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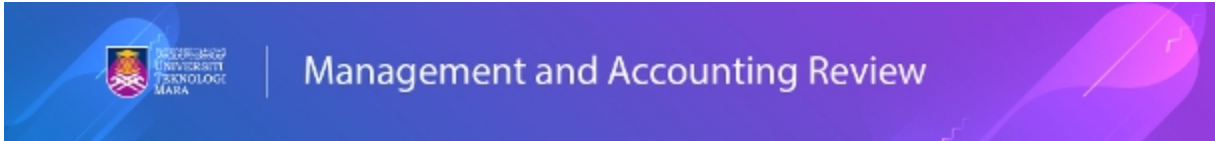
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**AUDITORS' EXPERIENCE ON FINANCIAL STATEMENT FRAUD  
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# AUDITORS' EXPERIENCE ON FINANCIAL STATEMENT FRAUD DETECTION: THE ROLE OF PROFESSIONAL SCEPTICISM AND IDEALISM

## ABSTRACT

*The number of financial misstatements globally and their correlation to auditors' roles to detect fraud raise questions about auditors' professionalism. This study aims to examine the relationship between the auditors' experience and how to detect fraud in financial statements through the auditors' professional scepticism and idealism. The sample consists of 446 auditors. Structural equation modelling (SEM) was used to test the research hypotheses. The empirical results indicate that auditors' experience positively affects professional scepticism and has a less significant impact on auditors' idealism. Furthermore, mediator variables, namely, auditors' professional scepticism and idealism, have a positive influence on fraud detection and fully mediate the relationship between auditors' experience and skill to detect fraud in financial statements. The limitations of this research lie in the research method, the time of the research, and the limited number of respondents who participated in the recent study.*

**Keywords:** Auditors' experience, professional scepticism, idealism, fraud detection, SEM  
**JEL Classification:** M41, O21, M42

## INTRODUCTION

Financial statement fraud has occurred in global companies, such as Enron and WorldCom. In financial statement context, an audit process designed to provide reasonable assurance to make sure that are not contain material misstatement for management accountability. The quality of an audit can be impacted by a number of elements, including experience, accountability, professional scepticism, idealism, and the ability (Francis, 2011; Oboh et al., 2020). In order to have great confidence in the audited financial statements and audit report users, the auditor trainer conducted by professional auditors (Fakhfakh and Jarboui, 2020; Nigrini, 2019). Because incompetent auditors' impediment the society trust. Furthermore, auditors must have adequate knowledge and skills before becoming autonomous. The accountability component, together with the competency factor, has an impact on how well auditors perform (DeZoort and Harrison, 2016). However, the competence and professionalism of the auditor are significantly impacted by the length of the auditor's workweek.

Despite the intuitive appeal of auditors' competencies positively impacting audit quality and helping to confirm financial reporting quality, prior empirical evidence is not as strong as intuition would suggest. For example, Abbott et al. (2011) used primary data from bank members. One potential result is how internal auditor competence influences financial reporting quality. In the public sector, the same pattern occurred, where auditor professionalism played an important role in

1 influencing accountability (Ismail and Yuhanis, 2018). Accountability is a social  
2 and psychological impetus that a person has to complete his or her obligations for  
3 which he or she will be responsible as a professional. Also, each auditor must  
4 always use moral judgement in all his activities. The responsibilities assigned to  
5 the auditor must be completed in conformity with the moral standards that apply  
6 to his line of employment. Professional auditor scepticism is a core tenet of  
7 auditors' guidelines for carrying out high-quality audits (Farcane et al., 2023;  
8 Hammond et al., 2022). The country's existence and economic growth are  
9 significantly influenced by accountants and auditors. They are in charge of  
10 upholding the public interest and guaranteeing sound management of both public  
11 and private finances.  
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15 Indonesia and some developing countries have faced the audit quality.  
16 There are some financial frauds due to conflicts of interest among stakeholders.  
17 The condition certainly has an impact on auditors' professional activities such as  
18 errors of audit process in recording the financial statements in one of the biggest  
19 public companies Kereta Api Indonesia and some insurance companies suffered a  
20 loss more than 200 billion dollar due to errors in recording or misstatement of  
21 financial statements due to a lack of audit quality. However, the audit process still  
22 has many drawbacks, namely that direct observation cannot be replaced,  
23 complicates the relationship between the auditor and auditee, lacks personal  
24 interaction, and opens up opportunities for fraud (Brennan, 2021; Wahidahwati  
25 and Asyik, 2022).  
26

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28 Previous studies conducted by Brennan (Brennan, 2021; Hamdi et al.,  
29 2022; Ismail and Rasheed, 2019) obtained different results with different  
30 approaches, even though they examined private companies; therefore, the  
31 researchers saw inconsistencies that occurred between the several studies. The  
32 current study attempts to uncover the role of auditors' experience, professional  
33 scepticism, and idealism on detection in financial statements. Furthermore, this is  
34 directly contributing to the government audit agenda to enhance audit quality,  
35 reduce financial misstatement because of fraud, and make professional scepticism  
36 in auditing one of the important focuses. The present study aims to investigate the  
37 effect of auditors' experience, professional scepticism, and idealism on audit  
38 quality and fraud detection by Indonesian public sector auditors. The unique  
39 contributions of this study are that it provides empirical evidence from some  
40 developing countries, and the findings are important to the government in fostering  
41 attitude and professionalism among public sector auditors.  
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## 44 LITERATURE REVIEW

### 45 Agency Theory

46  
47 Agency theory is based on economic theory, namely discussing how principals  
48 (owners or top management) supervise agents (lower employees or managers) to  
49 carry out efficient performance. The relationship between agency theory and the  
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1 detection of fraudulent financial statements by auditors is very close because  
2 agency theory will solve the problem of asymmetry between principals and agents  
3 by requiring an independent third party (an auditor) so that the resulting financial  
4 reports are fair. In the eyes of the public as stakeholders, reflecting on the above  
5 problems, the detection of fraud in financial statements has an impact on the quality  
6 of the audit produced by the auditor, which is indispensable in making economic  
7 decisions (Argilés Bosch et al., 2012).  
8

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10 The link between Agency Theory and current research is that this research  
11 will examine the abilities of auditors working at the audit of the Board of Public  
12 Accounts of Indonesia (BPK). The detection of fraud in financial statements can  
13 determine the quality of the audit produced by the auditor. Audit quality cannot be  
14 separated from agency conflicts, namely conflicts that occur due to conflicting  
15 interests between the two parties, namely principals and agents. When the principal  
16 surrenders decision-making authority to the agent, the agent has a wider range of  
17 information than the principal. This kind of thing will result in agents who report  
18 financial statements opportunistically for their personal interests. The quality of  
19 financial reports will be low, so an auditor is needed to mediate this matter, which  
20 of course has the ability to improve financial reports through auditing.  
21

### 22 Attribution Theory

23  
24 Attribution theory can be interpreted as a process as a process of how someone  
25 seeks clarity on the causes of other people's behavior (Spilka et al., 1985).  
26 Attribution theory was first put forward by Haider (1958). This theory is used to  
27 develop explanations for the ways in which we judge individuals differently  
28 depending on the meanings we attribute to certain behavior. Basically, this theory  
29 posits that when observing an individual's behavior, we need to seek to determine  
30 whether the behaviour is caused internally or externally. Internal behaviour is  
31 behaviour that is believed to be influenced by an individual's personal control.  
32 Meanwhile, behaviour that is caused externally is considered a result of external  
33 causes; that is, the individual has behaved in a way that is caused by a certain  
34 situation (Morrison and Robinson, 1997). In the context of auditing, attribution  
35 theory is widely used by researchers to explain the auditor's judgment,  
36 performance appraisal, and decision-making. Attributions relate to judgements and  
37 explain how an auditor behaves. The auditor's ability to detect fraud is largely  
38 determined by internal attribution, where the factors that determine the ability to  
39 detect more come from within the auditor. Capability can be formed through one's  
40 efforts, for example, by seeking knowledge, maintaining independence, and  
41 increasing an attitude of professional scepticism (Nolder and Kadous, 2018).  
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### 46 Fraud

47  
48 In accounting, there are two types of errors: errors and fraud. The difference  
49 between these two types of errors is only distinguished by a very thin gulf, namely,  
50 whether or not there was an element of intent. The standard recognises that it is  
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1 often more difficult to detect fraud than mistakes because management or  
2 employees will try to hide the fraud. "Fraud is a fraudulent act that is carried out  
3 in such a way as to benefit oneself, a group, or harm other parties (individuals,  
4 companies, or institutions)" (Gleason et al., 2022).

6 From this understanding, it can be concluded that fraud or cheating is  
7 various kinds of human ingenuity that are planned and carried out individually or  
8 in groups to obtain benefits or advantages from other parties in an improper way  
9 that causes harm to other parties. In other words, fraud is intentional deception that  
10 is intended to take the assets or rights of others. The circumstances that create  
11 opportunities for fraud to occur are described by what is called the fraud triangle,  
12 namely, pressure, opportunity, and rationalisation (Achmad et al., 2022).

### 15 **Detection Fraudulent Financial Statement**

17 Financial statement fraud, according to the American Institute of Certified Public  
18 Accountants (1998), is an intentional act or omission that results in a material  
19 misstatement that misleads the financial statements. In addition, according to  
20 Australian Auditing Standards (AAS), financial statement fraud is an intentional  
21 omission or misrepresentation of a certain amount or disclosure in financial  
22 reporting to deceive users of financial statements (Brennan and McGrath, 2007).  
23 The two sources above define financial statement fraud from the same point of view.

25 Pohlmann et al. (2020) define financial statement fraud from a different  
26 point of view. According to him, financial statement fraud is management fraud,  
27 that is, intentional fraud perpetrated by management that harms investors and  
28 creditors through material misdirection. Thus, the terms management fraud and  
29 financial statement fraud are often used interchangeably, but in general, fraud is an  
30 intentional act to harm another party.

32 Financial reporting that contains elements of fraud can result in a decrease  
33 in the integrity of financial information and can affect various parties. Apart from  
34 investors and creditors, auditors are victims of financial statement fraud because  
35 they may suffer financial losses and/or lose their reputation (Rezaee, 2016).  
36 Therefore, the auditor must understand the ways in which certain parties practise  
37 fraud on financial statements. According to SAS No.99, financial statement fraud  
38 can be carried out by: (a) manipulation, falsification, or alteration of accounting  
39 records or supporting documents from prepared financial statements; (b) intentional  
40 errors or omissions in information that are significant to the financial statements; (c)  
41 committing willful misuse of principles relating to amounts, classification, manner  
42 of presentation, or disclosure. Valery G. Kumaat (2011: 156) states that "detecting  
43 fraud is an effort to obtain sufficient early indications of acts of fraud, as well as  
44 narrowing the space for the perpetrators of fraud" (ie, when the perpetrators realise  
45 the practise has been known, it is too late to dodge).

### 48 **Auditors' experience**



1 The attribution hypothesis was first developed by Fritz Heider in 1958. This theory  
2 explores how people interpret events and the motivations behind their behaviour  
3 (Luthans, 1998). According to Fritz Heider, a person's actions are influenced by both  
4 internal and external factors. An individual's personality, character, attitude, talent,  
5 expertise, and effort are all examples of internal strengths that can influence how  
6 well he performs and behaves. In contrast, pressure is an example of an external  
7 force that is beyond the individual's control (Duska, 2005). An auditor's experience  
8 in an audit is dependent on how many tasks they have accomplished over the course  
9 of time. The organisation may face fraud, and auditors with extensive expertise will  
10 be able to identify it and explain it more effectively than auditors with limited or no  
11 experience. Additionally, as the number of audits of financial statements conducted  
12 by auditors rises, so does the level of professional scepticism held by auditors. Even  
13 seasoned auditors may not always be able to conclusively identify fraud in the  
14 organisation. Results from research by Dimitrijevic et al. (2021) and Wahidahwati  
15 and Asyik (2022) demonstrate the value of auditors' experience in detecting fraud.  
16 These results imply that a performing auditor must have extensive audit expertise.  
17 Experienced auditors are better equipped to comprehend many audit issues in  
18 greater detail and will also discover that tracking developing circumstances that get  
19 more complex is easier.  
20

21 Instead, the ethical idealism perspective would look at how the workplace  
22 and how public auditors use it can be used to create and modify circumstances and  
23 interactions that enable, enhance, and promote ethically beneficial outcomes for the  
24 members of the professionalism organisation, including chances for their members'  
25 empowerment and flourishing. This approach to auditor ethics views the  
26 relationships between experience and idealism as a system that either facilitates,  
27 encourages, or obstructs interactions that could lead to both individual and group  
28 ethically dubious behaviour among auditors. It does this by using idealism as a  
29 parallel to auditors' idealism. Based on the description above, the following  
30 hypothesis is formulated:  
31

32  
33 H1: Auditor experience has a positive effect on professional skepticism

34 H2: Auditor experience has a positive effect on idealism  
35

### 36 **Auditors' professional skepticism**

37  
38 Beasley et al. (2001) and DeZoort and Harrison (2016) found a significant  
39 correlation between professional scepticism and the capacity to identify fraud  
40 through audit preparation (2022). Auditors must practise professional scepticism, or  
41 a mindset that involves a sceptical mind and an unbiased assessment of the quality,  
42 competency, and applicability of the evidence. Francis (2011) and Hurtt (2010)  
43 discovered that the auditors' ability to detect fraud is positively impacted by their  
44 professional scepticism. The more professional scepticism an auditor possesses, the  
45 more ready or driven they are to search for signs of fraud surrounding the audit  
46 process. Fullerton and Durtschi (2011) found that auditors with high scepticism will  
47 increase their ability to recognise fraud by developing more information searches  
48 when presented with evidence of it. This result is supported by research from Tang  
49 and Karim (2016) and Farag and Elias (2016). A professional sceptic attitude is  
50 essential for an auditor to adopt when doing audit activities, especially given the risk  
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of fraud, even though fraud does not always occur. Auditors that take a sceptical attitude to their work won't take the management's claims at its value. Auditors will continually look for more information and supporting documentation that can be used to support management's assertions. In addition to being more cautious, auditors who approach choices and opinions with a professional scepticism will look for more information and proof to make sure the financial statements under audit are accurate in all respects. The findings of research by (DeZoort & Harrison, 2016; Hoos et al., 2019; Nigrini, 2019) also showed evidence that professional scepticism has a favourable impact on an auditor's capacity to see fraud since the more an auditor's level of scepticism, the greater their capacity to spot fraud. Based on the description above, the following hypothesis is formulated:

**H3:** Auditors' professional skepticism has a positive effect on idealism

**H4:** Auditors' professional skepticism has a positive effect on detecting fraud in financial statements

### Auditors' idealism

Referring to the Professional Standards for Public Accountants (SPAP) SA section 350 paragraph 01, audit sampling is defined as follows: "Placement of audit procedures for less than one hundred percent of the elements in an account balance or group of transactions with the aim of assessing some of the characteristics of the account balance of the transaction group. The objective of the auditor is to select a sample from a population according to Arens et. al., (2021) is to obtain a representative sample. A representative sample is a sample that has the same characteristics as the population. This means that the part that is sampled is the same as the part that is not sampled. Auditors' idealism can be applied both to perform tests of controls as well as substantive tests. Nevertheless, auditors' idealism usually applies to testing procedures in the form of asking questions or debriefing, observation, and analytical procedures.

**H5:** Auditors' idealism has a positive influence on Detection of Fraud in Financial Statements

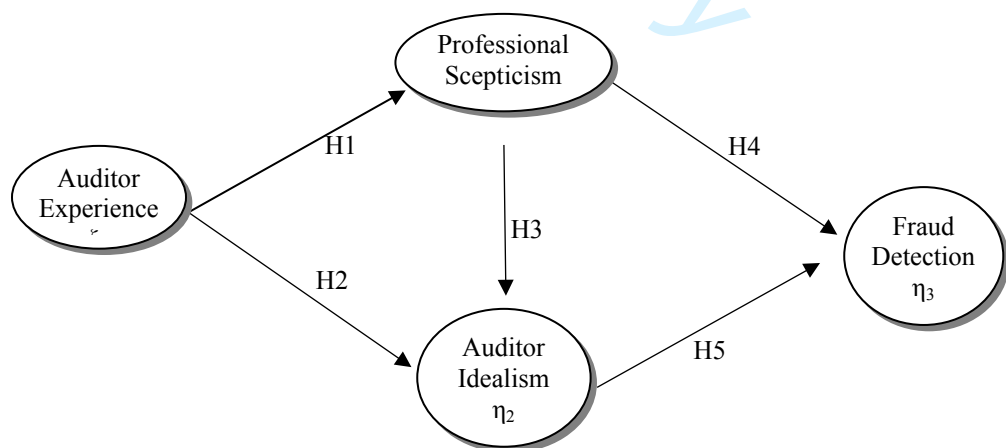


Figure 1: Research proposed framework

## METHODOLOGY

### Research design

This quantitative study collected primary data by distributing questionnaires filled out. The auditors who worked at the audit of the Republic of Indonesia (BPK) were invited to fill out an online survey to filter out unqualified participants. Data collected during March 1 to April 30, 2022 and obtained 487 samples, these respondents were invited by email and social media platform and asked about their real work before fill the questionnaires. We also attached a formal letter to the auditor offices to make sure that all the participants were government auditors. This study rejected 41 samples due to the unsuitability (and non-consistency) of the samples, and the respondent rate was 93.43%. Thus, nonresponse bias should not be a concern.

### Measures

The all-measurement items in this study were conducted from dimensions developed by previous studies. A seven-point Likert scale anchored between 1 ("strongly disagree") and 7 ("strongly agree") was used for auditor experience scales with seven items: length of work, number of examination tasks, career development, task intensity, and field (Tubbs, 1992). Professional scepticism comprises six items and refers to Hurtt (2010) and Krambia-Kapardis (2002), namely auditors' behavior, critical thinking, professionalism, assumptions, accuracy in examining the government's financial statements, and skill about the audit evidence collection process. Auditors' idealism, referring to Francis (2011), namely audit performance, the existence of professional auditing, the number of audits training programmes, solving audit dilemmas, and maintaining the conflict-of-interest Audit skills to detect fraud in financial statements comprise five items, referring to Abbott et al. (2016) and Krambia-Kapardis (2002), namely how to know about internal control systems, audit methods, fraud audit tasks, audit documentation, and testing.

## RESULTS

### Participants demography

Table 1 provides information on the details of the socio-demographic participants' profiles. The total number of male respondents was greater than that of female respondents, with 52.7% women and 47.3% men. In addition, the most significant number of participants were over 40 years old (34.5%), followed by those under 26 years old (33.4%). The highest number of respondents completed a bachelor's degree (52.9%), while the second-highest finished a master's (47.1%). Furthermore, the majority of the participants have experience as professional auditor 6-15 years (35.0%), followed by below 5 years (33.6%) and the lowest over 15 years (31.4%). We also applied a critical selection technique as part of the

purposive sampling strategy in the absence of a complete list of professional auditors.

Table 1  
*Respondent demographics*

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

Table 2  
*Correlation matrix for measurement scales*

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

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

SD: standard Deviation

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

Pearson correlations are shown below the diagonal

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

### Measurement model

The result of the CFA model reproduces the covariance matrix of the observed variables with a good fit. The model fit and Cronbach's  $\alpha$  for all constructs indicate excellent convergent validity and reliability for all measurement items and constructs. Furthermore, the result of the measurement model (CFA) showed all the constructs have a good fit (Hair Jr *et al.*, 2019). Table II indicates the adequate discriminant validity of this study.

Table 3

## Measurement results

Constructs	MLE estimates factor loading/ measurement error		Squared multiple correlation (SMC)	Composite reliability (CR)	Average of variance extracted (AVE)	Cronbach's $\alpha$
Auditor Experienc				0.906	0.616	0.785
AE1	0.752	0.434	0.566			
AE2	0.816	0.334	0.666			
AE3	0.858	0.264	0.736			
AE4	0.789	0.377	0.623			
AE5	0.708	0.499	0.501			
AE6	0.777	0.396	0.604			
Professional Scepticism				0.921	0.625	0.790
PS1	0.823	0.323	0.677			
PS2	0.797	0.365	0.635			
PS3	0.843	0.289	0.711			
PS4	0.801	0.358	0.642			
PS5	0.761	0.421	0.579			
PS6	0.742	0.449	0.551			
PS7	0.761	0.421	0.579			
Auditor Idealism				0.914	0.681	0.825
AI1	0.808	0.347	0.653			
AI2	0.909	0.174	0.826			
AI3	0.746	0.443	0.557			
AI4	0.841	0.293	0.707			
AI5	0.813	0.339	0.661			
Auditor Skill/Frau				0.912	0.635	0.797
AS1	0.720	0.482	0.518			
AS2	0.857	0.266	0.734			
AS3	0.813	0.339	0.661			
AS4	0.841	0.293	0.707			
AS5	0.751	0.436	0.564			
AS6	0.790	0.376	0.624			

Fit statistics (N = 446)

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

**Structural model**

The auditors’ experience has a considerable and favourable impact on professional scepticism ( $\gamma_{11} = 0.202, p < 0.001$ ), negative effect on auditors’ idealism ( $\gamma_{21} = 0.056, p > 0.05$ ) which H1 is supported and H2 is unsupported, additionally auditors’ professional scepticism having a favourable and important impact to support auditors’ idealism and H3 ( $\beta_{21} = 0.152, p < 0.05$ ). This study further confirms that auditors’ professional scepticism and idealism positively affect auditors’ skill to detect fraud in financial statements ( $\beta_{31} = 0.273, p < 0.001, \beta_{32} = 0.216, p > 0.001$ ). H4 and H5 are supported. Table 4 shows the results of the research hypotheses.

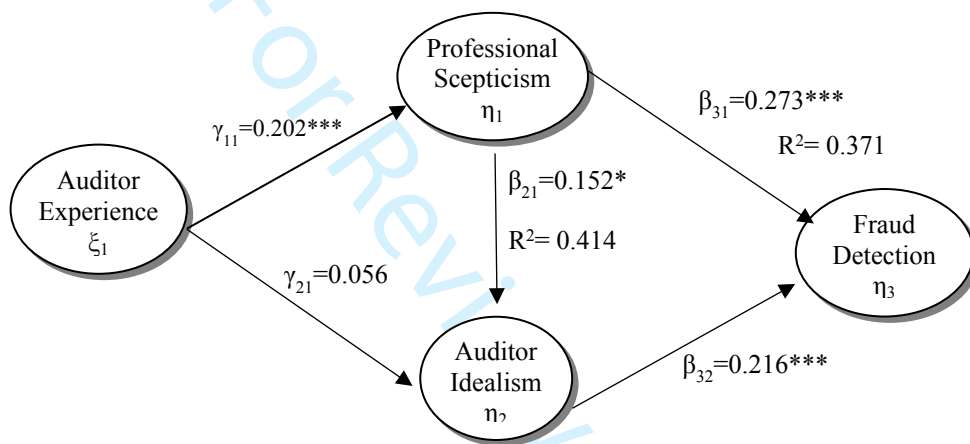


Figure 2 Structural result

Table 4  
Proposed model results

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

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

**Mediating effect**

Table V showed that auditors’ professional scepticism has a partial role in mediating the relationship between auditors’ experience and auditor idealism, as well as the capability to detect fraud in financial statements. Moreover, auditors’ idealism also has a positive role in bridging the relationship between auditor experience and the auditors’ quality to complete the task. implies that auditor

experience, professional skepticism, idealism, and fraud detection are indispensable.

Table 5  
*Mediation effects*

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

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

## DISCUSSION

### Key findings

According to this study, there is a significant relationship between auditors' experience and behaviour through professional scepticism and idealism, which in turn affects how committed they are to their responsibilities and jobs. Auditors' professional scepticism and idealism have become mediators between the length of work and useful to the task and how to detect financial misstatement. These are novel discoveries that, to my knowledge, have not been made by earlier research. Particularly, the findings demonstrate that auditors' work standards and time period are consistent with their desire to do their best with professionalism. Additionally, it supports the idea that auditors' kinds of tasks have been crucial in bridging capacity and credibility regarding ethics and the prevalence of fraud.

Although an auditor's professional organisation launched a clear code of conduct for its members, However, it doesn't guarantee that auditors have the capacity to detect fraud during the audit process. There is evidence that the attribution theory can explain auditors' actions and behaviour toward a sense of responsibility, which subsequently influences their skill (Abdallah et al., 2016; Faraq and Elias, 2016; Ismail and Yuhanis, 2018). Based on the results of the data analysis carried out, the results of the study show that five of the existing hypotheses are accepted except for the second hypothesis, namely, the auditors' experience with idealism (H2). This is assumed to occur due to a lack of frequent tasks so that it can influence audit quality. This is in accordance with agency theory, which discusses the problem of asymmetry between principals and agents by requiring independent third parties (auditors) so that the resulting financial reports are fair in the eyes of the public as stakeholders. This is in accordance with the prior studies, which revealed that in order to enhance the audit quality, sufficient auditor experience is needed (Abbott et al., 2016; Christensen et al., 2015; Tubbs, 1992).

The results of the research analysis show that auditors' experience has a positive effect on the professional scepticism at workplace, this is due to the large

number of auditors task frequency and training so that the detection of fraud in financial statements. It is in accordance with theory prior studies which concluded in order to enhance auditors' professionalism has strong correlation to professionalism and ability to prevent fraud through implementing existence of professional audit. Hence, H1 is supported. In the recent study, H3 was accepted and significant; these results are supported by Nigrini (2019) and Rezaee (2016), which found auditors' professional scepticism is in line with the auditors' idealism, subsequently having an effect on fraud detection. The better the task has crucial role to enhance audit quality and fraud detection. Hence, H4 is accepted, and the significant results of this study are in accordance with the preliminary studies (Tang & Karim, 2019), which say that professional scepticism can be used to detect fraud in financial statements through the selection of appropriate audit sampling. The implications of this study show that practically, this study provides input regarding sampling techniques that can be used to detect fraud in financial statements. Lastly, auditors' idealism proves to have a positive and significant influence on factors that influence audit quality, such as the internal control system, audit method, fraud audit task, audit documentation, and testing. Hence, H5 is supported. It is in line with prior studies by Abbott et al. (2016), Francis (2011), and Wahidahwati and Asyik (2022), who revealed that audit quality depends on the audit process.

## Conclusions

The findings, which are supported by the attribution and agency theories, demonstrate the auditors' dedication to the company through the intensity of audit tasks and frequent idealism, which mediates their personal experience and audit quality. Despite the fact that certain studies came to the conclusion that organisational culture is crucial to individual attitudes and behaviours because each participant has a different understanding of the job description and level of task in different offices and regions, It might also help to sustain the bond between the company's executives and staff, which in turn affects everyone's devotion to the company. The findings show that auditors' professional scepticism and idealism, particularly involving the auditors and their organisation, is the central concept of the attribution theory in this setting. Additionally, the auditors' ethics dimension significantly and favourably influences both the auditors' idealism and audit quality. Additionally, it shows that work standards and auditors' behaviour have both direct and indirect effects on auditors' ability to detect fraud in financial statements. This is due to the large number of auditors who have experience and training so that the detection of fraud in financial.

## Theoretical implications

The most current study offers satisfaction and makes some ethical contributions. A greater understanding of auditors' ethical and decision-making processes is first provided by the research model, which simultaneously evaluates the impact of professionalism, skepticism, and idealism. This study came to the conclusion that personal attitude and ethics are significantly influenced by one another by one's level of experience. Auditors who are deeply invested in their professionalism are more likely to feel a sense of commitment and belonging. It suggests that the current study also explains how auditors' attitudes and behaviours toward peers and groups are



1 influenced by their experience and task frequency. As a result, it offers a strong  
2 foundation for further investigations by outlining the function of the individual in  
3 mediating the development of commitment and ethics as well as the reduction of  
4 moral hazard in accounting and financial fields. Additionally, it implies that morals,  
5 idealism, and the auditors' commitment must be developed at the foundational level.  
6 It helps to establish auditors' decision-making procedures in a methodical way.  
7 Finally, this research improves the attribution and stakeholder theories to anticipate  
8 variables (such as the love of money, ethical belief, and ethical ideology) that affect  
9 a personal attitude and conduct. Another significant implication is that the business  
10 and finance sectors should continue to be directed by the goal of comprehensive  
11 auditors' professionalism, which is supported by an ethical worldview, moral  
12 philosophy, and the professional auditors' principles of fairness and altruism.  
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### 15 16 **Practical implications**

17 This study suggests academics and professional organisation leaders or members  
18 discuss a clear code of conduct. Furthermore, The results of this study and  
19 discussion regarding implementation of audit professionalism process on fraud  
20 detection in financial statements. It discusses the importance of the code of conduct.  
21 Besides, the stakeholders also need to enhance ethical standards. There are  
22 important topics regarding the auditors' organisation rules, which strongly correlate  
23 with the auditors' ethics and commitment to the organization. This finding implies  
24 that the auditors' organisation leader needs to describe the rules. It implies that  
25 auditors' ability to detect fraud depends on their ethics experience and training,  
26 which provide pivotal value to enhance audit quality. The implications of this study  
27 show that practically, this study provides input regarding auditors' work procedures  
28 that can be used to detect fraud in financial reports and implement risk-based audits.  
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### 31 **Limitations and future research directions**

32 This study has limitations on the accuracy of the answers to the questionnaire given  
33 by the auditor because the data collection method uses a questionnaire, and the  
34 questionnaire has several weaknesses, namely, that the respondent can answer  
35 questions based on the condition of the respondent's feelings, and the researcher  
36 cannot see a direct response from the respondent when filling out the questionnaire.  
37 Therefore, the further study needs to collect data using the interview method so that  
38 the results of the answers obtained are more accurate and conduct research outside  
39 of the auditor's busy time.  
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**2. Bukti konfirmasi review dan hasil review  
pertama  
(24 Juli 2023)**

## Management and Accounting Review

 Close Message

### Decision Letter (MANAR-2023-0113)

**From:** salwazolkafil@uitm.edu.my

**To:** syamsurrahim@umi.ac.id

**CC:**

**Subject:** Management and Accounting Review - Decision on Manuscript ID MANAR-2023-0113

**Body:** 24-Jul-2023

Dear Dr. Rahim:

Manuscript ID MANAR-2023-0113 entitled "AUDITORS' EXPERIENCE ON FINANCIAL STATEMENT FRAUD DETECTION: THE ROLE OF PROFESSIONAL SCEPTICISM AND IDEALISM" which you submitted to the Management and Accounting Review, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

The reviewer(s) have suggest some minor revisions to your manuscript. Therefore, I invite you to respond to the reviewer(s)' comments and revise your manuscript.

To revise your manuscript, log into <https://mc04.manuscriptcentral.com/manar> and enter your Author Center, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You may also click the below link to start the revision process (or continue the process if you have already started your revision) for your manuscript. If you use the below link you will not be required to login to ScholarOne Manuscripts.

\*\*\* PLEASE NOTE: This is a two-step process. After clicking on the link, you will be directed to a webpage to confirm. \*\*\*

[https://mc04.manuscriptcentral.com/manar?URL\\_MASK=19e0ecb98db94447ab62fd2a69992d65](https://mc04.manuscriptcentral.com/manar?URL_MASK=19e0ecb98db94447ab62fd2a69992d65)

You will be unable to make your revisions on the originally submitted version of the manuscript. Instead, revise your manuscript using a word processing program and save it on your computer. Please also highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or colored text.

Once the revised manuscript is prepared, you can upload it and submit it through your

Author Center.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

**IMPORTANT:** Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Because we are trying to facilitate timely publication of manuscripts submitted to the Management and Accounting Review, your revised manuscript should be submitted by 23-Aug-2023. If it is not possible for you to submit your revision by this date, we may have to consider your paper as a new submission.

Once again, thank you for submitting your manuscript to the Management and Accounting Review and I look forward to receiving your revision.

Sincerely,  
Dr. Salwa Zolkafil  
Management and Accounting Review  
salwazolkafil@uitm.edu.my

Associate Editor Comments to Author:

Associate Editor  
Comments to the Author:  
Will be good if the author can provide the questionnaire used in the study.

Reviewer(s)' Comments to Author:

Reviewer: 1

Comments to the Author

An interesting study but will be more interesting if the author can consider the following comments:

1. the issue of the study was not properly highlighted in the study. It will be interesting if the author can include latest fraud cases related to auditor skepticism, idealism, auditor experience and financial statement fraud. This will help to highlight the importance of doing this study.
2. Please also include the related guideline/regulation related to auditor/professional accountants to support the issue.
3. Please explain further on the instrument development. Since it is taken from few previous studies, did you send the survey to the experts for review? If yes, please include them in the research method section.
4. Please recheck the spelling since there is few spelling error detected.

Reviewer: 2

Comments to the Author

Please check you reference.

Krambia-Kapardis, M. (2022). A fraud detection model: A must for auditors. Journal of Financial Regulation and Compliance, 10(3), 266-278.

It suppose to be 2002 not 2022.



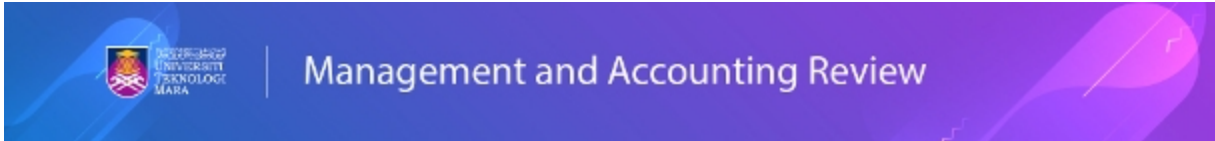
Please check all the references.

I would like to have a look of your questionnaires to confirm on your adoption of instruments from those two articles.

Please add up on your research method. A bit loose.

**Date**  
**Sent:** 24-Jul-2023

**3. Bukti konfirmasi submit revisi pertama,  
respon kepada reviewer serta artikel yang di  
submit  
(24 Juli 2023)**



**AUDITORS' EXPERIENCE ON FINANCIAL STATEMENT FRAUD  
DETECTION: THE ROLE OF PROFESSIONAL SCEPTICISM AND  
IDEALISM**

Journal:	<i>Management and Accounting Review</i>
Manuscript ID	MANAR-2023-0113.R1
Manuscript Type:	Original Article
Keywords:	Auditors' experience, Professional scepticism, Idealism

SCHOLARONE™  
Manuscripts

### REVIEWERS' RESPONSE NOTES

We would like to thank the Editor and Reviewers for their detailed and helpful feedback regarding our manuscript, and for providing us with the opportunity to revise our manuscript. We have revised the manuscript title, abstract, introduction until conclusion part as suggested.

Reviewer1' remarks	Authors response
<p>An interesting study but will be more interesting if the author can consider the following comments:</p> <ol style="list-style-type: none"> <li>1. The issue of the study was not properly highlighted in the study. It will be interesting if the author can include latest fraud cases related to auditor skepticism, idealism, auditor experience and financial statement fraud. This will help to highlight the importance of doing this study.</li> <li>2. Please also include the related guideline/regulation related to auditor/professional accountants to support the issue.</li> <li>3. Please explain further on the instrument development. Since it is taken from few previous studies, did you send the survey to the experts for review? If yes, please include them in the research method section.</li> <li>4. Please recheck the spelling since there is few spelling error detected.</li> </ol>	<p>Thank you so much for reviewer positive comment. We have revised abstract part as suggested.</p> <p>Thank you so much for reviewer positive comment. The introduction part has revised and one sentence added as suggested</p> <p>Thank you so much for reviewer positive comment. We added one sentence in introduction part and added auditor regulation in Indonesia</p> <p>Methodology part (research design) has revised as suggested.</p> <p>Thank you so much for reviewer positive comment and we have double checked to make sure author guidelines and grammar consistency</p>
Reviewer2' remarks	Authors response
<p>Comments to the Author Please check you reference.</p> <p>Krambia-Kapardis, M. (2022). A fraud detection model: A must for auditors. Journal of Financial Regulation and Compliance, 10(3), 266-278.</p> <p>It suppose to be 2002 not 2022.</p>	<p>Thank you so much for reviewer positive comment and valuable suggestion. The references has checked to make sure between citation and references.</p>

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3 Please check all the references  
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5 I would like to have a look of your  
6 questionnaires to confirm on your adoption of  
7 instruments from those two articles.  
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9  
10 Please add up on your research method. A bit  
11 loose.  
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Thank you so much for reviewer positive  
comment. We have added the research  
instrument in table 3.

Methodology part (research design) has  
revised as suggested.

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For Review Only

# AUDITORS' EXPERIENCE ON FINANCIAL STATEMENT FRAUD DETECTION: THE ROLE OF PROFESSIONAL SCEPTICISM AND IDEALISM

## ABSTRACT

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

**Keywords:** Auditors' experience, professional scepticism, idealism, fraud detection, SEM

## INTRODUCTION

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

Despite the intuitive appeal of auditors' competencies positively impacting audit quality and helping to confirm financial reporting quality, prior empirical studies are still needed to confirm this field. For example, Abbott et al. (2016) used primary data from bank members to find that internal auditor competence has a positive role in influencing financial reporting quality. In the public sector, the same pattern emerged, where auditor professionalism played an important role in influencing auditors' accountability (Ismail & Yuhanis, 2018; Yendrawati et al., 2023). Accountability is a social and psychological impetus that a person has to complete his or her

obligations for which he or she will be responsible as a professional. Also, each auditor must always use moral judgement in all his activities. The responsibilities assigned to the auditor must be completed in conformity with the moral standards that apply to his line of employment. Professional auditors' scepticism is a core tenet of auditors' guidelines for carrying out high-quality audits (Abdallah et al., 2016; Farcane et al., 2023; Hammond et al., 2022).

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

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

## LITERATURE REVIEW

### Agency Theory

Agency theory is based on economic theory to describes how principals (owners or top management) supervise agents (lower employees or managers) to carry out efficient performance. The relationship between agency theory and the detection of fraudulent financial statements is the asymmetry between principals and agents. The detection of fraud in financial statements has an

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3 impact on the quality of the audit by the auditor. It is indispensable in making economic decisions  
4 (Argilés Bosch et al., 2012). The link between agency theory and current research is the ability  
5 working at the Board of Public Accounts of Indonesia (BPK) as professional auditor. The detection  
6 of fraud in financial statements can determine the quality of the audit produced by the auditor.  
7 Audit quality cannot be separated from agency conflicts, which occurred due to conflicting  
8 interests between the two parties. When the principal surrenders decision-making authority to the  
9 agent, the agent has a wider range of information than the principal. This kind of thing will result  
10 in agents who report financial statements opportunistically for their personal interests. The quality  
11 of financial reports is depended on the auditors' independence during audit process (Nazri et al.,  
12 2023).  
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### 16 17 **Attribution Theory**

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19 Attribution theory can be interpreted as a process by which someone seeks clarity on the causes of  
20 other people's behaviour (Spilka et al., 1985). Attribution theory was first put forward by Heider  
21 (1958). This theory is used to develop explanations for the ways in which we judge individuals'  
22 attitudes and behaviours. Basically, this theory posits that when observing an individual's  
23 behaviour, whether the behaviour is caused internally or externally factor on decision-making  
24 process. Internal behaviour is influenced by an individual's personal control. Behaviour is the  
25 outcome of an individual's actions in a certain situation (Morrison & Robinson, 1997 Researchers  
26 frequently employ attribution theory to explain the auditor's judgement, performance evaluation,  
27 and decision-making in the context of auditing. Judgements are related to attributes, which  
28 describe an auditor's behaviour. Internal attribution, in which the characteristics that affect the  
29 ability to detect fraud come from within the auditor, accounts for a major portion of what  
30 determines the auditor's ability to do so. Capability can be formed through one's efforts, for  
31 example, by seeking knowledge, maintaining independence, and increasing an attitude of  
32 professional scepticism (Nolder & Kadous, 2018).  
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### 36 37 **Fraud**

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39 In accounting, there are two types of mistakes: errors and fraud. The difference between these two  
40 types of errors may be detected by whether or not there was an element of intent. The standard  
41 recognises that it is often more difficult to detect fraud than mistakes because management or  
42 employees will try to hide the fraud. "Fraud is a fraudulent act that is carried out in such a way as  
43 to benefit oneself, a group, or other parties (individuals, companies, or institutions)" (Gleason et  
44 al., 2022). The conclusion drawn from this is fraud or cheating requires a variety of human  
45 inventiveness that is planned and executed either individually or in groups in order to gain  
46 advantages or benefits from other parties in an improper manner or through criminal activity. In  
47 other terms, fraud is willful deception aimed to get another person's property or legal rights. The  
48 circumstances that create opportunities for fraud to occur are described by what is called the fraud  
49 triangle, namely, pressure, opportunity, and rationalisation (Achmad et al., 2022).  
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### 53 54 **Detection Fraudulent Financial Statement**



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3 A deliberate act or omission that leads to a major misstatement that falsifies the financial  
4 statements is known as financial statement fraud. In addition, financial statement fraud is the  
5 intentional omission or misrepresentation of a certain amount or disclosure in financial (Brennan  
6 & McGrath, 2007). The two commons financial statement definition. Pohlmann et al. (2020) define  
7 financial statement fraud as management fraud, that is, intentional fraud perpetrated by  
8 management that harms investors and creditors through material misdirection. Thus, the terms  
9 management fraud and financial statement fraud are often used interchangeably, but in general,  
10 fraud is an intentional act to harm another person. Financial reporting that contains elements of  
11 fraud can result in a decrease in the integrity of financial information and can affect various parties.  
12 Apart from investors and creditors, auditors are victims of financial statement fraud because they  
13 may suffer financial losses and/or lose their reputation (Nain et al., 2022). The auditor must  
14 therefore be aware of the techniques used by some parties to commit financial statement fraud.  
15 The following actions can be taken to commit financial statement fraud: (a) manipulating,  
16 falsifying, or altering accounting records or supporting documents from prepared financial  
17 statements; (b) purposefully making errors or omissions in information that has a material impact  
18 on the financial statements; and (c) intentionally abusing the rules governing amounts,  
19 classification, presentation, or disclosure.  
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### 24 **Auditors' experience**

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26 The attribution theory explores how people interpret events and the motivations behind their  
27 behaviour (Nazri et al., 2023). According to Heider (1958), a person's actions are influenced by  
28 both internal and external factors. An individual's personality, character, attitude, talent, expertise,  
29 and effort are all examples of internal strengths that can influence how well he performs and  
30 behaves. In contrast, pressure is an example of an external force that is beyond the individual's  
31 control (Duska, 2005; Hoos et al., 2019). An auditor's experience in an audit is dependent on how  
32 many tasks they have accomplished over the course of time. The organisation may face fraud, and  
33 auditors with extensive expertise will be able to identify it and explain it more effectively than  
34 auditors with limited or no experience. Additionally, as the number of audits of financial  
35 statements conducted by auditors rises, so does the level of professional scepticism held by  
36 auditors. Even seasoned auditors may not always be able to conclusively identify fraud in an  
37 organisation. Results from research by Dimitrijevic et al. (2021) and Wahidahwati and Asyik  
38 (2022) demonstrate the auditors' experience play important role in influencing fraud detection.  
39 These results imply that a performing auditor must have extensive audit expertise training.  
40 Experienced auditors are better equipped to comprehend many audit issues in greater detail and  
41 will also discover that tracking developing circumstances that get more complex is easier.  
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46 Instead, the ethical idealism perspective would look at how the workplace and how public  
47 auditors use it can be used to create and modify circumstances, that enable to enhance and promote  
48 ethically beneficial outcomes for the members of the professionalism organisation, including  
49 chances for their members' empowerment and flourishing. This approach to auditor ethics views  
50 the relationships between experience and idealism as a system that either facilitates, encourages,  
51 or obstructs interactions that could lead to both individual and group ethically dubious behaviour  
52 among auditors. It does this by using idealism as a parallel to auditors' idealism. Based on the  
53 description above, the following hypothesis is formulated:  
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3 **H<sub>1</sub>**: Auditor experience has a positive effect on professional skepticism

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

### 5 6 7 **Auditors' professional skepticism**

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9 Beasley et al. (2001) and DeZoort and Harrison (2018) found a significant correlation between  
10 professional scepticism and the capacity to identify fraud through audit preparation. Hence,  
11 auditors must practise professional scepticism, or a mindset that involves a sceptical mind and an  
12 unbiased assessment of the quality, competency, and applicability of the evidence. Francis (2011)  
13 and Hurtt (2010) discovered that the auditors' ability to detect fraud is positively impacted by their  
14 professional scepticism. The more professional scepticism an auditor possesses, the more ready or  
15 driven they are to search for signs of fraud surrounding the audit process. Fullerton and Durtschi  
16 (2011) found that auditors with high scepticism will increase their ability to recognise fraud by  
17 developing more information searches when presented with evidence of it. This result is supported  
18 by research from Tang and Karim (2019) and Farag and Elias (2016). A professional sceptic  
19 attitude is essential for an auditor to adopt when doing audit activities, especially given the risk of  
20 fraud, even though fraud does not always occur. Auditors that take a sceptical attitude towards  
21 their work performance. Auditors continually look for more information and supporting  
22 documentation that can be used to support management's assertions. In addition to being more  
23 cautious, auditors who approach choices and opinions with professional scepticism may look for  
24 more information and proof to make sure the financial statements under audit are accurate in all  
25 respects. The findings of research by DeZoort and Harrison (2018), Hoos et al. (2019), and Nigrini  
26 (2019) also showed evidence that professional scepticism has a favourable impact on an auditor's  
27 capacity to spot fraud because of the auditor's level of scepticism, the greater their capacity to spot  
28 fraud. Based on the description above, the following hypothesis is formulated:

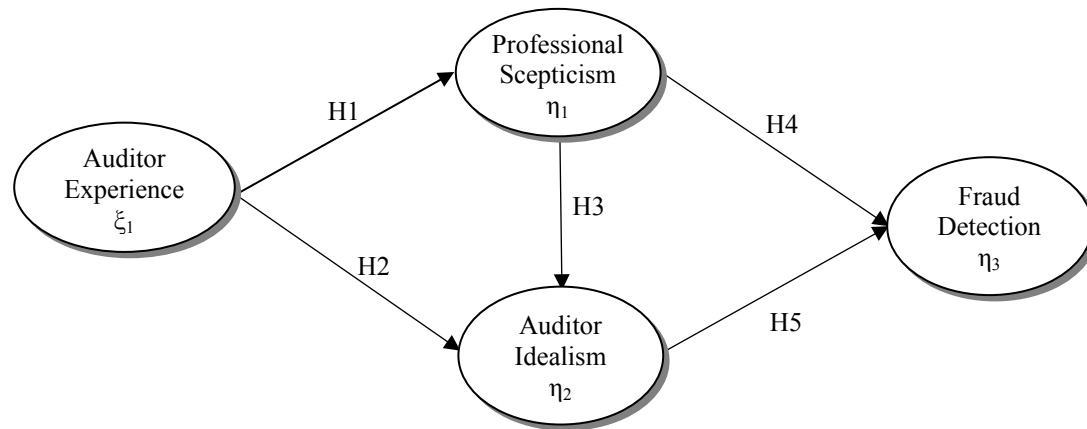
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33 **H<sub>3</sub>**: Auditors' professional skepticism has a positive effect on idealism

34 **H<sub>4</sub>**: Auditors' professional skepticism has a positive effect on detecting fraud

### 35 36 37 38 39 **Auditors' idealism**

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41 Referring to the Professional Standards for Public Accountants (SPAP) SA Section 350 Paragraph  
42 01, audit sampling is defined as follows: Placement of audit procedures for less than 100% of the  
43 parts in a group of transactions or account balances with the goal of evaluating some of the account  
44 balance of the transaction group's features. The objective of the auditor is to select a sample from  
45 a population, according to Arens et al. (2021), to obtain a representative sample. A representative  
46 sample is a sample that has the same characteristics as the population. This means that the part that  
47 is sampled is the same as the part that is not sampled. Auditors' idealism can be applied both to  
48 perform tests of control as well as substantive tests (Nagirikandalage et al., 2022). Nevertheless,  
49 auditors' idealism usually applies to testing procedures in the form of asking questions or  
50 debriefing, observation, and analytical procedures.

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54 **H<sub>5</sub>**: Auditors' idealism has a positive influence on detection of fraud



**Figure 1:** Research proposed framework

## METHODOLOGY

### Research design

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

### Measures

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

and Krambia-Kapardis (2002), namely how to know about internal control systems, audit methods, fraud audit tasks, audit documentation, and testing.

## RESULTS

### Participants demography

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

**Table 1. Respondent demographics**

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

**Table 2. Correlation matrix for measurement scales**

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

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

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

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

## Measurement model

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

**Table 3. Measurement results**

Constructs	Composite reliability (CR)	Average of variance extracted (AVE)	Cronbach's $\alpha$
Auditor Experiences	0.906	0.616	0.785
AE1: I have experience as auditor	0.752		
AE2: I have experience in fraud examination	0.816		
AE3: I have auditor career development	0.858		
AE4: I have task more than 5 times	0.789		
AE5: I can detect symptoms financial misstatement	0.708		
AE6: I have experience in fraud detection	0.777		
Professional Scepticism	0.921	0.625	0.790
PS1: I accept people's opinion by fact	0.823		
PS2: I accept an issue based on fact	0.797		
PS3: I am confident on my abilities as an auditor	0.843		
PS4: I like searching for information and knowledge	0.801		
PS5: I examine the financial statement carefully	0.761		
PS6: I can collect audit evidence	0.742		
PS7: I can keep audit scepticism professionally	0.761		
Auditor Idealism	0.914	0.681	0.825
AI1: I belief can work properly	0.808		
AI2: I can work professionally	0.909		
AI3: I obtain professional audit training	0.746		
AI4: I understand the effect of pressure	0.841		
AI5: I can maintain conflict of interest	0.813		
Auditor Skill/Fraud detection	0.912	0.635	0.797
AS1: I understand government internal control	0.720		
AS2: I understand government audit method	0.857		
AS3: I can fraud detection	0.813		
AS4: I can documentation audit process	0.841		
AS5: I can audit test objectively	0.751		
AS6: I can detect financial report misstatement	0.790		

Fit statistics (N = 446)

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

## Structural model

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

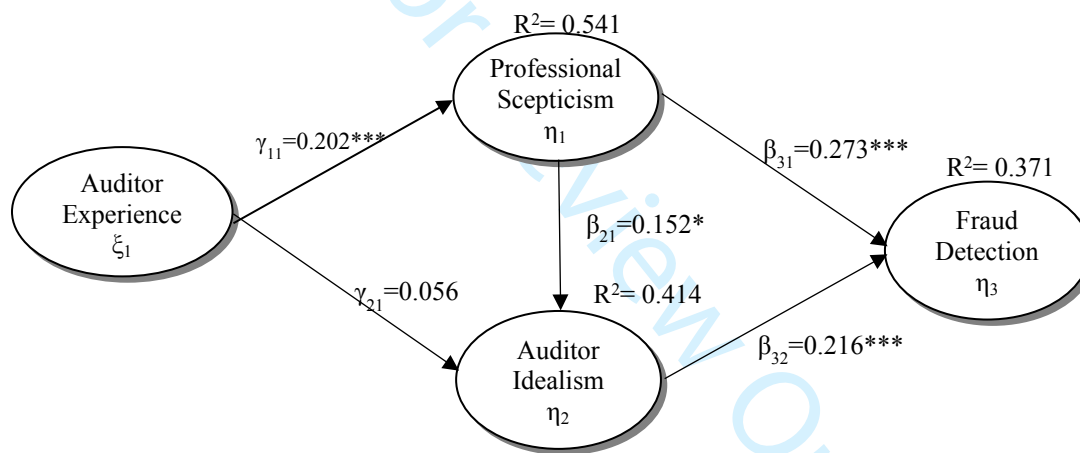


Figure 2: Structural result

Table IV. Proposed model results

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

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

## Mediating effect

Table V showed that auditors' professional scepticism has a partial role in mediating the relationship between auditors' experience and auditor idealism, as well as the capability to detect fraud in financial statements. Moreover, auditors' idealism also plays a positive role in bridging the relationship between auditor experience and the auditors' ability to complete the task. implies that auditor experience, professional scepticism, idealism, and fraud detection are indispensable.

**Table V. Mediation effects**

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

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

## DISCUSSION

### Key findings

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

Although an auditor's professional organisation launched a clear code of conduct for its members, It doesn't guarantee that auditors have the capacity to detect fraud during the audit process. There is evidence that the agency and attribution theory can explain auditors' actions and behaviour towards a sense of responsibility (Abdallah et al., 2016; Faraq & Elias, 2016; Ismail & Yuhanis, 2018). This study shows that four of the existing hypotheses are unsupported, namely, the auditors' experience of idealism. This is assumed to occur due to a lack of frequent tasks, which can influence audit quality. This is in accordance with agency theory, which discusses the problem of asymmetry between principals and agents by requiring independent third parties (auditors) so that the resulting financial reports are fair in the eyes of the public as stakeholders. This is in

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3 accordance with the prior studies, which revealed that in order to enhance audit quality, sufficient  
4 auditor experience is needed (Abbott et al., 2016; Christensen et al., 2015; Tubbs, 1992).  
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7 The results of the research analysis show that auditors' experiences have a positive effect on  
8 professional scepticism at the workplace. This is due to the large number of auditor tasks and  
9 training so that fraud in financial statements can be detected. It is in accordance with the theory of  
10 prior studies that concluded that in order to enhance auditors' professionalism, there is a strong  
11 correlation between professionalism and the ability to prevent fraud through the implementation  
12 of professional audits. Hence, H1 is supported. Interestingly, career development plays a less  
13 important role in influencing audit performance and maintaining conflicts of interest during the  
14 audit process. It means that H2 is unsupported.  
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16 In the recent study, H3 was accepted and significant; these results are supported by Nigrini  
17 (2019) and Rashid and Ghazi (2021), which found auditors' professional scepticism is in line with  
18 the auditors' idealism, subsequently having an effect on fraud detection. The better the task, the  
19 more crucial it is to enhance audit quality and fraud detection. Similarly, professional auditor  
20 scepticism has a positive and significant effect on fraud and misstatement detection in financial  
21 reports. Hence, H4 is supported. This confirms prior studies by Tang and Karim (2019), who found  
22 professional scepticism can be used to detect fraud in financial statements through the selection of  
23 appropriate audit sampling and methods. Lastly, auditors' idealism proves to have a positive and  
24 significant role in influencing factors that affect audit quality, such as the internal control system,  
25 fraud audit tasks, audit documentation, and testing. Hence, H5 is supported. It is in line with prior  
26 studies by Abbott et al. (2016), Francis (2011), and Wahidahwati and Asyik (2022), who revealed  
27 that audit quality depends on the audit process and auditor skill.  
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## 32 **Conclusions**

  
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34 The auditors' dedication to the organisation was influenced by idealism. In addition, professional  
35 scepticism and auditor idealism play a positive and significant role in mediating the relationship  
36 between auditor personal experience and audit quality. Despite the fact that certain studies came  
37 to the conclusion that organisational culture has a crucial role in influencing auditors' attitudes and  
38 behaviours, most auditors' skill and professionalism depend on their experience and professional  
39 training to solve problems during the audit process. It occurred because participants had different  
40 understandings of the job description and level of task in different offices and regions. It might  
41 also help to sustain the bond between the auditee and auditor, which in turn affects their devotion  
42 to the organisation and task. The findings show that auditors' professional scepticism and idealism,  
43 particularly involving the auditors and their organisation, are the central concepts of the attribution  
44 theory. Additionally, the auditors' ethics dimension significantly and favourably influences both  
45 the auditors' idealism and audit quality. Auditors' work standards, code of conduct, and behaviour  
46 partially mediate the relationship between auditors' professionalism and their ability to detect  
47 fraud in financial statements. Hence, training and formal training are needed to protect against  
48 moral hazard that occurs among auditors.  
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### Theoretical implications

The most current study offers satisfaction and makes some ethical contributions. A greater understanding of auditors' ethical and decision-making processes is provided by the research model, which simultaneously evaluates the impact of professionalism, scepticism, and idealism. This study came to the conclusion that personal attitude and ethics are significantly influenced by one another and one's level of experience. Auditors who are deeply invested in their professionalism are more likely to feel a sense of commitment and belonging. It suggests that the current study also explains how auditors' attitudes and behaviours are influenced by their experience and task frequency. As a result, it offers a strong foundation for further investigations by outlining the function of the individual in mediating the development of commitment and ethics as well as the reduction of moral hazard in accounting and financial fields. Additionally, it implies that morals, idealism, and the auditors' commitment must be developed at the foundational level. It helps to establish auditors' decision-making procedures in a methodical way. Finally, this research improves the attribution and stakeholder theories to anticipate variables (such as the love of money, ethical belief, ethical ideology and ethical judgement) that affect a personal attitude and conduct. Another significant implication is that the business and finance sectors should continue to be directed by the goal of comprehensive auditors' professionalism, which is supported by an ethical worldview, moral philosophy, and the professional auditors' principles of fairness and altruism.

### Practical implications

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

### Limitations and future research directions

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

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**4. Bukti konfirmasi bahwa naskah diterima  
(15 September 2023)**

## Management and Accounting Review

 Close Message

### Decision Letter (MANAR-2023-0113.R1)

**From:** mar@uitm.edu.my

**To:** syamsurirahim@umi.ac.id

**CC:**

**Subject:** Management and Accounting Review - Decision on Manuscript ID MANAR-2023-0113.R1

**Body:** 15-Sep-2023

Dear Dr. Rahim:

It is a pleasure to accept your manuscript entitled "AUDITORS' EXPERIENCE ON FINANCIAL STATEMENT FRAUD DETECTION: THE ROLE OF PROFESSIONAL SCEPTICISM AND IDEALISM" for publication in the Management and Accounting Review. An email will be sent to you for final review once the paper is ready.

Thank you for your fine contribution. On behalf of the Editors of the Management and Accounting Review, we look forward to your continued contributions to the Journal.

Sincerely,  
Prof. Jamaliah Said  
Editor-in-Chief, Management and Accounting Review  
mar@uitm.edu.my

**Date Sent:** 15-Sep-2023