

The Influence of Knowledge, Experience, and Professional Skepticism on Fraud Indication Detection with Auditor's Emotional Intelligence as Moderating Variable

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Abstract: This study aims to examine and analyze the effect of knowledge, experience, and professional skepticism on the detection of fraud indications with auditor's emotional intelligence as a moderating variable. This research was conducted at the Inspectorate of Regencies throughout Madura with a sample size of 85 respondents. The data collection used was a questionnaire with 5 linkert scales. The results of this study indicate that emotional intelligence moderates professional skepticism on the detection of indications of fraud.

Keywords: knowledge, experience, professional skepticism, emotional intelligence, and detection of fraud indications.

Introduction

In terms of realizing good corporate governance, the inspectorate has great demands and responsibilities, especially the inspectorate auditors in carrying out their duties for the purpose of good governance, clean governance, and free from corruption, collusion, and nepotism. This can be seen from the many cases of irregularities in Indonesia, accompanied by facts that reveal about the government's performance which is considered unsatisfactory. This can be seen from the disclosure of corruption cases to unreasonable budgeting that makes demands for public sector accountability very high.

Madura is a small island with 3 districts where the number of corruption cases has increased. For example, the corruption case by the former Regent of Bangkalan, Fuad Amin Imron in a hand arrest operation (OTT) by the Corruption Eradication Commission in Bangkalan. The verdict was imprisonment for 13 years as a result of a fraudulent behavior he did. The same thing happened to the Regent of Pamekasan, Ach. Syafiih (www.kpk.go.id).

SAIPI (2013: 14) states that auditors must have knowledge, experience and expertise in carrying out their responsibilities professionally. But do not forget that in carrying out their duties, auditors are required to use an attitude of skepticism to ensure that there is nothing suspicious during the audit process (SAIPI, 2013: 18). Armed with good knowledge, experience, and skepticism in terms of conducting an audit, an auditor is believed to have the ability to detect fraud that occurs, so that if the internal control is good, the possibility of fraud cases will be minimized (Hooper and Fornelli: 2010).

In carrying out the detection of indications of fraud, the role of the inspectorate, which is the same as that of internal auditors, is highly required to provide quality audit results so as to be able to secure and save state assets from possible fraud. Detection of regional losses is the objective set out in the audit work step in combining thoughts with existing data on conditions to obtain all forms of evidence of the occurrence of irregularities in budget execution that cause regional losses. Internal auditors must

have sufficient knowledge and experience to be able to identify possible signs of fraud (Petrascu and Tleanu; 2014). In addition, Sony and Mekoth (2016) stated that emotional intelligence has an influence on work outcomes. In this case, the researcher makes emotional intelligence a moderating variable in fraud detection. Based on the above background, the formulation of the research problem is: Does emotional intelligence moderate the relationship of knowledge, experience and professional skepticism to the detection of indications of fraud?

Theory and hypothesis

Meaning of Audit

According to Arens and Loebbecke (1992) in Sunyoto (2013: 1) Auditing is a process taken by a competent and independent person in order to be able to collect and evaluate evidence regarding measurable information from an entity to consider and report the level of conformity of measured information with predefined criteria. Meanwhile, the Indonesian Government Internal Auditor Association Standard (2013) states that auditing is a process to identified a problem , analysis and evaluation.

Hypothesis

Rai (2008: 64) states that the basic knowledge of auditors includes the ability to conduct analytical reviews, knowledge of organizational theory, auditing knowledge, and knowledge of the public sector as well as accounting knowledge that will assist auditors in processing numbers and data. Petrascu and Tleanu (2014) state that with sufficient knowledge they will be able to identify signs of fraud that may occur.

The increasing number of auditor's experiences have enabled them to master or understand business matters in general, making it easier for them to find signs of indications of possible fraud (SAIPI, 2013: 16). Petrascu and Tleanu (2014) also state that with sufficient experience they will be able to identify signs of fraud that may occur.

Professional skepticism is an attitude that includes thoughts that always question and critically evaluate evidence of examination or other matters during the examination (SPKN, 2017: 27).

Darvishmotevali et.al (2017) states that emotional intelligence is an intelligence with regard to the heart and care for humans, other creatures, and the environment. Emotional intelligence is a major skill, the ability to deeply influence all other abilities either smoothing out or hindering. Emotional intelligence will make it easier for an auditor to do the audit process to detect indications of fraud. (Goleman, 1996: 112).

H₁: Knowledge affects the detection of fraud indications moderated by emotional intelligence

H₂: Experience affects the detection of fraud indications moderated by emotional intelligence

H₃: Professional skepticism affects the detection of indications of fraud moderated by emotional intelligence

Research Methods

This study uses quantitative research and the data sources used were obtained from the results of distributing questionnaires with a sample of 85 people as respondents. The method of data analysis used is Moderated Regression Analysis (MRA). The significance level used is 5%. Where the equation is formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1 X_4 + \beta_6 X_2 X_4 + \beta_7 X_3 X_4 + e$$

Information:

Y = Detection of fraud indications

α = Constant

| | |
|---------|-----------------------------|
| β | = Regression Coefficient |
| X_1 | = Knowledge |
| X_2 | = Experience |
| X_3 | = Professional Skepticism |
| X_4 | = Emotional Intelligence |
| e | = Regression Equation Error |

Discussion

Data Validity and Data Reability Testing

A questionnaire is valid if the statement in it is able to reveal something that will be measured by the questionnaire (Ghozali, 2013: 52). A questionnaire is said to be reliable or reliable if the respondent's answers to the questionnaire questions are consistent or stable over time (Ghozali, 2013: 47). Based on the results of validity and reliability testing, it shows that all variables in this study can be said to be valid and reliable.

Classical Assumption Test Result

The results of the classical assumption test for this study proved that all variables were normally distributed, multicollinearity did not occur, and fulfilled the heteroscedasticity assumption.

Test Result and Discussion

The Effect of Knowledge on Fraud Detection with Emotional Intelligence as a Moderating Variable

The parameter coefficient value for knowledge variable (X_1) is -2,780, emotional intelligence variable (X_4) is -1,899 and moderate variable 1 is 2.678. The for each variable had a significance level of 0,007 (<0.05) for X_1 , 0.061 (<0.05) for X_4 and 0.009 (> 0.05) for moderate variable. The moderate variable 1 is significant between X_1 and X_4 , so it can be concluded that the variable X_4 is the moderating variable.

Knowledge is very important for an auditor to have in understanding the entity to be audited and assisting the auditor in its implementation. Rai (2008: 64) states that the basic knowledge of auditors includes the ability to conduct analytical reviews, knowledge of organizational theory to understand an organization, auditing knowledge, and knowledge of the public sector as well as accounting knowledge will help auditors in processing numbers and data.

Haislip, Peters and Richardson (2016), state that the broader knowledge of auditors determines the areas where auditors acquire competitive expertise. Meanwhile, Sanusi, Khalid and Mahir (2015) state that internal auditors are expected to have sufficient knowledge so that they can detect fraud. A person who does work in accordance with the knowledge they have will give better results than those who do not have sufficient knowledge in carrying out their responsibilities or tasks.

The results of this study state that knowledge has an influence on the detection of fraud indications moderated by emotional intelligence, meaning that emotional intelligence is able to strengthen or weaken the relationship between knowledge and detection of fraud indications.

The Effect of Experience on Fraud Detection with Emotional Intelligence as a Moderating Variable

The parameter coefficient value for experience variable (X_2) is 1.238, emotional intelligence variable (X_4) is 1.345 and moderate variable 2 is -0.803. The for each variable had a significance level of 0.219 (<0.05) for X_1 , 0.182 (<0.05) for X_4 and 0.425

(> 0.05) for moderate variable. The moderate variable 2 is not significant between X_2 and X_4 , so it can be concluded that the variable X_4 is not a moderating variable.

The results of this study state that experience has no effect on the detection of fraud indications moderated by emotional intelligence, meaning that emotional intelligence is unable to strengthen or weaken the relationship between experience and detection of fraud indications.

The Effect of Professional Skepticism on Fraud Detection with Emotional Intelligence as a Moderating Variable

The parameter coefficient value for professional skepticism variable (X_3) is 2.801, emotional intelligence variable (X_4) is 2.682 and moderate variable 3 is -2.234. The for each variable had a significance level of 0.006 (<0.05) for X_3 , 0.061 (<0.05) for X_4 and 0.028 (> 0.05) for moderate variable. The moderate variable 3 is significant between X_3 and X_4 , so it can be concluded that the variable X_4 is the moderating variable.

It is important that the auditor has a professional skepticism attitude in assessing audit evidence. Skepticism is a critical attitude in assessing the reliability of a statement or evidence obtained, so that in the audit process the auditor has a high enough confidence in the statement or evidence that has been obtained and also considers the adequacy and suitability of the evidence obtained. Fullerton and Durtschi (2004) argue that auditors with high skepticism will increase the ability to detect fraud by developing additional information searches when faced with symptoms of fraud. Additional information obtained by the auditor is able to prove whether or not there are symptoms of fraud.

The results of this study state that professional skepticism has an influence on the detection of fraud indications moderated by emotional intelligence, meaning that emotional intelligence is able to strengthen or weaken the relationship between professional skepticism and detection of fraud indications.

Conclusion

Based on the tests that have been done, the conclusions of this study are Emotional intelligence does not moderate the effect of knowledge on the detection of indications of fraud. Emotional intelligence does not moderate the effect of experience on the detection of indications of fraud. Emotional Intelligence moderates the effect of professional skepticism on the detection of indications of fraud.

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