanto (2017) examined interpersonal understanding against the ability to detect money laundering and revealed a positively significant relationship. McAllister et al. (2016) revealed that the interpersonal understanding of individuals significantly influenced fraud risk brainstorming. It was also proven that there was significant influence of interpersonal understanding on fraud detection (Pramana et al., 2016). Carpenter and Reimers (2013) also added that interpersonal understanding can identify professional skepticism where they highlighted a positively significant correlation. An individual with higher doubtful behaviour is likely to require more information if they suspect the presence of potential fraud (Fullerton & Durtschi, 2004).

On the other hand, Royae et al. (2013) revealed that interpersonal understanding did not contribute to a significant effect. They also stated that a team consisting of people from different backgrounds may have different perceptions that may lead to biased and confusing information which could prevent them from making an appropriate judgment. However, the investigating officers should possess the same attributes as the auditors, particularly to gather valid evidence based on the understanding of their client to conduct the investigation efficiently. They will also find the reasons for their behaviour to understand their situation by questioning their actions. Therefore, the following hypothesis was proposed:

H4: There is a significant relationship between interpersonal understanding and detection of money laundering.

Self-Determining and Detection of Money Laundering

Self-determining refers to the ability of an individual to determine the adequacy of the available evidence before making a judgment (Hurtt, 2010). Royae et al. (2013) examined the presence of a connection between the individual's behaviour of self-determining and their decision making. The results revealed a positive significant link between them. In another study, by McKnight & Wright (2011), the correlation between the individual locus of control and their relative work performance was investigated. The researchers defined locus of control as the stage of an individual's engagement in the process that leads to desired outcomes as it influences how individuals imagine themselves (McKnight & Wright, 2011). The findings indicated that the job performance of an individual will improve as they have more internal locus of control.

According to Jahari and Kiswanto (2017), self-determining can identify the professional skepticism in an individual. The study indicated a positive relationship while supporting their hypothesis. The ability to analyse and reach conclusions without being affected by other factors allows them to detect the cases efficiently (Fullerton & Durtschi, 2004). Sarah Mary et al. (2018) also added that every individual should possess this trait to make their own decisions or conclusions on the adequacy of the information without being influenced by the trust or other's opinions. Investigating officers must be brave and wise in making self-decisions by investigating and identifying

the issues related to money laundering. Therefore, based on this evidence, this study hypothesised that self-determination has a significant effect on the ability of law enforcement agencies in detecting money laundering.

H5: There is a significant relationship between self-determining and detection of money laundering.

Self-Confidence and Detection of Money Laundering

Self-confidence refers to the feelings of self-esteem and belief or confidence in an individual's own abilities (Hurt, 2010). Bogdan et al. (2017) examined the relationship between self-confidence and the opinion on the implementation of the judgement. Their findings indicated that self-confidence can significantly impact the opinion on judgment. Similar findings by Owoso and Weickgenannt (2009) revealed a positive relationship between self-confidence and performance in the detection task. Another study by Lee et al. (2016) examined the correlation between self-efficacy and the performance of individuals and exhibited a significant positive correlation between the two variables. Sarah Mary et al. (2018) also presented that self-confidence showed a significant positive influence on the detection task. The study indicated that individuals with a high level of self-confidence will believe in their ability and efficiency in performing the investigation and improving the detection task. In short, professional skepticism requires a significant level of self-confidence to collect evidence throughout the investigation process (Hurt, 2010).

This trait of professional skepticism is also essential among investigating officers during their investigation tasks in which they must have confidence in their investigation and decision making. When they have the self-confidence, they will know what needs to be done at the next stage of the investigation to make the right decisions. Without self-confidence, it is difficult to gather sufficient evidence to support their opinions and decisions making. Hence, this study stipulated that self-confidence has a significant relationship with the detection of money laundering. Therefore, the following hypothesis was proposed:

H6: There is a significant relationship between self-confidence and detection of money laundering.

The conceptual framework model illustrated in Figure 1 describes the adoption of the Hurtt’s Professional Skepticism Model in this study. It is the dominant theory of professional skepticism which can aid in the detection of money laundering. The developed model creates a connection between the traits of professional skepticism and detection of money laundering based on the aforementioned literature.

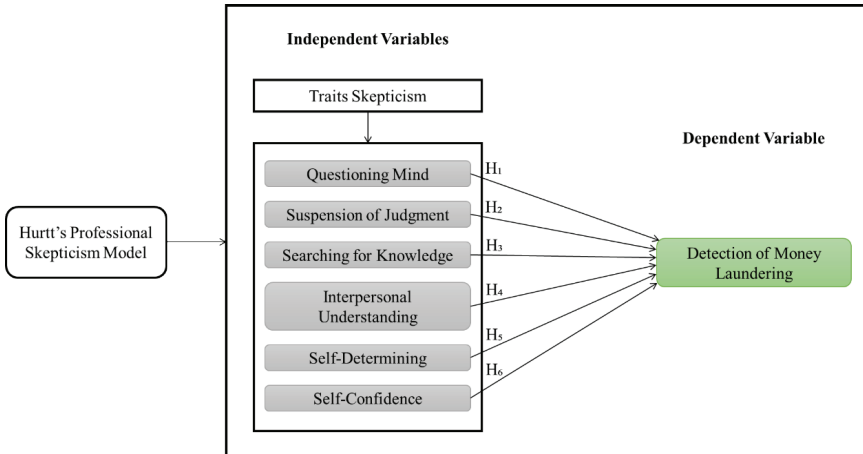


Figure 1: The Six Characteristics of Professional Skepticism Affecting the Detection of Money Laundering

RESEARCH METHODOLOGY

This study aimed to examine the relationship between the characteristics of professional skepticism and the detection of money laundering. Quantitative methods were applied in this study focusing on causal relationships, hypothesis testing, and statistical data analysis. This study used judgment sampling when distributing the questionnaires, which focussed on the investigating officers of law enforcement agencies who were specifically involved in handling money laundering cases. The law enforcement agencies in Malaysia include the Royal Malaysia Police (RMP), Royal Malaysia Customs Department (RMC), Malaysia Anti-Corruption Commission (MACC), and Inland Revenue Board of Malaysia (IRBM). A total of 400 questionnaires were distributed through email and WhatsApp application, but only 200 questionnaires were returned. The data was then analysed using Pearson correlation and multiple linear regression methods to examine

the relationship between the six characteristics of professional skepticism (questioning mind, suspension of judgment, searching for knowledge, interpersonal understanding, self-determining, and self-confidence) and detection of money laundering. The data collected from the questionnaire were analysed using the IBM SPSS Statistics (Statistical Package for Social Sciences) version 23.

This study used the existing questionnaire survey from Hurtt (2010) on six traits of professional skepticism and Merimaa-Piirainen (2016) on detection of money laundering with item modifications to best fit this study. Respondents were also required to answer a series of questions related to their behaviour, awareness, attitudes, motivations, intentions, demographic, and lifestyle aspects. The questionnaire distributed to the respondents employed a 5-point Likert Scale ranging from 1 (strongly disagree) to 5 (strongly agree). The respondents were required to select only one score for each statement in the questionnaire. There were 22 questions with positive statements while eight were reverse statements. These statements aimed to identify the characteristics of professional skepticism that influenced the respondents' detection of money laundering.

A pilot study was conducted with a small group of respondents from the investigating officers of law enforcement agencies in Malaysia as part of a content validity test, to ensure that the questions included were logically accurate to measure what it was meant to be measure. This study also employed the reliability test to determine the extent to which a variable or set of variables is consistent with what is meant to be measured (Hair et al., 2006). It is checked by considering the number of regular changes in the scale of measurement. The Cronbach's Alpha method was used to test reliability which is also known as a coefficient alpha. Cronbach's Alpha is designed as a measure of internal consistency.

FINDINGS

Demographic Analysis

The demographic information of the respondents was gathered from seven questions on gender, age, the highest level of education, professional

qualification, agency name, years of service and years of experience as summarised in Table 1. The study indicated that 120 (60%) out of the 200 respondents were males and the remaining 40% were females. As for the age of the respondents, 114 respondents (57%) were aged between 31 to 40 years old, while 51 respondents (25.5%) were below 30 years old, and the remaining 35 respondents (17.5%) were 41 to 50 years old. A majority of the respondents held a Bachelor’s Degree (85%), while 13 out of 200 respondents held a Diploma and the remaining 17 held a Master’s Degree. Hence, it was concluded that the majority of the respondents were highly educated, and they had the ability to understand and respond to the questionnaire. As for their professional qualifications, a majority of the respondents had no professional qualifications. Only 9.5% of the respondents possessed an Association of Chartered Certified Accountants (ACCA) certification. While the remaining 6% held Chartered Institute of Management Accountants (CIMA) and Certified Public Accountants (CPA) certifications.

Based on the observation, over half of the respondents had served in their respective agencies between 7 to 10 years (54%). Followed by 45 respondents with their years of service between 4 to 6 years, 37 respondents with 10 years of service, and the remaining 5% of the respondents who had served for less than 3 years. However, their years of service may differ from their years of experience as an investigator. Furthermore, a majority of the respondents had worked as an investigator for 6 to 8 years accumulating to 34% of the total respondents. While 45 respondents had worked as an investigator for 3 to 5 years, 40 respondents for 9 to 10 years, and 37 respondents for more than 10 years. The remaining 5% of the respondents were still new to the field as they only had worked as an investigator for 2 years or less. Table 2 depicts the demographic profile of the respondents.

Table 1: Demographic Profile

Demographic Profile	Details	Frequency	Percentage (%)
Gender	Male	120	60
	Female	80	40
Age	Below 30 years old	51	25.5
	31 – 40 years old	114	57
	41 – 50 years old	35	17.5

Level of Education	Diploma	13	6.5
	Bachelor's Degree	170	85
	Master's Degree	17	8.5
Professional Qualification	ACCA	19	9.5
	CIMA	6	3
	CPA	6	3
	Not Applicable	169	84.5
Agency	RMP	50	25
	RMC	50	25
	MACC	50	25
	IRBM	50	25
Years of Service	3 years or less	10	5
	4 – 6 years	45	22.5
	7 – 10 years	108	54
	More than 10 years	37	18.5
Years of Experience	2 years or less	10	5
	3 – 5 years	45	22.5
	6 – 8 years	68	34
	9 – 10 years	40	20
	More than 10 years	37	18.5

Descriptive Statistical Analysis of Questionnaire Items

This study focussed on the impact of professional skepticism on the detection of money laundering. The independent variables included a questioning mind, suspension of judgment, searching for knowledge, interpersonal understanding, self-determining, and self-confidence. Meanwhile, the dependent variable for this study was the detection of money laundering.

The average mean score for each variable was more than 4.00 except for interpersonal understanding, self-determining and investigating officer's self-confidence. The average mean score for the questioning mind was 4.29 with a standard deviation of 0.563. While the suspension of judgment scored 4.55 (average mean score) with a standard deviation of 0.499. The

descriptive statistics for mean score and standard deviation on searching for knowledge were 4.55 and 0.499, respectively. The interpersonal understanding in detecting money laundering scored an average mean of 3.25 with a standard deviation of 0.486. Meanwhile, the self-determining variable in detecting money laundering scored an average mean of 1.88 with a standard deviation of 0.538. As for the investigating officer’s self-confidence in detecting money laundering, the average mean score estimated was 3.88 with a standard deviation of 0.502. These results indicated that the majority of the respondents agreed with most of the statements about a questioning mind, suspension of judgment, searching for knowledge, interpersonal understanding, self-determining, and self-confidence.

There is disagreement regarding the statement under interpersonal understanding, self-determining and investigating officer’s self-confidence, that was related to a low average mean score. As for the detection of money laundering, the investigating officers of law enforcement agencies measured an average mean score of 4.54 with a standard deviation of 0.505 indicating that the majority of the respondents agreed with the statements regarding the detection of money laundering. Table 2 shows the mean and standard deviation of each item.

Table 2: Mean Score and Standard Deviation Scores of Questioning Mind

Items	Statements	Mean	Standard Deviation
QM1	I often reject statements unless I have proof that they are true.	4.21	0.572
QM2	My friends tell me that I usually question things that I see or hear.	4.21	0.572
QM3	I frequently question things that I see or hear.	4.44	0.546
SJ1	I wait to decide on issues until I can get more information.	4.55	0.499
SJ2	I take my time when making decisions.	4.55	0.499
SJ3	I dislike having to make decisions quickly.	4.55	0.499
SJ4	I don't like to decide until I've looked at all of the readily available information.	4.55	0.499
SJ5	I like to ensure that I've considered the most available information before making a decision.	4.55	0.499
SK1	The prospect of learning excites me.	4.55	0.499
SK2	Discovering new information is fun.	4.55	0.499
SK3	I think that learning is exciting.	4.55	0.499

SK4	I like searching for knowledge.	4.56	0.498
SK5	I enjoy trying to determine if what I read or hear is true.	4.55	0.499
SK6	I relish learning.	4.55	0.499
IU1	I am interested in what causes people to behave the way they do.	4.53	0.501
IU2	Other people's behaviour doesn't interest me.	1.32	0.468
IU3	I like to understand the reason for other people's behaviour.	4.56	0.498
IU4	I seldom consider why people behave in a certain way.	1.31	0.464
IU5	The actions people take and the reasons for those actions are fascinating.	4.55	0.499
SD1	I often accept other people's explanations without further thought.	1.35	0.477
SD2	I tend to immediately accept what other people tell me.	1.07	0.264
SD3	I usually accept things I see, read or hear at face value.	1.32	0.466
SD4	I usually notice inconsistencies in explanations.	4.55	0.499
SD5	Most often I agree with what the others in my group think.	1.56	0.872
SD6	It is easy for other people to convince me.	1.40	0.650
SC1	I feel good about myself.	4.53	0.501
SC2	I am confident in my abilities.	4.49	0.501
SC3	I am self-assured.	4.54	0.519
SC4	I don't feel sure of myself.	1.32	0.466
SC5	I have confidence in myself.	4.52	0.521
DML1	Detection and prevention of money laundering are part of our activities.	4.55	0.499
DML2	Detection of money laundering is important in fighting against crime.	4.55	0.499
DML3	Our agency receives suspicious transaction reports (STR) from financial institutions.	4.44	0.546
DML4	Our agency has experience in detecting cases of money laundering.	4.55	0.499
DML5	Our agency has prepared guidelines for money laundering risk assessments.	4.55	0.499
DML6	Our agency has created a clear strategy for handling suspicion of money laundering.	4.55	0.499
DML7	Customer's strong identification is important in terms of identifying suspicions of money laundering.	4.55	0.499
DML8	The Money Laundering Act is necessary.	4.55	0.499

Reliability Test

The questionnaire consisted of 38 statements related to seven variables of this study namely questioning mind (3 statements), suspension of judgment (5 statements), searching for knowledge (6 statements),

interpersonal understanding (5 statements), self-determining (6 statements), self-confidence (5 statements), and detection of money laundering (8 statements). The Cronbach Alpha method was used to assess the reliability of skepticism and detection of money laundering. Table 3 presents the Cronbach Alpha coefficient for the pilot study of the seven constructs with 38 statements.

Table 3: Reliability Statistics for the Pilot Study by Constructs

Variables		Constructs	Items	Cronbach's Alpha
Independent Variables (IV)	IV1	Questioning Mind	3	0.823
	IV2	Suspension of Judgment	5	0.822
	IV3	Searching for Knowledge	6	0.818
	IV4	Interpersonal Understanding	5	0.829
	IV5	Self-Determining	6	0.837
	IV6	Self-Confidence	5	0.828
Dependent Variable (DV)	DV	Detection of Money Laundering	8	0.829

Based on the Cronbach's Alpha scores, the statements were considered reliable and consistent as proposed by Hair et al. (2010). Hence, the strength of the correlation and reliability in this study was good. The items used in this study can be regarded as highly reliable to measure the constructs.

Pearson Correlation Analysis

Table 4 presents the statistics for Pearson correlation coefficient analysis between the variables. Based on the values, the strongest correlation was identified between self-confidence (SC) and searching for knowledge (SK) with an *r*-value of 0.867 and a *p*-value of 0.001 indicating a minimal positive significant correlation. Whereas, the weakest correlation was present between suspension of judgment (SJ) and self-determining (SD) with an *r* value of -0.004 and a *p*-value of 0.477 depicting a minimal negative insignificant correlation. Meanwhile, the correlation between detection of money laundering (DML) with questioning mind (QM), searching for knowledge (SK), interpersonal understanding (IU), self-determining (SD), and self-confidence (SC) all estimated a minimal positive significant correlation with *r* values of 0.697, 0.720, 0.753, 0.282, and 0.665, respectively.

A p-value of less than 0.05 indicates that the correlation between the two variables is statistically significant. Furthermore, the *r* value should not exceed 0.9 to avoid the problem of multicollinearity as proposed by Hair et al. (2010). Based on Table 4, the highest correlation was observed between self-confidence (SC) and searching for knowledge (SK) with the *r* value of 0.867 which was strongly correlated with no problem of multicollinearity proven by the *r* value of lower than 0.9.

Table 4: Pearson Correlation Coefficient between Variables

	QM	SJ	SK	IU	SD	SC	DML
QM	1						
SJ	.300	1					
SK	.660	.739	1				
IU	.594	.446	.807	1			
SD	.201	-.004	.162	.422	1		
SC	.668	.628	.867	.857	.373	1	
DML	.697	.083	.720	.753	.282	.665	1

Regression Analysis

Table 5 presents the result of multiple regression analysis for the relationship between the dependent variable (detection of money laundering (DML)) with independent variables (questioning mind (QM), suspension of judgment (SJ), searching for knowledge (SK), interpersonal understanding (IU), self-determining (SD), and self-confidence (SC)).

Table 5: Regression Analysis

	Beta	Standard Error	t-value	p-value
(Constant)	0.234	0.678	0.345	0.730
Questioning Mind (QM)	0.172	0.054	3.185	0.002
Suspension of Judgment (SJ)	-1.500	0.036	-41.188	0.000
Searching for Knowledge (SK)	0.097	0.089	1.091	0.276
Interpersonal Understanding (IU)	0.047	0.036	1.310	0.192
Self-Determining (SD)	0.131	0.088	1.488	0.138
Self-Confidence (SC)	2.319	0.067	34.579	0.000
Adjusted R Square			0.969	
F Square			0.968	

Based on Table 5, the *R* square (r^2) value obtained in this relationship was 0.969, depicting that 96.9% of the variations in the detection of money laundering can be explained using the six independent variables. Meanwhile, the remaining 3.1% of the variation in the detection of money laundering could be attributed to other variables which were not tested in this study. Table 5 also presents the results of regression analysis of variance (coefficient) for the relationships and the results indicated that there was a significant positive linear relationship between detection of money laundering (DML) and questioning mind (QM) [$t(193) = 3.185, p = 0.002$]. There was also a significant positive linear relationship between detection of money laundering (DML) and self-confidence (SC) [$t(193) = 34.579, p = 0.001$]. However, a significant negative linear relationship was observed between detection of money laundering (DML) and suspension of judgment (SJ) [$t(193) = -41.188, p = 0.001$]. No significant positive linear relationship was observed between the detection of money laundering (DML) and searching for knowledge (SK) [$t(193) = 1.091, p = 0.276$], detection of money laundering (DML) and interpersonal understanding (IU) [$t(193) = 1.310, p = 0.192$], and detection of money laundering (DML) and self-determining (SD) [$t(193) = 1.488, p = 0.138$].

The problem of multicollinearity was verified by conducting the Pearson correlation coefficient analysis. The linear multiple regression analysis was performed following the normality and non-multicollinearity distribution. The linear multiple regression analysis was conducted to examine the linear relationship (Pallant, 2007) between the characteristics of professional skepticism and detection of money laundering. Therefore, the hypotheses were tested based on the outcomes of the regression analysis, as summarised in Table 6. Following the regression analysis, only three hypotheses were accepted in this study namely H1, H2, and H6.

Table 7: Summary of Hypotheses Testing

	Hypotheses	<i>p</i>	Results
H1	There is a positive relationship between questioning mind and detection of money laundering	0.002	Accepted
H2	There is a positive relationship between suspension of judgment and detection of money laundering	0.000	Accepted
H3	There is a positive relationship between searching for knowledge and detection of money laundering	0.276	Rejected

H4	There is a positive relationship between interpersonal understanding and detection of money laundering	0.192	Rejected
H5	There is a positive relationship between self-determining and detection of money laundering	0.138	Rejected
H6	There is a positive relationship between self-confidence and detection of money laundering	0.000	Accepted

DISCUSSION

The results from the regression analysis indicated that three out of the six characteristics of professional skepticism (questioning mind (QM), suspension of judgment (SJ), and self-confidence (SC)) possessed a significant linear relationship with detection of money laundering (DML), while the other three characteristics were not statistically significant. The regression coefficient results revealed that the significant values for questioning mind (QM), suspension of judgment (SJ), and self-confidence (SC) were below the significant level of 0.05 providing a strong linear relationship to significantly influence the detection of money laundering. Hence, H1, H2 and H6 were accepted. The score for questioning mind was aligned with the findings of Royae et al. (2013) who added that the investigating officers with a questioning mind allows them to gain more relevant information on the possibility of a money laundering events.

Additionally, several studies (Bailey et al., 2011; Quadackers et al., 2009; Agarwalla et al., 2017) evidenced that the suspension of judgment contributed a significant effect as the investigating officers were observed to have suspended their judgment until sufficient evidence was obtained. Such actions demand more time to gather the essential information. Meanwhile, the current study also identified that self-confidence can influence actions, decisions and motivation in the collection of evidence for money laundering discovery similar to the findings of Lee et al. (2016). Hence, an investigating officer with a high level of self-confidence believes in their ability and efficiency in divulging money laundering frauds. This study also revealed that only three traits of professional skepticism (questioning mind, suspension of judgment, and self-confidence) existed among the investigators of Malaysian law enforcement agencies compared to the six proposed by Hurtt (2010).

However, the result indicated that searching for knowledge was not significantly related to detection of money laundering. The result was supported by Glover and Prawitt (2014), in which they evidenced that searching for knowledge did not contribute to a significant result. Glover and Prawitt (2014) also stated that time constraints and cost were major factors leading to the refusal to seek additional evidence, hence, were forced to sacrifice the necessary evidence. Moreover, this result also depicted that the investigating officers faced difficulties in money laundering prosecution due to inadequate evidence to support such cases as it took time to collect evidence to be presented in court, besides the investigations and judicial processes being too costly (Shanmugam & Thanasegaran, 2008).

As for interpersonal understanding, the regression showed that there was no significant influence between interpersonal understanding and the detection of money laundering which gave an indication that the detection of money laundering cannot be influenced by the interpersonal understanding of investigating officers. Similar to previous studies, interpersonal understanding did not contribute to a significant effect (Royae et al., 2013). Previous researchers stated that investigation work is usually done in a team so that it can be implemented effectively (Sayed Hussin et al., 2017) and the same applied to the investigating officers of law enforcement agencies that required teamwork in detecting and combating money laundering. The study by Royae et al. (2013) also stated that since a team consists of people from different backgrounds, they may have different perceptions that may lead to biased and confusing information which might prevent them from making appropriate judgments. Therefore, interpersonal understanding may not be appropriately applied due to different perceptions among the team members, hence, may lead to biased and inappropriate decisions making.

The results for self-determining indicated that it did not significantly affect the detection of money laundering. Hence, detection of money laundering cannot be influenced by the self-determining of investigating officers, contradicting previous studies (Jahari & Kiswanto, 2017; Sayed Hussin et al., 2013 and Royae et al., 2013). Self-determining is a combination of skills, knowledge, and beliefs that allows an individual to choose and act accordingly than reinforcement contingencies, drives or other external pressures. However, the investigating officers are bound by their own Act. During a money laundering investigation, every process,

step and decision is made based on the Criminal Procedure Code Act 593, Permanent Order of the Inspector-General of Police (PTKPN), and Malaysian Anti-Corruption Commission Act 2009. Hence, results yielded based on these acts were not significant because self-determining is not applicable in their nature of work.

CONCLUSION

This study also revealed that only three traits of professional skepticism (questioning mind, suspension of judgment, and self-confidence) existed among the investigators of Malaysian law enforcement agencies compared to the six proposed by Hurtt (2010). However, no significant relationship was observed between searching of knowledge, interpersonal understanding and self-determining with detection of money laundering. It could be due to limited time given to the investigating officers to join available training since they are working on the clock to meet the short deadlines stipulated in the acts. Besides that, they are required to uphold their integrity and maintain independence, which does not require interpersonal understanding. They are also not allowed to make their own decisions because every action taken must be in accordance to their code of conduct and the respective Act, such as the limitation of time. Although professional skepticism is important among the investigating officers, it is not practical in Malaysia since the officers are fighting against time.

This study contributes useful knowledge for practitioners and policymakers in terms of the application of professional skepticism among investigating officers of law enforcement agencies. The skeptical traits are in line with the auditing standard, whereby this study attempted to use the same traits in different working environments. Hence, this study serves as a pioneer study in providing more information for academicians and researchers. This study also benefits the law enforcement agencies to address the importance of professional skepticism in their training module. This will eventually assist the officers in gathering quality and sufficient evidence for prosecution.

However, there were few limitations encountered. The first limitation of this study is that it focussed on the investigating officers of four main

law enforcement agencies in Malaysia. Therefore, future studies are recommended to extend the study to all enforcement agencies as listed under national coordination centre (NCC) to understand the work culture and their professional skepticism characteristics.

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