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**PROCEEDING**



**ICFBE 2018**

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The Global economic landscape is still recovering from the prolonged crisis which has significantly affected consumer's buying power, hit commodity prices, as well as hampered growth in general. However, in the midst of the crisis, research has shown that family business remains a strong and resilient force which helps propel the economy. A Harvard Business Review article argued that Family Businesses tend to be more frugal and enter the recessionary period with leaner cost structures.

According to McKinsey, in emerging economies, Family Business account for approximately 60 percent of the private-sector companies with revenues of \$1 billion or more, compared to less than one-third of the companies in the S&P 500. However, the upward trend for family businesses as a significant part of their national economies in emerging markets remain strong and will represent nearly 40 percent of the world's largest companies in 2025, up from 15 percent in 2010, which shows the growing importance of understanding Family Business and its sustainability in the long run in the midst of the current global scenario.

In this regard, the International Conference on Family Business and Entrepreneurship (ICFBE) 2018 is specifically established to be a leading international conference is championed by President University, a world-class higher education institution in Indonesia which was established to become a reputable research and development center in the region and to set a new benchmark in Indonesian higher education. This conference aims to gather researchers and practitioners to critically share and discuss the latest empirical, conceptual, as well as theoretical findings and trends in the field of Family Business, Entrepreneurship, Strategic Management, among others.

Unlisted but related sub-topics are also acceptable, provided they fit in one of the main topic areas as follow:

1. Sustainability of Family Business
2. Succession Planning and Family Conflicts
3. Professionalization and Family Culture
4. Entrepreneurship
5. Strategic Management

Bali, May 1<sup>st</sup>, 2018

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## **International Conference on Family Business & Entrepreneurship 2018**

The Influence of Professional skepticism, auditor independence, auditor experience and time budget pressure against fraud detection.  
(Empirical study at Public Accounting Firm in Central Jakarta area)

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## Abstract

Fraud is a criminal act. Society will be harmed by fraud acts committed by companies, especially companies listed on the Stock Exchange. The audited auditor can detect fraud acts done by the company along with the auditor perform an audit of the financial statements. This study aims to analyze whether the factors of professional skepticism auditor, auditor independence, auditor's experience and time budget pressure against fraud's detection. Data collection techniques used in this study is the primary data in the form of questionnaires distributed to the auditors who work in public accounting firms in central Jakarta area. There are 117 auditors working in 16 KAPs in Jakarta who are elected as a respondent. This study used Structure Equation Models (SEM) to attain the objectives. The results showed that all factors tested showed that the factors of professional skepticism auditor, auditor independence, auditor's experience and time budget pressure influence detected fraud

*Keywords: Fraud detection, professional skepticism, independence auditor, auditor experience, and time budget pressure.*

## 1. Introduction

Fraud is illegal acts committed by one person or group of people intentionally or planned to cause a person or group to benefit, and harm another person or group. Fraud often occurs in financial statements. It causes a lot of big losses not just for the people who work for those company, but the investors who invest in the company. Some of the fraud cases that have occurred in Indonesia include: There is Rp6 billion fictitious transfers made by the head of Bank Rakyat Indonesia (BRI) unit Tapung Raya sub-district, Kampar regency, Riau. The account or bank account transactions made by the suspect amounting to Rp1, 6 billion was without the money. The double financial statements made by Lippo Bank in 2002 also indicate the occurrence of fraud in the financial statements.

Audits of financial statements are expected to reveal fraud or errors that may occur in the financial statements. Audits are expected to produce reliable financial statements and are free from doubts for outsiders in making decisions. The auditor as an independent party to the financial statements has the responsibility to disclose fraud on the financial statements. Auditor's responsibilities related to fraud in an audit of financial statements are set out in Audit Standard 240: "The Responsibility of an Auditor Associated with Fraud in an Audit of a Financial Statement". The auditor's responsibility is to obtain reasonable assurance whether the overall financial statements are free from material misstatement, caused by fraud or error. Audit limitations may result in unavoidable risks, misstatement of material presentations in financial statements may not be detected, even though the audit has been well planned and executed. The risk of not detecting these errors can result from auditor failure in maintaining an independence attitude or may be due to the inability of the auditor itself in detecting fraud



Phar MorInc Case as the legendary fraud case among financial auditors. Executives in Phar Mor deliberately commit fraud for financial gain. This case has involved staff from Cooper & Lybrand Public Accounting Firm (KAP) in fraud. Another fraud case is the accounting fraud in British Telecom early 2017. British Telecom is one of a giant company is experiencing accounting fraud in one of its business lines in Italy. This accounting fraud failed to be detected by PwC. Price Waterhouse Coopers (PwC), which is a reputable public accounting firm in the world and includes the Big Four of CPA. The mode of accounting fraud committed by British Telecom in Italy is actually relatively simple, but the auditor fails to detect it. The case of PacMor and British Telecom shows that there is a fraud that is not detected by the Auditor because the auditor does not meet the independence and objective attitude and the second case is not detected due to the inability of the auditor to detect.

The GAAS audit standard establishes 3 (three) requirements that must be fulfilled by an auditor in conducting an audit of the financial statements. First the auditor must have sufficient skills and experience, the second must have an independent attitude and the third must use his professional expertise thoroughly and thoroughly in executing the financial statement audit. This general requirement is a guarantee that the audit of financial statements will result in a quality audit which is indicated by financial statements that are free from misstatements and doubts or free from fraud. The auditor should be able to maintain the attitude of professionalism in various circumstances. The budget load factor in conducting the audit is believed to affect the quality of one's work.

This study aims to examine whether the attitude factor of skepticism, independence, work experience and the burden of time budget in conducting the audit can affect the auditor's ability to detect fraud. Research like this has previously been done by several studies that use different objects or research sites. Some researches that have been done include SitiKurnia and Ely Suhayati (2010), Tanjung (2013), Anggriawan Research (2014), Research Adnyani et al (2014) with the result of independence have a significant effect on auditor's responsibility. Sugiono (2009) which examines the reverse direction of lack of competence, lack of precision and professional caution including professional skepticism characteristic of fraud that makes detection difficult, KAP size, human error, weakness in model and audit procedures, auditor relation, inadequate auditing standards, and the amount of audit fee.

## **2. Literature Review, Previous research and Hypothesis**

### **2.1. Fraud**

Fraud in general is an unlawful act committed by people from within the organization to management or employees or from outside the organization, which aims to gain personal benefits and / or groups that can harm others. Fraud is also a deliberate fraud that inflicts certain parties' losses and benefits the perpetrators of fraud. Fraud in the financial statements according to Arens (2005: 310) is an intentional



misstatement or omission of amounts or disclosure with the intent to deceive users. Understanding Fraudulent Financial Reporting by ImanSarwoko et al (2005) is a misstatement or deliberate deletion of amount or disclosure in the financial statements.

Standard Audit Engagement (SPA) 240 on "Auditor's Responsibility Associated with Fraud in an Audit of Financial Statements" published by the Indonesian Institute of Certified Public Accountants (IAPI) explains, Fraud is an act based on intent or accident by individuals or more deeply management or those responsible for governance, employees, and third parties, involving the use of deceptions to profit unfairly and unlawfully.

## **2.2. Skepticism**

Standards of professional obligations require auditors to apply professional skepticism in conducting independent checks and attitudes. The professional standards of public accountants define professional skepticism as an auditor's attitude that includes a mind that always questions and critically evaluates audit evidence (IAPI, 2013). According to Islahuzzaman (2012) professional skepticism is a behavior that sees a questioning attitude and critical determination of evidence. Auditor should not assume that the management is honest or dishonest. Professional skepticism is essential for auditors to gain strong information, which will serve as the basis for relevant audit evidence that can support giving opinion on the fairness of financial statements. The auditor's inability to detect fraud and false financial reports is a reflection of the low professional skepticism of the auditor. Anggriawan research (2014) with the results of research work experience, professional skepticism has a positive effect on the auditor's ability to detect fraud. The research were conducted by Wigunaet.al(2015), Biksa et.al(2016) found that professional skepticism influence on the fraud detection. Therefore the hypothesis formulated is:

H1: There is a significant effect of professional skepticism on fraud detection positively

## **2.3. Auditor's Independency**

Independence can be interpreted to take an unbiased viewpoint (Arens, 2008). The auditor must not only be independent in fact, but also be independent in appearance (independence in fact and independence in appearance). Independency is a mental attitude that must be maintained by the auditor, assessing the fairness of an auditor's financial statements are not easily influenced by any party. Independence also includes the quality, integrity, objectivity and cautious attitude of public accountants. Prasetyo (2013), found that independence do not effect on fraud detection, while Wiguna (2015) found that independency effected the fraud detection and Biksaet all



(2016) found the independency auditor have a positive effect to the fraud detection. Therefore the hypothesis formulated is:

H2: There is a significant influence of auditor independence on fraud detection.

#### **2.4. Auditor Experience**

One of the auditing standards which is the general standard states adequate technical skills and training including training / experience. The experience possessed by the auditor is also very influential on the level of fraud detection and the error of the financial statements. The experience of the auditor will improve the ability to disclose fraudulent or misleading financial statements caused by material misstatements. The number of audit assignments ever performed and the length of audit assignments performed by an auditor will affect the experience of the auditor. Adnyani et al (2014), resulted experience of auditor have a significant effect to auditor's responsibility. Therefore the hypothesis formulated is

H3: There is a significant influence on the experience of the fraud detection auditor positively

#### **2.5. Time Budget Pressure**

The results of research conducted Ventura (2001) in Tanjung (2013), proves that optimal decisions are achieved in moderate time-limiting conditions, rather than loose and tight time limits. This theory suggests if the actual time given is not enough, then the auditor in carrying out the task in a hurry in accordance with his ability or do only part of the task. Conversely, when the time budget is too loose, the focus of the auditor's attention will be diminished on the job so it will tend to fail to detect significant audit evidence. The majority of investors surveyed wanted the audit to provide absolute assurance in order to free the financial statements of all kinds of unintentional misstatements and fraud (Koroy, 2008). Research Anggriawan (2014) with the results of time pressure research have a negative effect on the ability of auditors in detecting fraud. Pangestika et al(2014) found that time budget pressure not influenced fraud detection. Therefore the hypothesis formulated is

H4: There is significant influence of time budget pressure on fraud detection.

### **3. Research Methodology**

#### **3.1 The research method used**

Method or research approach used is descriptive and verification. Descriptive research is conducted to obtain a careful description of the facts related to the object of research. While verification research is



done to produce scientific information through hypothesis testing with statistics. This research is an explanatory research that will prove the causal relationship between independent variables namely Professional Skepticism (SKEP), Auditor Independence (INDEP), Experience Auditor (EXPA) and Time Allocation (TIME) to dependent variable that is Fraud Detection (FRAUD).

The time dimension used is a one-shot or cross-sectional study that collects data only once or in one period, with the type of investigative research is causality, and the level of intervention is minimal. The context of the study is field study conducted in natural or irregular situation with unit of analysis of Public Accounting Firm (KAP) in Central Jakarta and individual observation unit that is auditor working in KAP in Central Jakarta as research respondent.

Based on the research objective of proving the causal relationship between the independent variables to the dependent variable which is the unobserved construct measured using dimensions and the manifest variable (indicator / observed), the modeling approach and the analysis using SEM (Structural Equation Modeling). SEM is a combination of factor analysis and regression analysis consisting of two types of analysis models namely Confirmatory Factor Analysis (CFA) and Multiple Regression Analysis using LISREL software v 8.80.

The population in this study according to its type is a limited population and by its nature is a homogeneous population. The population in this research is all KAP in Central Jakarta of 98 KAP. Sampling is done by purposive sampling technique with KAP criteria that are willing to be surveyed to be a research sample. Based on the criteria, 16 KAP samples are obtained to be the object of research and auditor working in this KAP as research respondents.

According to Ferdinand in Kusnendi (2005: 42) the minimum sample size for Structural Equation Modeling (SEM) is 100. Whereas according to Hair et. al. (2006) and Ghazali (2005: 52) suggested that the minimum sample size for SEM analysis is 100 to 200 provided that the normality assumption of the data is met.

As it is known, that in a quantitative approach of research, the source of data to be used in the study can be divided into two categories (Sekaran & Bougie, 2011). Data needed in the research are primary data and secondary data. Primary Data is data obtained directly in the field of the object or the respondent. While secondary data is certain data created and collected by other party or certain institution either published or not published.

Primary data obtained directly in the field of the object or respondents through a survey by using instruments made specifically in the form of questionnaires. Number of questionnaires distributed 185 questionnaires to the respondents and who has a complete answer of 177 respondents.



### 3.2 Research's Instruments

The research used the research instrument that has been done by previous research which is Fraud Detection (Y) by Ramaraya (2008) and Ferdian (2006), Skeptic of Professional Auditor (X1) by Waluyo (2008), Independence Auditor (X2), Sawyer (2006) Experience of Auditor (X3) by Asih (2006) and Pressure of Time Budget (X4) by Kelley and Margheim and Melano, F.Charles and Robin W. Roberts in Rakhmah Fauziah (2010).

#### 3.2.1 Fraud Detection (FRAUD)

Fraud detection involves identifying fraud indicators that require auditor follow-up to conduct an investigation. It can be mapped four identified factors that make fraud detection difficult to do so the auditor fails to detect. The auditor's ability to detect fraud can be measured by the auditor's ability to (1) understand the client's internal control structure; (2) to understand the characteristics of fraud by knowing the fraud indicator; (3) to understand the audit environment, the use of audit method in detecting fraud and the form of cheating (Koroy, 2008).

The fraud detection construct (FRAUD) is measured by 7 dimensions presented with 13 items in the questionnaire. The dimensions are (1) understanding of SPI which consists of 1 indicator that is Understanding the internal control structure of the company, (2) Characteristic of fraud consisting of 3 indicators that is Identification of fraud indicator, Understanding characteristic of fraud and The existence of auditing standard for fraud detection; (3) Environmental Audit consists of 1 indicator that is environment that support audit implementation; (4) Audit Method consisting of 2 indicator that is Use of effective audit method and procedure and The existence of fraud detection steps; (5) The form of cheating consists of 3 indicators: Finding the factors that cause fraud, The existence of the estimated forms of fraud that can occur and Can identify the party who cheated; (6) Ease of access consists of 1 indicator that is openness from the management; (7) Document and personal test consisting of 2 indicators namely Testing documents or information and mental condition and work supervision

#### 3.2.2 Professional Skepticism (SKEP)

Waluyo (2005) states that the Auditor applies professional skepticism when asking questions and performing audit procedures, not quickly satisfied with less persuasive audit evidence based solely on the belief that management and related parties always have critical, professional, honest and have a confident attitude (IFAC, 2009, ISA 240.23-25). ISA No. 200, states that professional skepticism means that the auditor can



make critical assessments, have a questioning mind about the validity and audit evidence obtained, be alert to audit evidence that is contractual or raises questions regarding the reliabilities documents, and responding to questions and other information obtained from management and related parties (IFAC, 2009).

Professional Skepticism (SKEP) is measured with 5 dimensions presented with 10 items in the questionnaire. The dimensions are (1) Critical Thoughts consisting of 2 indicators that are Questions and Critical Thoughts in evaluating audit evidence, (2) Professional consisting of 2 indicators that is Having professional skill and Having competence and competence; (3) Appropriate assumption consisting of 4 indicators that is correct assumption to client's honesty, Existence of planning and implementation of appropriate audit, The existence of critical assessment to validity of audit evidence and The existence of professional skepticism attitude, (4) Understanding of audit evidence consisting of 1 indicator that is Wary of contradictory audit evidence; (5) Confidence consisting of 1 indicator that has high confidence.

### **3.2.3 Independensi Auditor (INDEP)**

Attitudes of independence include an attitude of confidence, objective, honest and impartial, both in the audit program, audit and audit reporting. The Independent Auditor Independence (INDEP) is measured by 3 dimensions presented with 12 items in the questionnaire. The dimensions are (1) Independence in the audit program consisting of 5 indicators: Public Accountant's self-cultivation, Public Accountant's ability, Public Accountant's attitude in auditing, Responsible in auditing and Freedom of accountant in auditing, (2) Independence in verification consisting of 2 indicators are Independence in verification and may not audit company relatives; (3) Independence in reporting consists of 5 indicators, namely Public Accountant must be firm in the code of ethics of independence, attitude of independence benchmark of public accountant attitude,

### **3.2.4 Work experience (EXPA)**

Work experience can deepen and expand work ability. The more often a person performs the same job, the more skilled and the quicker he completes the job. The junior auditor usually acquires limited knowledge and experience from textbooks while senior auditors develop knowledge and experience through training and further development of mistakes (Asih, 2006). Job coverage includes experience in making decisions, how often performs the



audit task, has the ability to overcome mistakes and problems, old, and knowledge development that has been done.

The Auditor Experience (EXPA) is measured by 5 dimensions presented with 9 items in the questionnaire. Dimensions are (1) Make a decision consisting of 1 indicator that is Able to make decisions; (2) task intensity and career development consisting of 2 indicators that can develop career and often do audit task; (3) Ability to work consists of 4 indicators that are able to know the fallacy, Able to analyze problems, Able to overcome problems and Can detect fraud; (4) The length of work consisting of 1 indicator that is the length of work as an auditor; (5) Competence consisting of 1 indicator that is Increased competence as auditor

### **3.2.5 Time pressure (TIME)**

Time pressure is caused by the demand for auditors to perform cost and time efficiency in performing the audit. Budget Time Pressure Dimensions include an understanding of time budget, action in reaching time budget and audit fee. Understanding of time budget pressure includes the need for time budget pressure, the need for time budget pressure training, how the auditor implements audit procedures in time budget pressure. Dimensions of action in reaching time budget pressure include work achievement according to time budget pressure and audit responsibility according to capability adjusted with time budget. Dimension Audit fee is measured how communication over audit fee and audit fee change impact on audit implementation. Measurement of time budget pressure variables using measurements from Kelley and Margheim and Melano, F.Charles and Robin W. Roberts () in Fauziyah (2010).

Time pressure (TIME) is measured with 3 dimensions presented with 8 items in the questionnaire. These dimensions are (1) Understanding time budget consisting of 3 indicators, namely the need for time budget pressure, time budget training pressure and implementation of time budget pressure; (2) Action achievement of work according to time budget pressure consists of 2 indicators that Complete the work of the audit process on time according to time budget and audit responsibilities according to the ability adjusted to the time budget; (3) The fee audit consists of 3 indicators, namely the communication of the audit fee allocation, the discipline of audit implementation on time budget and the change of audit fee.



### 3.3 Research's Model

The research model can be described in the following chart form

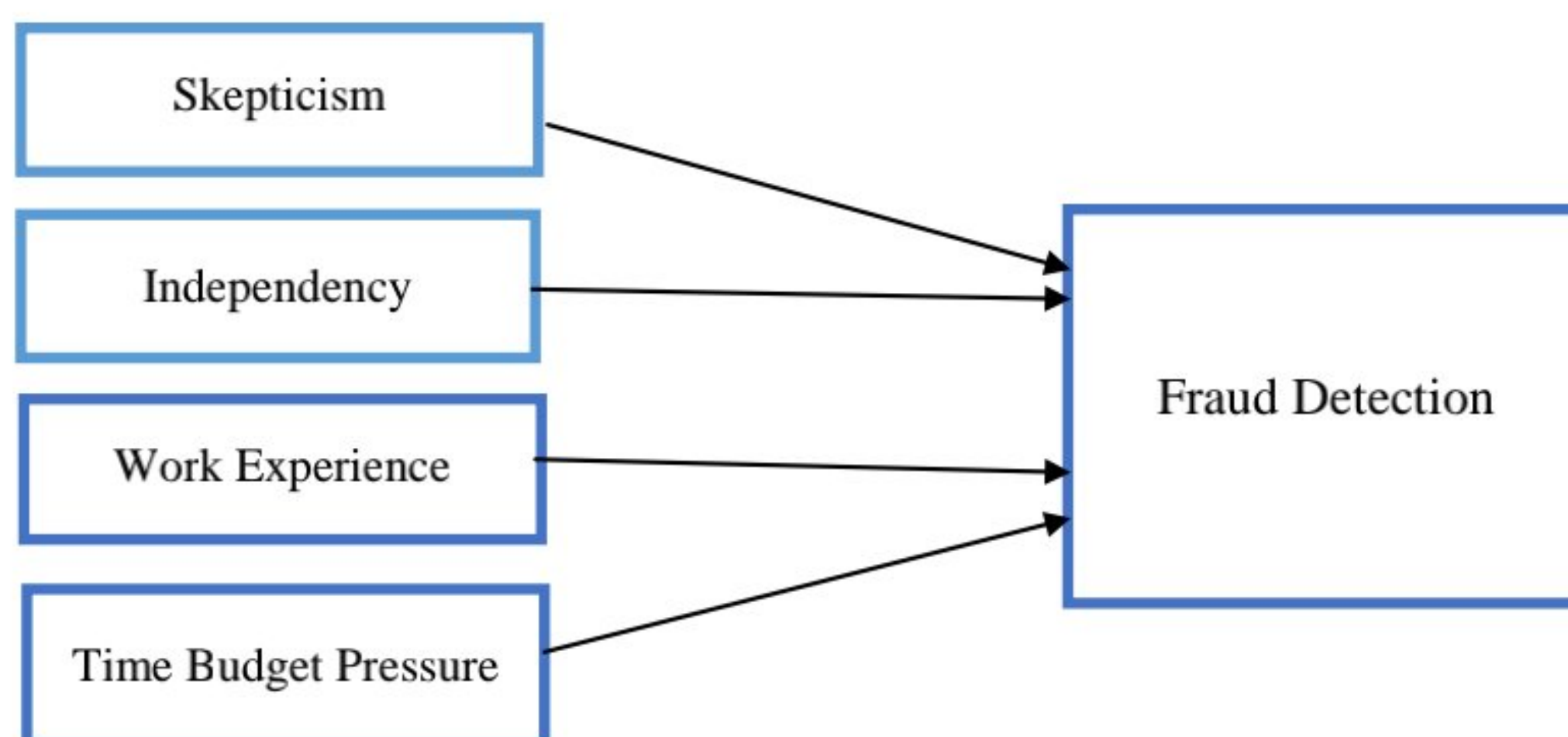


Figure 1. The research model

The research model in figure 1 shows how the influence of skepticism, independent attitude, work experience and time budget pressure affect the auditor's ability in detecting fraud

### 3.4 Design of Analysis

The model used in this study is the model of causality or influence relationship. To test the hypothesis that will be proposed in this research, the analysis technique that will be used is SEM or Structural Equation Modeling operated through LISREL 8.80 program. Research modeling through SEM enables a researcher to answer a dimensional research question (ie measure indicator of a concept) and regression (measure the influence or degree of relationship between factors that have been identified in dimension). This research uses two kinds of analysis technique that is (1) Confirmatory factor analysis (CFA) in SEM is used to confirm the most dominant factors in one group of variables. Construct Validity can be assessed through convergent validity. Convergent validity is the testing of indicators of a latent construct form that must converge or share with a high proportion of common variance. Assessment of convergent validity is seen from factor loading values for each indicator (Brown, 2015, 49). Composite reliability measure (composite reliability measure) is calculated using Construct Reliability (CR) and variance extracted measure with Variance Extracted (VE) formula; (2) Regression weight on SEM is used to examine how much influence the variables that theoretically exist.

According to Ferdinand (2006), a complete SEM modeling basically consists of Measurement Model and Structural Model.



Measurement model or measurement model is intended to confirm the dimensions developed on a factor. While the Structural Model is a model of the relationship structure that forms or explains causality between factors. The seven steps of SEM modeling consist of: (1) Develop theory based on model; (2) Form a path diagram of causal relationships; (3) Changing the path of the diagram into the structural equation and measurement model; (4) Selecting input matrix and model estimation; (5) Analyze the possibility of identification problems; (6) Evaluating the criteria of Goodness of-Fit Indices; (7) Interpretation and Modification of the Model.

This research is based on survey technique by using research analysis: (1) Descriptive analysis, for research variables in measuring responsive level and respondent's perception and causal behavior, (2) Quantitative Analysis (verification), ie in the form of hypothesis testing through statistical test aid. Quantitative analysis (verification) which emphasizes on the disclosure of the behavior of research variables. By using a combination of analysis is expected to be obtained a comprehensive generalization.

To test the hypothesis in this study using Structural Equation Modeling (SEM) model which is a combination between path analysis and factorial analysis. Partial test of hypothesis, from data processing obtained for then compared with required statistical limitation, that is above 1,96 for t-value critical value, while influence together with value of statistic F and below 0,05 for Probability value significance.

#### **4. Results and Discussion**

Population in this research 98 Public Accounting Firm (KAP) in Central Jakarta area. The sample of 16 KAP research in Central Jakarta area is willing to be surveyed. Research respondents, auditors with minimum educational background criteria of Diploma majoring in accounting and have worked at least a year in KAP. From the spreading of 185 questionnaires, after being researched with complete answer, 117 questionnaires were chosen as observational data, thus the response rate of questionnaire was 63.2%

The respondent in this study represented all the position in the CPA office. There are 13% partners, 22% Manager, 21% senior auditor, 16% supervisor, and the biggest number 30% is junior auditor. Base on their experience, 35% the respondent have worked in CPA office are 1-3 years, 26% respondent have worked 3 – 10 years, 21% the respondent have worked more than 10 years and only 17 % have worked less than 1 year. From the education background all the respondent are diploma and the highest is master only 10%.



#### 4.1 Data Description

##### 1) Professional Skepticism

Professional Skepticism (SKEP) is measured by 5 dimensions presented with 10 items in the questionnaire, dimension mean and SKEP constructs are presented in the following table

Table 4.1  
Description of Construction Skepticism Professional Statistics

No	Dimension	Item	Mean Item	Mean Dimension
1	SKEP1	X11	3,58	3,56
2		X12	3,55	
3	SKEP2	X13	3,58	3,54
4		X14	3,50	
5	SKEP3	X15	3,47	3,47
6		X16	3,45	
7	SKEP4	X17	3,68	3,57
8		X18	3,57	
9	SKEP5	X19	3,63	3,63
10	SKEP6	X110	3,70	3,70
Professional Skepticism				<b>3,58</b>

The table above shows the overall mean value of SKEP of 3.58, meaning that respondents tend to agree with the related statements of Professional Skepticism, then from the six dimensions that measure the SKEP, the most dominant SKEP6 dimension with a mean of 3.70 while the SKEP3 is the least dominant. Only SKEP5 and SKEP6 have mean above SKEP construct mean.

##### 2) Auditor Independence

The Independent Auditor Independence (INDEP) is measured by 3 dimensions presented with 12 items in the questionnaire, the mean dimension value and the INDEP construct are presented in the following Table

Table 4.2  
Description of Construct Independence Auditor's Statistics

No	Dimensi	Item	Mean Item	Mean Dimension
1	INDEP1	X21	3,34	3,36
2		X22	3,35	
3		X23	3,38	
4		X24	3,39	
5		X25	3,35	
6	INDEP2	X26	3,43	3,46
7		X27	3,49	
8	INDEP3	X28	3,40	3,41
9		X29	3,47	
10		X210	3,38	
11		X211	3,26	
12		X212	3,56	
Independensi Auditor				3,41

The above table shows the overall INDEP mean of 3.41, meaning that respondents are still unsure of the related statements of Auditor Independence, then from 3 dimensions measuring INDEP, INDEP2's



most dominant dimension with mean value 3.46 whereas INDEP1 is at least dominant. Only INDEP2 has a mean above the INDEP construct mean.

### 3) Auditor Experience

The Audience Experience Constructor (EXPA) is measured by 5 dimensions presented with 9 items in the questionnaire, the mean dimension values and EXPA constructs are presented in the following Table

Table 4.3  
Description of Construct the Auditor's Experience Statistics

No	Dimension	Item	Mean Item	Mean Dimension
1	EXPA1	X31	3,69	3,69
2	EXPA2	X32	3,31	3,41
3		X33	3,51	
4	EXPA3	X34	3,33	3,37
5		X35	3,33	
6		X36	3,41	
7		X37	3,41	
8	EXPA4	X38	3,44	3,44
9	EXPA5	X39	3,50	3,50
Auditor Experience				<b>3,48</b>

The table above shows the overall EXPA mean value of 3.48, meaning that respondents are still unsure of the statements related to the Auditor Experience, then from the 5 dimensions that measure EXPA, the dominant EXPA1 dimension with a mean of 3.69 while EXPA3 is the least dominant. Only EXPA1 and EXPA5 have mean above EXPA construct mean.

### 4) Time Pressure

The Time Pressure Construct (TIME) is measured by 3 dimensions presented with 8 items in the questionnaire, the mean dimension value and TIME construct are presented in the following Table

Table 4.4  
Description of Construct Statistics Time Allocation

No	Dimension	Item	Mean Item	Mean Dimension
1	TIME1	X41	3,28	3,32
2		X42	3,38	
3		X43	3,30	
4	TIME2	X44	3,34	3,34
5		X45	3,34	
6	TIME3	X46	3,21	3,25
7		X47	3,24	
8		X48	3,29	
	Time Pressure			3,30

The table above shows the overall mean value of TIME of 3.30, meaning that respondents are still unsure of the related statements of Time Allocation, then from 3 dimensions measuring TIME, TIME1's



most dominant dimension with mean value 3.34 whereas TIME3 is the least dominant. Only TIME3 has a mean under the TIME construct mean

#### 5) Detection of fraud

The fraud detection construct (FRAUD) is measured by 7 dimensions presented with 13 items in the questionnaire, the mean dimension value and the FRAUD construct are presented in the following Table

Table 4.5  
Description of Fraud Detection Construct Statistics

No	Dimension	Item	Mean Item	Mean Dimension
1	FRAUD1	Y1	3,66	3,66
2	FRAUD2	Y2	3,49	3,48
3		Y3	3,52	
4		Y4	3,44	
5		FRAUD3	Y5	
6	FRAUD4	Y6	3,48	3,50
7		Y7	3,52	
8	FRAUD5	Y8	3,46	3,54
9		Y9	3,67	
10		Y10	3,50	
11	FRAUD6	Y11	3,28	3,28
12	FRAUD7	Y12	3,51	3,43
13		Y13	3,34	
	Detection of fraud			3,50

The table above shows the overall FRAUD mean of 3.50, meaning that respondents tend to agree with the related declarations of Fraud Detection, then from 7 dimensions measuring FRAUD, the dominant dimension of FRAUD1 is the mean of 3.66 while the FRAUD6 is the least dominant. Only FRAUD1, FRAUD3, FRAUD4 and FRAUD5 have mean under the mean of the FRAUD construct.

## 4.2 Evaluation of Normality

Normality in SEM is a requirement for a test with a maximum likelihood estimate (MLE). The data normality test is performed both for single data normality as well as multivariate normality, where several variables are used simultaneously in the final analysis.

Detection of outliers is done by observing the Z-score value of each data.  $\alpha = 0.05$  is if the value  $|Z\text{-score}| > \alpha$ . The criterion used for the real level  $<1.96$  and  $p\text{-value} > 0.05$  then the data is declared normally distributed.

Table 4.6  
Test of Multivariate Normality for Continuous Variables

Skewness			Kurtosis			Skewness and Kurtosis	
Value	Z-Score	P-Value	Value	Z-Score	P-Value	Chi-Square	P-Value
2,425	1,404	0,160	34,354	0,058	0,953	1974,000	0,373



The table above shows Skewness, Kurtosis as well as Skewness and Kurtosis all data have value  $|Z\text{-score}| < 1.96$  and  $p\text{-value} > 0.05$  then all data has been normal distributed.

#### 4.3. Construct Validity and Reliability

SEM used Confirmatory factor analysis (CFA) to confirm the most dominant factors in one group of variables. Construct Validity can be assessed through convergent validity. Composite reliability measure (composite reliability measure) is calculated using Construct Reliability (CR) and variance extracted measure with Variance Extracted (VE) formula;

##### 1) Skepticism Professionalism (SKEP)

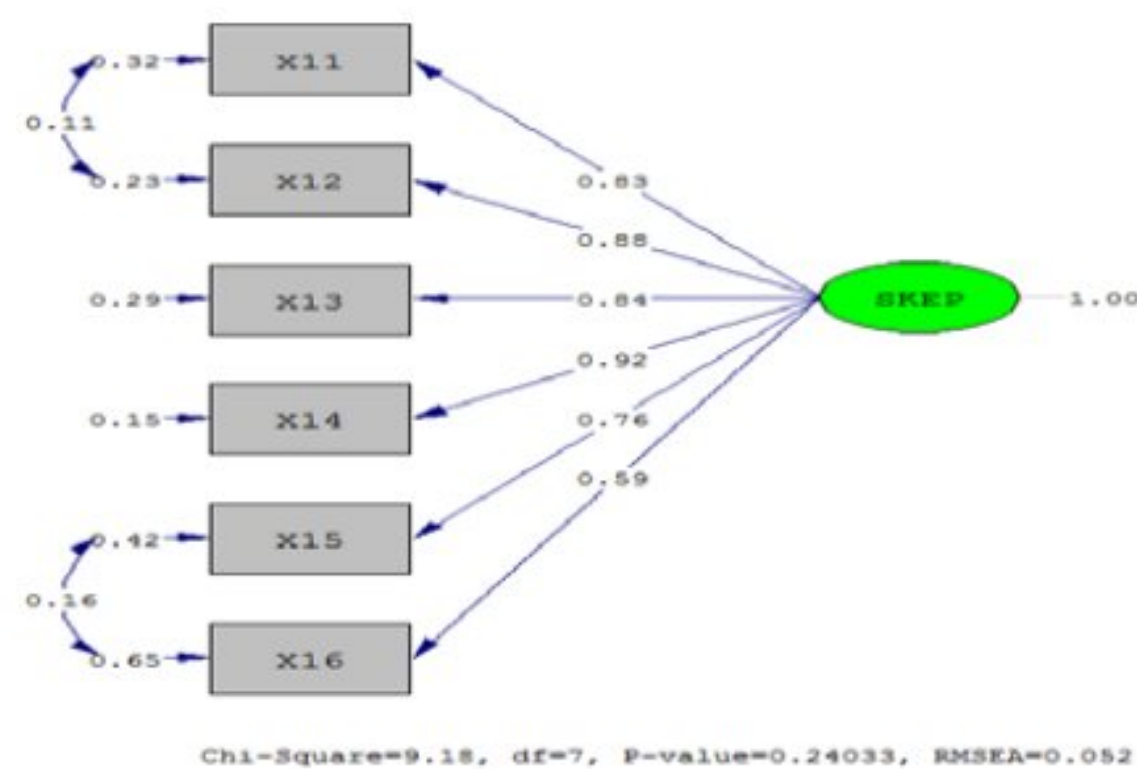


Figure 2CFA chart skepticism construct

Table 4.7.

Reliability and validity Skepticism construct

Variable	Dimension	$\lambda$	$\lambda^2$	E
SKEP	X11	0,83	0,69	0,31
	X12	0,88	0,77	0,23
	X13	0,84	0,71	0,29
	X14	0,92	0,85	0,15
	X15	0,76	0,58	0,42
	X16	0,59	0,35	0,65
Jumlah		<b>4,82</b>	<b>3,94</b>	<b>2,06</b>
CR =		$\frac{23,2324}{25,29}$		VE = $\frac{3,94}{6,00}$
		0,92		0,67

The above figure and table show the value  $RMSEA = 0.052 < 0.08$ ; factor loading factor dimension SKEP in interval  $0.59 - 0.92 > 0.50$  shows all valid dimensions measure SKEP and value of  $CR = 0.92 > 0.70$ ;  $VE = 0.67 > 0.50$  shows the reliable dimensions of measuring SKEP.



## 2) Independence Auditor (INDEP)

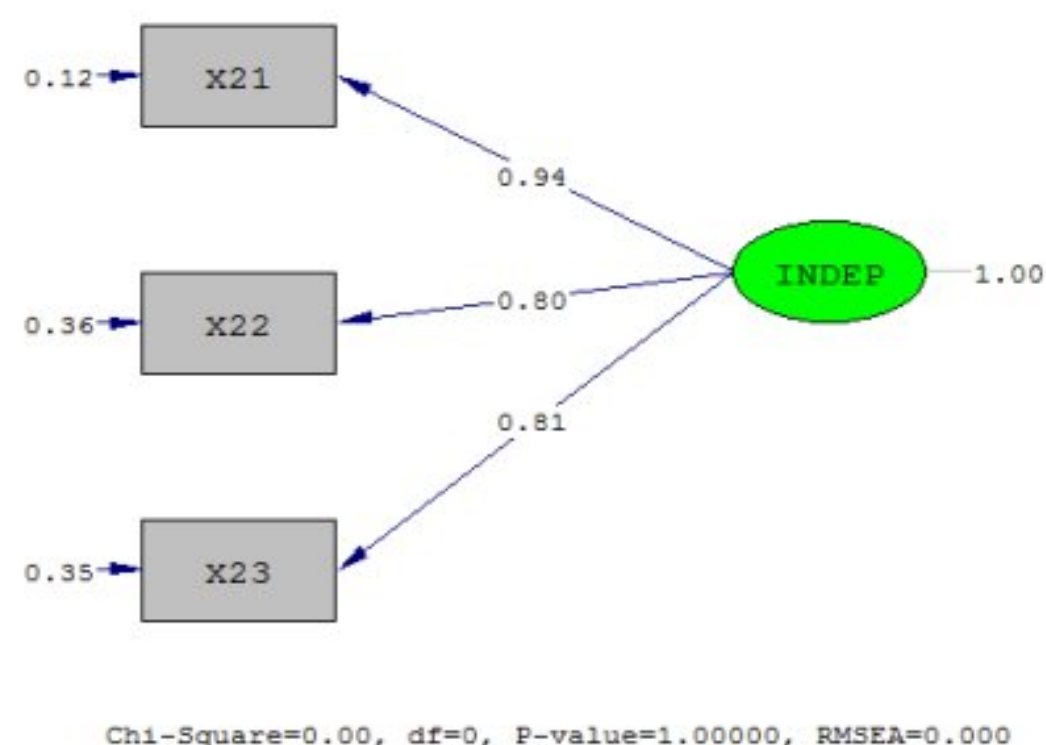


Figure 3.CFA chartIndependence Auditor (INDEP)

Table 4.8.  
Reliability and validity Independence Auditor (INDEP)

Variabel	Dimensi	$\alpha$	$\alpha^2$	E
EXPA	X31	0,75	0,56	0,44
	X32	0,92	0,85	0,15
	X33	0,82	0,67	0,33
	X34	0,76	0,58	0,42
	X35	0,79	0,62	0,38
Jumlah		4,04	3,28	1,72

$$CR = \frac{16,3216}{18,04}$$

$$CR = 0,90$$

$$VE = \frac{3,28}{5,00}$$

$$VE = 0,66$$

The above figure and Table shows the value  $RMSEA = 0.000 < 0.08$ ; EXPA dimension loading factor values in the interval  $0.75 - 0.92 > 0.50$  show all valid dimensions of measuring EXPA and CR values =  $0.90 > 0.70$ ;  $VE = 0.66 > 0.50$  shows reliable dimensions of measuring EXPA.

## 3) Auditor Experience (EXPA)



Figure 4. CFA chartAuditor Experience (EXPA)



Table 4.9  
Reliability and Validity Auditor Experience (EXPA)

Variabel	Dimensi	$\square$	$\square$	E
EXPA	X31	0,75	0,56	0,44
	X32	0,92	0,85	0,15
	X33	0,82	0,67	0,33
	X34	0,76	0,58	0,42
	X35	0,79	0,62	0,38
Jumlah		4,04	3,28	1,72

$$CR = \frac{16,3216}{18,04}$$

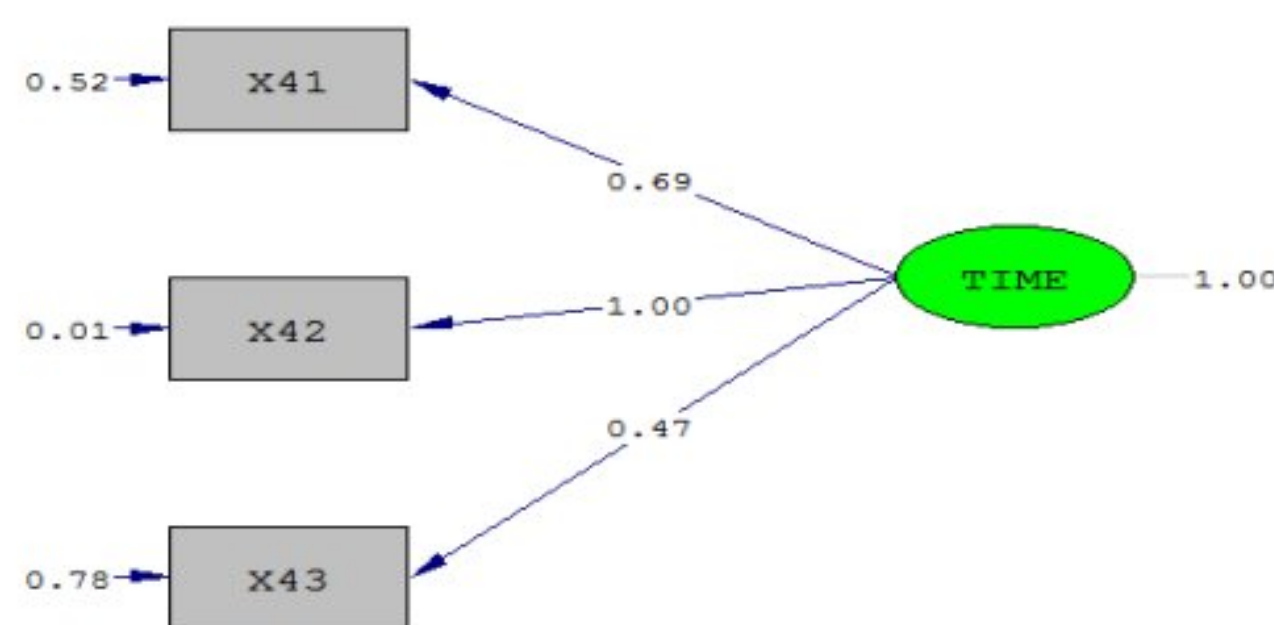
$$CR = 0,90$$

$$VE = \frac{3,28}{5,00}$$

$$VE = 0,66$$

The above figure and Table shows the value RMSEA = 0.000 < 0.08; EXPA dimension loading factor values in the interval 0.75 - 0.92 > 0.50 show all valid dimensions of measuring EXPA and CR values = 0.90 > 0.70; VE = 0.66 > 0.50 shows reliable dimensions of measuring EXPA

#### 4) Time Pressure (TIME)



Chi-Square=0.01, df=1, P-value=0.90449, RMSEA=0.000

Figure 5 CFA chart Validity Time Pressure (TIME)

Table 4.10  
Reliability and Validity Time Pressure (TIME)

Variabel	Dimensi	$\square$	$\square$	E
TIME	X41	0,69	0,48	0,52
	X42	1,00	1,00	0,00
	X43	0,47	0,22	0,78
Jumlah		2,16	1,70	1,30

$$CR = \frac{4,6656}{5,97}$$

$$CR = 0,78$$

$$VE = \frac{1,70}{3,00}$$

$$VE = 0,57$$

The above figure and Table shows the value RMSEA = 0.000 < 0.08; the TIME dimension loading factor values in the 0.47 - 1.00 interval which > 0.50 show all valid dimensions of TIME measuring and CR = 0.78 > 0.70; VE = 0.57 > 0.50 shows the reliable dimensions of measuring TIME.



## 5) Fraud Detection (FRAUD)

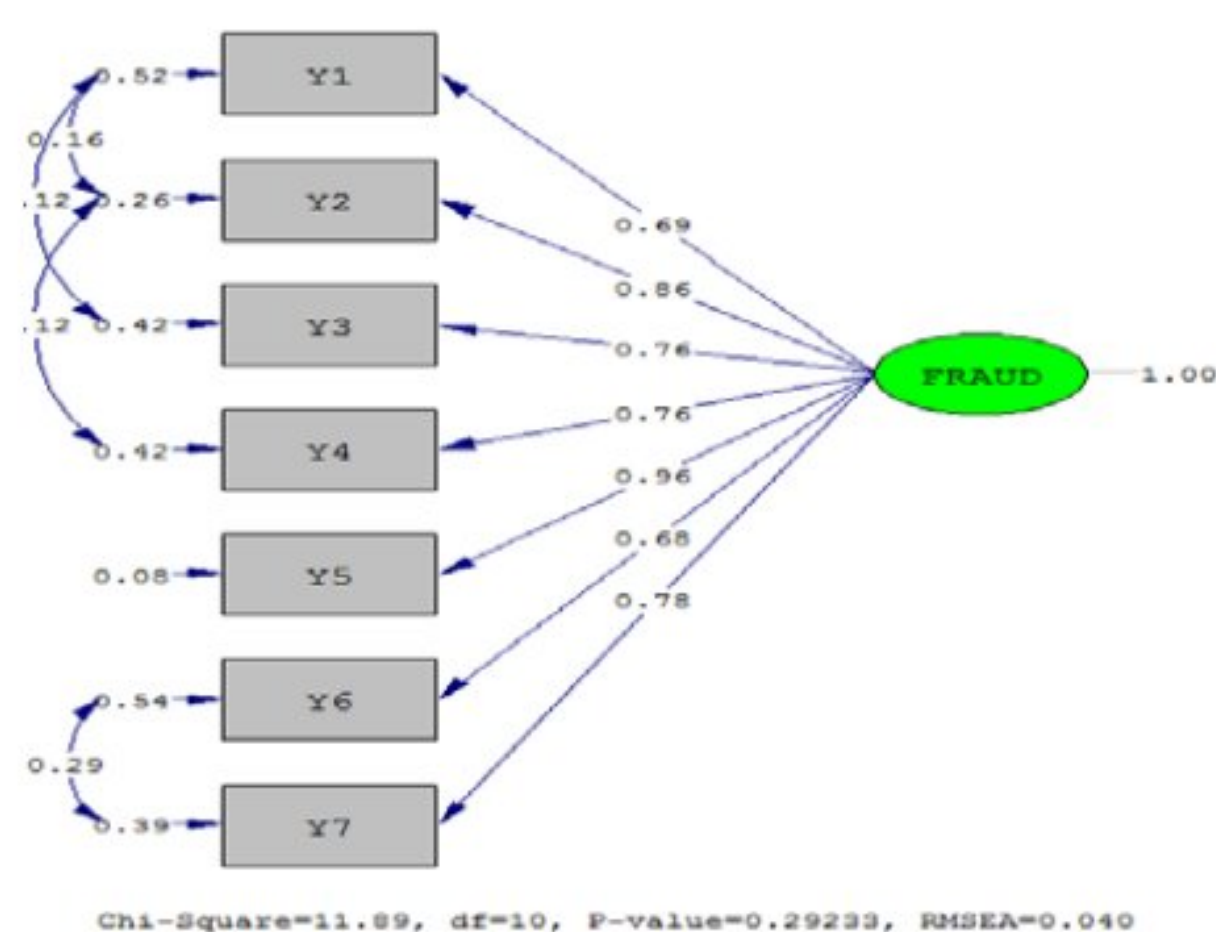


Figure 6 CFAchart Fraud Detection (FRAUD)

Table 4.11  
Reliability and Validity Fraud Detection (FRAUD)

Variable	Dimension	$\alpha$	$\alpha^2$	E
FRAUD	Y1	0,69	0,48	0,52
	Y2	0,86	0,74	0,26
	Y3	0,76	0,58	0,42
	Y4	0,76	0,58	0,42
	Y5	0,96	0,92	0,08
	Y6	0,68	0,46	0,54
	Y7	0,78	0,61	0,39
Sum		<b>5,49</b>	<b>4,36</b>	<b>2,64</b>

$$CR = \frac{30,1401}{32,78}$$

$$CR = 0,92$$

$$VE = \frac{4,36}{7,00}$$

$$VE = 0,63$$

The above figure and table show the value  $RMSEA = 0.040 < 0.08$ ; the value of factor loading of FRAUD dimensions in the interval 0.68 - 0.96 which  $> 0.50$  shows all valid dimensions of measuring FRAUD and CR value  $= 0.92 > 0.70$ ;  $VE = 0.63 > 0.50$  shows reliable dimensions of measuring FRAUD.



#### 4.4. Fit or Goodness of the model

At this stage SEM analysis is presented in the form of a track diagram as follows:

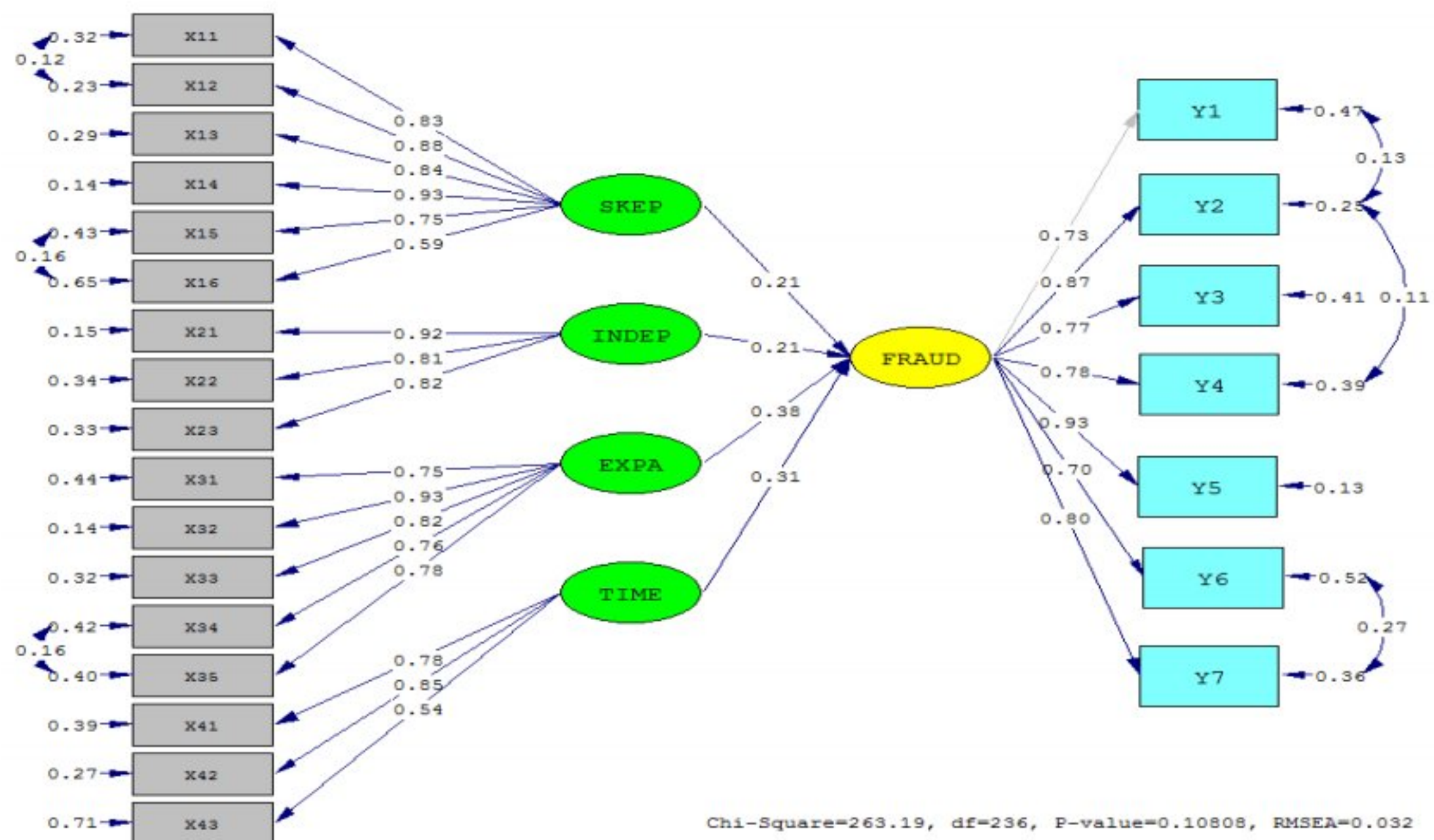


Figure : 7Path Diagram Basic (Hybrid) Full-Model Standard Solutions

Table 4.12  
Goodness of Fit Indices Full Model

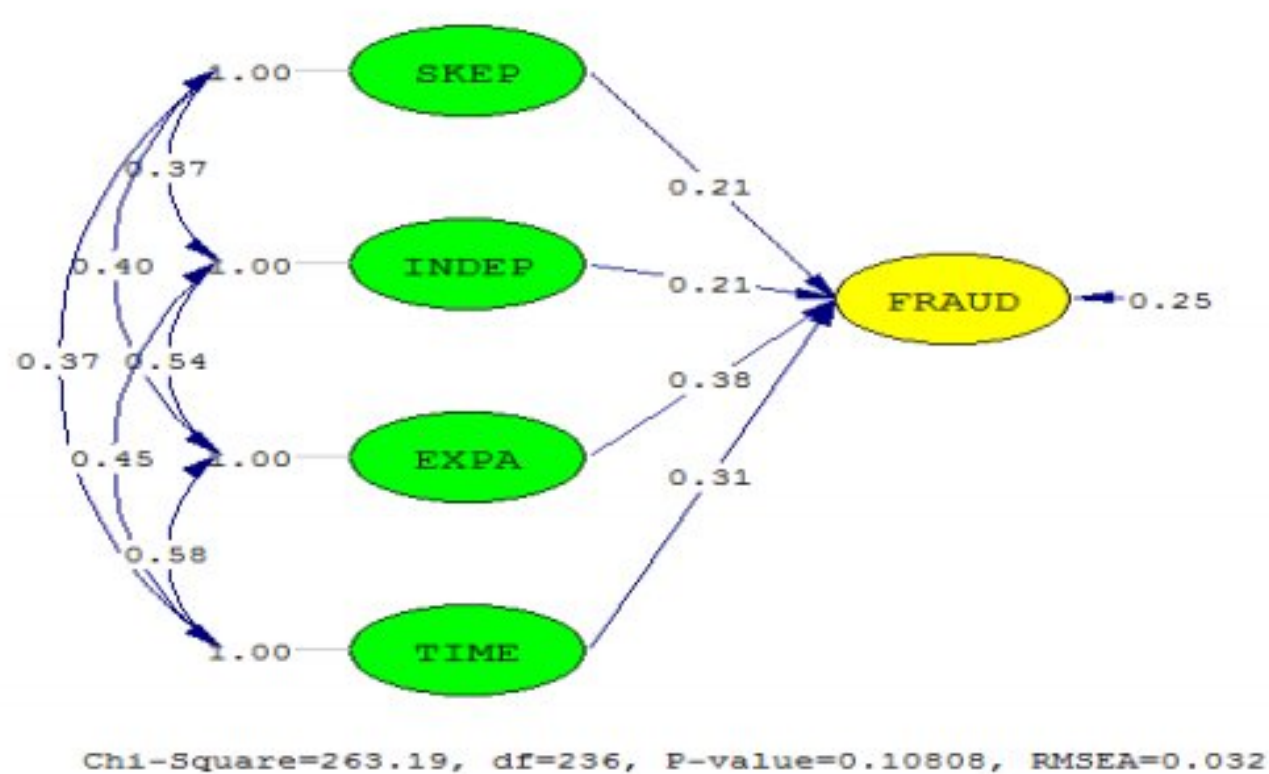
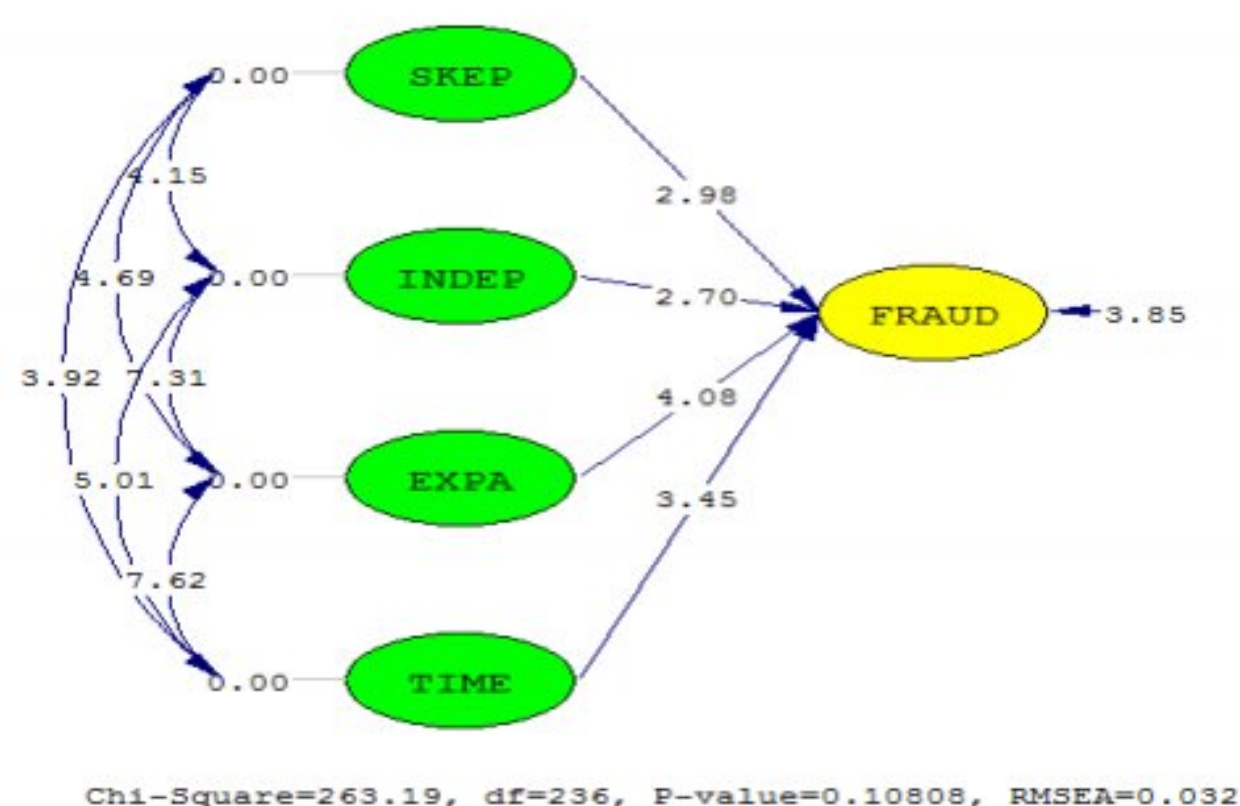
Statistics	Value	Cut Off Value	criteria
$\chi^2/df(p)$	263,19/236 (0.11)	$p > 0,05$	good fit
GFI ; AGFI	0.84 ; 0.80	$\geq 0,90$	moderated fit
CFI; IFI	0.99 ; 0.99	$\geq 0,95$	good fit
RMSEA	0.032	$< 0,08$	good fit
NFI; RFI	0.95 ; 0.94	$\geq 0,90$	good fit

The table above shows all the Goodness of Fit Indices Full Model criteria are met, meaning the model has been qualified and can be used for further analysis.

#### 4.5. Hypothesis Testing

To test the hypothesis in this study using Structural Equation Modeling (SEM) model which is a combination between path analysis and factorial analysis. Partial test of hypothesis, from data processing obtained for then compared with required statistical limitation, that is above 1,96 for t-value critical value, while influence together with value of statistic F and below 0,05 for Probability value significance.



Figure 8: *Structural Full-Model in Standard Solutions*Figure 9: *Structural Full-Model in t-value*

The structural equations in Standardized Solutions with standard error estimation (se) and t-value values for the following research variables:

$$\text{FRAUD} = 0.21 \cdot \text{SKEP} + 0.21 \cdot \text{INDEP} + 0.38 \cdot \text{EXPA} + 0.31 \cdot \text{TIME},$$

$$\text{Error var.} = 0.25, R^2 = 0.75$$

s.e	(0.070)	(0.078)	(0.094)	(0.089)	(0.065)
t	2.98	2.70	4.08	3.45	3.85

The Effect of Professional Skepticism (SKEP) on Fraud Detection (FRAUD) is positive and significant, shown by path coefficient 0,21 and t value = 2,98. Because the value of the positive path coefficient and  $t > 1.97$ , then the results of this test indicate hypothesis H1 accepted. Thus partially Professional Skepticism (SKEP) has a significant positive effect on Fraud Detection (FRAUD).

The influence of Auditor Independence (INDEP) on Fraud Detection (FRAUD) is positive and significant, shown by path coefficient 0,21 and t value = 2,70. Because the value of the positive path coefficient and  $t > 1.97$ , then the test results show the hypothesis H2 accepted. Thus



partially Independence Auditor (INDEP) has a significant positive effect on Fraud Detection (FRAUD).

The influence of Auditor Experience (EXPA) on Fraud Detection (FRAUD) is positive and significant, shown by path coefficient of 0.38 and  $t = 4.08$ . Because the value of the positive path coefficient and  $t > 1.97$ , then the test results show hypothesis H3 accepted. Thus the Partial Experience Auditor (EXPA) has a significant positive effect on Fraud Detection (FRAUD).

The influence of Time Allocation (TIME) on Fraud Detection (FRAUD) is positive and significant, shown by path coefficient 0,31 and  $t$  value = 3,45. Because the value of the positive path coefficient and  $t > 1.97$ , then the results of this test indicate hypothesis H4 accepted. Thus partially Time Allocation (TIME) has a significant positive effect on Fraud Detection (FRAUD).

The Effect of Professional Skepticism (SKEP), Auditor Independence (INDEP), Experienced Auditor (EXPA) and Time Allocation (TIME) on Fraud Detection (FRAUD) is significant, with  $R^2$  determination coefficient of 0.75 (75%), meaning H5 hypothesis be accept

## 5. Conclusion, Implication and Suggestion

After analyzing with Confirmation Factor Analysis, and model analysis using Structural Equation Model (SEM) and hypothesis testing, it gives partial results Professional Skepticism (SKEP), Independence Auditor (INDEP), Experience Auditor (EXPA) and Time Allocation (TIME) have a significant positive effect on Fraud Detection (FRAUD).

To increase the value of Fraud Detection (FRAUD), it is necessary to increase the value of Professional Skepticism (SKEP), especially on the dimensions of SKEP3, namely the exact Assumption dimension; enhanced value of Independence Auditor (INDEP) especially on INDEP1 dimension ie dimension of Independence in Audit Program; enhanced value of Experience Auditor (EXPA) especially on EXPA3 dimension that is Work Ability dimension and enhanced value of Time Allocation (TIME) especially on TIME3 dimension that is Audit Fee dimension. In addition, the value of Fraud Detection (FRAUD) can be improved by increasing the dimension value of FRAUD6 namely the Ease of Access dimension and the FRAUD7 dimension of document and personal test.



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