

The Influence of Professional Skepticism, Independence and Training on Internal Auditor Skills in Detecting Fraud

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Article Info	ABSTRACT
Corresponding Author: Claresta Difa Andani E-mail: 202110315016@mhs.ubharajaya.ac.id	<p>This literature review explores the influence of skepticism, independence, and training on internal auditors' ability to detect fraud. Through analysis of related literature, this research presents important findings from previous studies regarding how these factors influence internal auditors' ability to identify fraudulent acts. By combining existing research results, this review provides an in-depth understanding of the importance of skepticism, independence and training in strengthening the internal audit function in maintaining the integrity and reliability of an organization's financial reports. Practical implications and directions for future research are also considered.</p> <p>Keywords: Auditor's Ability to Detect Fraud, Skepticism, Independence, Audit Training.</p>

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INTRODUCTION

Fraud is a serious threat to the sustainability and integrity of an organization. Internal auditors have an important role in detecting and preventing fraud within the company. One of the main functions of internal audit is to detect and prevent fraud within the company. Internal auditors carry out examinations of company transactions and activities to ensure compliance with established policies and procedures, as well as to identify signs of fraud that may be occurring. Various types of fraud such as misappropriation of funds, manipulation of financial reports, or embezzlement of assets can occur at various levels and industry sectors. It is important to understand the factors that may impact their ability to perform these tasks.

The auditor's skill in uncovering fraud is an important aspect that reflects the quality of the resulting audit (Nurrahmah & Sugiarto, 2016). According to research by Arsendy (2017), auditors' ability to detect fraud reflects their ability to identify and reveal irregularities in the company's financial reports by identifying and proving the fraud. General audit standard number 2 states that the auditor must maintain mental independence in all matters related to the audit. Independence is one factor that can influence the auditor's ability to

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detect fraud. Independence refers to using a consistent viewpoint in conducting audit testing, evaluating test results, and reporting audit findings. Independence can be disturbed by personal and external factors. Research by Putra (2017) shows that independence in planning audits, carrying out audits, and reporting audit results has a positive and significant impact on the ability to detect fraud. In addition, internal auditors must have the necessary competencies to carry out their duties. Competency includes the knowledge, skills and experience needed to conduct audits objectively, thoroughly and meticulously. The level of competency can be measured from understanding accounting and auditing standards, understanding about governance, and improving skills where competency can be obtained from training.

The latest case was reported in March 2024 on the website [cnbcindonesia.com](https://www.cnbcindonesia.com), the Indonesian Export Financing Institute (LPEI) has a case where four of its debtors committed fraud worth 2.5 trillion, where the case was problematic financing that was recorded before 2020. The causal factors are poor governance, inadequate infrastructure, inconsistencies in the implementation of financing policies, failure of internal auditors, incomplete binding of financing collateral, weaknesses in monitoring, as well as misuse of financing by the Debtor which is not in accordance with the allocation based on the agreement. LPEI is an institution established by the government to support the implementation of national export financing activities. This institution has the authority to determine national export financing schemes, restructure national export financing, and carry out capital participation. And four companies in the palm oil, coal, nickel and shipping sectors are said to be debtors to LPEI. It can be concluded that internal audit's ability to detect fraud has not been able to run optimally, so that fraud detection occurs late, which could be due to several factors such as professional skepticism, independence and training. Thus, this literature review will discuss the influence of professional skepticism, independence and training on the ability of internal auditors to detect fraud.

Based on the background, the problems discussed can be formulated in order to build hypotheses for further research, namely: 1) Does professional skepticism affect the auditor's ability to detect fraud?. 2) Does independence affect the auditor's ability to detect fraud?. 3) Does auditor training affect the auditor's ability to detect fraud?.

METHOD

Literature Review

Skepticism

Skepticism includes a mind that always questions and is alert to conditions that indicate the possibility of material misstatement, whether caused by error or fraud. Professional skepticism is measured based on the Hurr, Eining, and Plumlee (HEP) (2003) professional skepticism measurement model developed by Fakhruddin (2017). The use of an auditor's professional skepticism can be used when the auditor reviews existing evidence, then detects visible or perceived signs of fraud. (Silfi et al, 2019).

An auditor's professional skepticism is a critical attitude that always questions the reliability of audit evidence or information obtained from the client. In carrying out an attitude of professional skepticism, an auditor tends not to trust or agree with management without corroborating evidence (Louwers, 2011 in Djohar, 2012). Professional skepticism is really

needed in the audit process because it can affect the effectiveness and efficiency of the audit, if skepticism is too low it will worsen the effectiveness of the audit (Financial Reporting Council, 2010 in Djohar 2012).

Hurt (2010) defines professional skepticism as a multidimensional individual characteristic with an attitude that always questions and evaluates audit evidence critically. As an individual characteristic, professional skepticism can take the form of a trait (a relatively stable, long-lasting aspect within an individual) and also express a temporary state influenced by situational variables.

Islahuzzaman (2012) states that skepticism means doubting statements that are not strong enough in terms of evidentiary grounds. The auditor's professional skepticism is very important and plays an important role if the auditor audits a client company (Said and Munandar, 2018).

The American Institute of Certified Public Accountants (AICPA) defines professional skepticism as an attitude that includes a questioning mind and critical assessment of audit evidence without being obsessively suspicious or skeptical. Auditors are expected to use professional skepticism in conducting audits, and in collecting sufficient evidence to support or refute management statements (Wiguna, 2015).

Skepticism has been widely studied by previous researchers such as those conducted by, (Erinos & Elvia, 2022), (Indriyani & Hakim, 2021), and (Indrijawati, 2022).

Independence

Auditors must be independent because this influences the opinion of the audit results on the client company's financial statements. Based on established audit standards, auditors in carrying out their duties must be independent, which means that auditors are not easily influenced, honest, free from all interests related to clients so that decisions taken in providing opinions are based on actual evidence and information (Maharani, 2021).

Independence is an attitude and action not to be influenced and seen as not being influenced by anyone, as well as being impartial and seen as not taking sides with anyone in carrying out an audit (SPKN, 2017:27). Mulyadi (2014:26) explains that independence is a mental attitude that is free from influence, cannot be controlled by other people and is not dependent on other people. Independence also means a form of honesty possessed by auditors when considering facts and having objective, impartial considerations when formulating and expressing opinions (Miryasih & Muntasir, 2015).

Public Accountant Professional Standards (SPAP) section 220, states that independence means not being easily influenced. Auditors must be intellectually honest, free from obligations towards their clients and have no interest in clients, either management or owners. A similar definition was proposed by Arens et al. (2008:74) which states that independence is an impartial perspective in carrying out audit tests, evaluating audit results, and preparing audit reports (Hapsari, 2015).

Windasari & Juliarsa (2016) define independence as an impartial attitude, free from conflicts of interest and objective in carrying out work. According to Sawyer et al. (2006), independence is an attitude that is objective, unbiased, unresolved, and reporting problems

according to actual circumstances. Independence is an impartial attitude, free both mentally and in appearance from the interests of all parties when carrying out their duties.

(Hartan, Hanum Trinanda & Waluyo, 2016) stated that an auditor, in carrying out his work, is required to always be independent from any party. As an auditor, independence is an attitude that you must have, which means an attitude of being impartial in carrying out audit tasks. Users of financial reports believe that in carrying out their duties, auditors will act independently. The attitude of independence is the main basis for the trust of users of financial reports in the public accounting profession, where the honesty of an auditor is highly expected to consider facts and truth in formulating and expressing opinions on a financial report and independence is one of the important factors for assessing the quality of his work.

Independence has been widely studied by previous researchers, such as those carried out by, (Maharani et al., 2019), (Indrijawati, 2022), and (Amin & Rinaldy, 2023).

Auditor Training

Auditor training is an effort to develop human resources in the fields of knowledge, abilities, skills and attitudes Tanjung and Arep (2000) in Bulchia (2008). With systematic and tiered training according to the auditor's level, it will make it easier for auditors to complement auditor deficiencies and place emphasis on audit practices and accounting standards for auditors. Auditors need various specific skills and expertise to improve their performance, especially in detecting fraud, therefore they require training through continuing professional education courses.

Auditors must take part in various kinds of training in the field, often get work accompanied by senior auditors and take part in other activities that support their skills as auditors (Noviyani and Bandi, 2002). Auditors' knowledge and development will increase when auditors frequently attend specific training.

Training is an effort to convey knowledge and skills to training participants as a form of effort to improve human resources in carrying out their responsibilities (Dandi, 2017). According to Hilmi (2011), training is a short-term educational activity to gain knowledge and improve certain skills. Auditors must have adequate knowledge regarding fraudulent acts so that their existence can be prevented and detected.

Training is an educational activity that aims to develop human resources in carrying out their duties so that they have special abilities to detect fraud. One of the training that must be given to auditors in detecting fraud is fraud auditing training (Yudha et al., 2023).

Haryanti (2013) states that training refers to improving professional abilities, personality, dedication and loyalty to the organization. According to Rahayu and Gudono (2016), fraud audit training is training that auditors take part in so that they can understand the audit methods that are necessary and must be applied when the auditor receives an assignment. Fraud audit training is an effort to improve a person's professional abilities both in terms of knowledge and skills in order to be able to detect fraud. Fraud audit training can increase auditors' professional skepticism. Auditors who initially had low skepticism, after being given training showed an increase in several characteristics of skepticism (Fullerton and Durstchi, 2004)

Auditor training has been widely studied by previous researchers such as those conducted by, (Maharani et al., 2019), (Erinos & Elvia, 2022), and (Ardiami & Fitriingsih, 2024)

Auditor's Ability to Detect Fraud

Training is an educational process carried out over a relatively short period of time and the aim is to provide knowledge to the people who take part. Auditors whose records regularly take part in training in the field of auditing definitely have more knowledge to be able to detect fraud compared to auditors who rarely carry out training (Afifah, 2014). According to previous research, auditor training is one aspect that has a good influence on the auditor's ability to detect fraud (Dandi, 2017). Training is very important for auditors. The experience that auditors have alone cannot be enough, but training is also very important for auditors to improve their abilities.

The ability of auditors to detect fraud has been widely studied by previous researchers such as those carried out by (Erinos & Elvia, 2022), (Indriyani & Hakim, 2021), and (Primasari & Rafnes, 2020)

Table 1. Previous Research Table

NO	Author (Year)	Research Results Previous	Equality With This Articles	Difference with This article
1	Maharani et al (2019)	Variable Skepticism Professional, Independence Influential Significant Against Auditor Ability In Detecting Fraud. Meanwhile, Variable Audit Training No Effect To Auditor Ability in Detect Fraud.	Variable Skepticism Professional, Independence Influential By Significant To Ability Internal Auditor Detect Fraud.	Training Variables Audit No Influential To Ability Internal Auditor Detect Fraud.

2	Erinos & Elvia (2022)	Auditor Training Positive Influence To Auditor Ability in Detect Fraud. Meanwhile Pressure Time and Skepticism Professional No Influential To Auditor Ability in Detect Fraud.	Training Auditors Influential Positive Against Ability Internal auditor Detect Fraud.	Time Pressure and Skepticism Professional No Influential To Ability Internal auditor Detect Fraud.
3	Indriyani & Judge (2021)	Audit Experience and Skepticism Auditors Positive Influence Significant Against Auditor Ability Detect Fraud. Meanwhile Time Pressure Negative Influence and Significant To Auditor Ability Detect Fraud.	Experience Audits and Skepticism Auditors Influential Positive Significant To Ability Auditors Detect Fraud.	Meanwhile Time Pressure Influential Negative and Significant Against Ability Auditor Detects Fraud.
4	Primasari & Rafnes (2020)	Skepticism professional and Auditor competency no effect to detection fraud. Whereas Auditor experience and workload positive influence to detection fraud.	-	Skepticism professional and Auditor competency no effect to detection fraud. Auditor experience and workload positive influence to detection fraud.

5	Anriva et al (2023)	Auditor Experience and Time Pressure influential To Auditor Ability In Detecting Fraud. Whereas Skepticism professional no influential To Editorial capabilities in detecting fraud.	Experience auditors influential to ability internal auditor detect fraud.	Skepticism Professional Auditor no effect To Ability Internal auditor Detect Fraud.
6	Indrijawati (2022)	skepticism, Auditing Experience, Independence Influential To Auditor Ability in Detect Fraud. Whereas Competency No Influential To Auditor Ability in Detect Fraud.	skepticism, Experience Auditing, Independence Influential To Ability Internal auditor Detect Fraud.	Competency No Influential To Ability Internal auditor Detect Fraud.
7	Rani & Herfranchise (2020)	Risk Assessment Cheating and Skepticism Is a Factor The Significant One Influence Ability Detection Auditor Fraud Significantly.	Risk Assessment Cheating and Skepticism Represents Yang Factor Significant Influence Ability Detection Fraud Internal Auditor Significant.	-

8	Ardiami & Fitriningsih (2024)	Experience and Training Positive Influence To Auditor Ability in Detection Fraud. Meanwhile, Load Work No Influential To Auditor Ability In Detection Fraud.	Training Influential Positive Against Ability Internal auditor Detection Fraud.	Experience Positive Influence To Ability Internal Auditor Detection Fraud. And Workload No Influential To Ability Internal Auditor Detection Fraud.
9	Amen & Rinaldy (2023)	Skepticism Professional, Independence, Red Flags , and Religiosity Influential On Skills Internal Auditor To Detect Fraud.	Skepticism Professional and Independence Influential To Skills Internal Auditor For Detect Fraud.	Red Flags , and Religiosity Influential To Auditor Skills Internal For Detect Fraud

Research Method

The research method for this scientific article uses a qualitative literature review method, where data is collected by reading previous journals and books obtained online via Google Scholar and other online media, then citations are carried out using Mendeley.

Conceptual Framework

Based on the theoretical study problem formulation, relevant previous research and discussion of the influence between variables, an article framework as follows is produced.

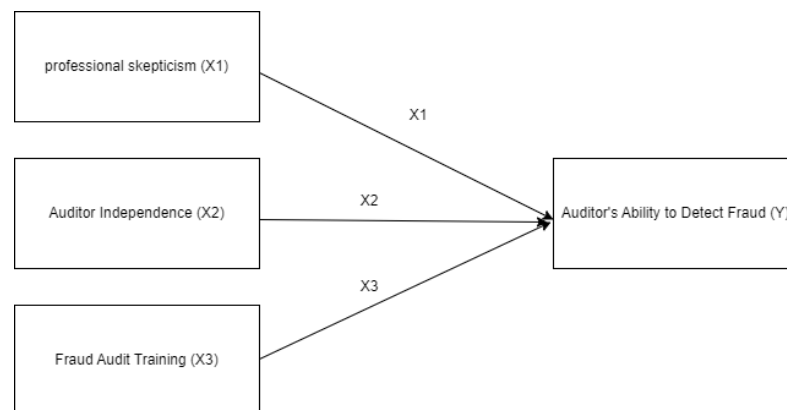


Figure 1. Conceptual Framework

Based on the conceptual framework image above, how does Skepticism, Independence and Audit Training influence the auditor's ability to detect fraud. Apart from the three oxygen variables, there are still many variables that influence Y1, including:

- a. Work Load : (Primasari & Rafnes, 2020)
- b. Audit Experience: (Indriyani & Hakim, 2021), (Anriva et al., 2023)
- c. Fraud Risk Assessment: (Rani & Herfraniss, 2020)
- d. Time Pressure: (Erinos & Elvia, 2022)

RESULTS AND DISCUSSION

The Effect of Professional Skepticism on Internal Auditors' Ability to Detect Fraud

The higher the level of professional skepticism of an auditor, the better his ability to detect fraud. To detect fraud, an auditor must always be critical and have a high level of distrust (Maharani et al., 2019). According to the research results of Maharani et al. (2019) According to Maharani et al. (2019) A skeptical auditor will not stick directly to existing data without searching for the data in more depth by directly asking about the validity of the data, seeking information from various parties and so on that supports the reliability of the data. Skeptical auditors are not satisfied with the existing evidence by simply believing that the company management is honest and vice versa, therefore auditors must be careful in carrying out their duties in auditing companies.

These results are in line with research by Ardiami & Fitriningsih (2024) which states that the higher the level of professional skepticism of an auditor, the better his ability to detect fraud. To detect fraud, the auditor always has a critical attitude.

Audit experience influences the Internal Auditor's ability to detect fraud, this is in line with research conducted by, (Ardiami & Fitriningsih, 2024), (Maharani et al., 2019).

The Effect of Independence on Internal Auditors' Ability to Detect Fraud

Independence is an attitude that must be maintained by auditors by being honest and fair, having a high sense of responsibility in providing opinions, being free from special interests with clients and so on based on audit standards as public accountants who must maintain and maintain the trust of users of financial reports, So the more independent the auditor, the easier it will be for the auditor to detect fraud that occurs. This KAP is an office that operates in the service sector, stands alone and is external and is required to be independent to maintain public trust (Maharani et al., 2019).

According to Tina's research results (2023), auditors have freedom and authority without intervention in conveying audit opinions, reporting results will be presented as the results of audits carried out by auditors. The higher the independent attitude the auditor has, the more the quality of the audit produced by the auditor will increase. Based on the results of research conducted by Nainggolan et al., (2022), the better the independence of an auditor, the better the audit quality. Auditors in carrying out quality audits must be supported by an

attitude of independence, be it independence, so that the audit results state the true situation and are free from pressure from related parties.

Independence affects the Internal Auditor's ability to detect fraud, this is in line with research conducted by (Maharani et al., 2019), (Indrijawati, 2022), (Amin & Rinaldy, 2023).

The Effect of Auditor Training on Internal Auditors' Ability to Detect Fraud

Based on research results from Yudha et al., (2023) training is an educational activity that aims to develop human resources in carrying out their duties so that they have special abilities to detect fraud. One of the training that must be given to auditors in detecting fraud is fraud auditing training. Gizta (2020) said that auditors who have undergone fraud training will have additional skills and knowledge that will make auditors think more complexly in checking the veracity of audit evidence, and not easily believe audit evidence.

According to Erios & Elfia (2022) auditors can use training to improve their ability to detect fraud by having auditors attend training more often, especially related to fraud auditing, accounting and audit development, and law enforcement. Training will increase the auditor's knowledge regarding the work environment, apart from that, auditors who frequently attend training will be more aware of red flags of fraud so that auditors are better able to detect fraud.

Auditor training influences the Internal Auditor's ability to detect fraud, this is in line with research conducted by (Erinos & Elvia, 2022) and (Ardiami & Fitriningsih, 2024)

CONCLUSION

Based on theory, relevant articles in the discussion, hypotheses can be formulated for further research. 1) Skepticism affects the auditor's ability to detect fraud. 2) Independence affects the auditor's ability to detect fraud. 3) Auditor training influences the auditor's ability to detect fraud. Based on the conclusions above, the suggestion in this article is that there are many other factors that influence the auditor's ability to detect fraud, apart from Skepticism, Independence, Auditor Training. Therefore, a more in-depth study is still needed to determine other factors that can influence the auditor's ability to detect fraud. Use a quantitative methodological approach to empirically measure the influence of skepticism, independence, and training on internal auditors' ability to detect fraud. This will allow the research to provide strong empirical evidence about the relationships between the variables studied. By combining these suggestions, future research can provide a more comprehensive understanding of the complexity of factors that influence internal auditors' ability to detect fraud.

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