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An Analysis of Auditors' Characteristic and Non-Characteristic Components on Detecting The Fraudulent Occurrences in Public Sectors

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ABSTRACT

This study is to examine the influence of the auditors' characteristic and non-characteristic components on detecting the fraudulent occurrences in the public sectors. Specifically, this study focuses on financial statement fraud as it has the most negative impacts on the society and beyond. This study is developed by the empirical evidence from Indonesian external auditors. The author in the initial stage creates hypotheses to explain the interaction processes between the auditors' characteristic and non-characteristic components on detecting the fraudulent occurrences in the public sectors. The results of this study concluded that audit procedures and strategies have a significant effect on detecting financial statement fraud in public sector organizations. Meanwhile, The auditors competence is not significantly responsible in detecting financial statement fraud in public sector organizations. The auditors independence and professional skepticism has a significant effect on detecting fraudulent reports in public sector organizations. Thus, the auditor objectivity has no significant effect on the success of detecting financial statement fraud in public sector organizations.

Keywords: *auditors' characteristic and non-characteristic components, financial statement fraud, public sectors.*

INTRODUCTION

Financial statement fraud that is deliberately committed by managers or employees by not reporting actual financial statement information, for example fictitious income, expenses reported too low. Financial statement fraud is a contributing factor to the recent crisis and poses a threat to efficiency, liquidity, and security in the capital market (Maulidi and Ansell 2022). As an example of the impact of financial statement fraud, the enforcement of judiciary department had brought in the cases of 343 criminals and 189 defendants, for their fraudulent activities costing more than 120,000 victims or more than \$8 billion at the end of the year in America. Financial statement fraud schemes, in which the perpetrator intentionally causes a material misstatement or omission in the organization's financial statements, are the least common (9% of schemes) but costliest (USD 593,000) category. The case of financial statement fraud is also found in public procurement (Maulidi 2017).

Some studies highlighted that the practice of *fraud* does not only occur in the corporate world but also in the public sector (Maulidi and Ansell 2022). In this sense, the existence and role of external auditors is very important in detecting existing fraud. The purpose of the auditors' inspection is to ascertain whether the assigned duties and responsibilities of managements have been carried out as they should. For this reason, the internal auditor needs to conduct an examination, assessment and look for facts or evidence in order to provide recommendations to the management for follow-up. Then, the function of the external auditor is to carry out an internal audit function which is an independent assessment function within an organization to test and evaluate the organization's activities carried out. External Auditors are expected to contribute to improving efficiency and effectiveness in order to improve organizational performance.

Auditors in conducting research must have adequate competence, consider the audit procedures used and apply professional skepticism in order to detect fraud that occurs. The results of research by Boyle et al., (2015), show that the ability of auditors has a significant effect on fraud detection in public sector organizations. Manita et al. (2020), assessing auditors in carrying out their work as fraud detectors should also use audit procedures designed to obtain precise and accurate evidence in order to identify material errors in the financial statements presented by management. The results of the research of Jeppesen (2019) suggest that the external auditor's responsibilities in detecting fraud include: First, they must obtain adequate knowledge and understanding of fraud in order to identify conditions that indicate signs of fraud that may occur. And second, they must study and assess the structure of the company or government agency to identify opportunities, such as lack of attention and effectiveness of the existing internal control system. It can be argued that this type of auditor is required to have a sufficient understanding of fraud and develop an understanding of how to detect

indications of fraud that arise early. Ironically the contribution of the level of findings of external auditors is lower than the findings of internal auditors (Maulidi and Ansell 2022). Then, this is an interesting topic to be re-examined in Indonesia by testing and knowing the factors that influence the success of detecting financial statement fraud carried out by external auditors using different samples and cases.

RESEARCH QUESTIONS

Based on the background description above, the researcher provides the following research questions:

1. Does the audit procedure affect the success of detecting financial statement fraud in public sector organizations?
2. Do the audit methods or strategies used by auditors have an effect on the success of detecting fraudulent financial statements in the public sector?
3. Is the competence of auditors concerned with the success of detecting fraudulent reports of money in public sector organizations?
4. Does the independence of auditors have an influence on the success of detecting fraudulent financial statements in public sector organizations?
5. Does auditor objectivity have an influence on the success of detecting fraudulent reports of money in public sector organizations?
6. Is professional skepticism concerned about the success of de-texting fraudulent reports of wishful thinking in public sector organizations?

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Financial Statement Fraud

Financial statement fraud that is deliberately committed by managers or employees by not reporting actual financial statement information, for example fictitious income, expenses reported too low. Meanwhile, according to The American Institute Of Certified Public Accountants that contained in Statement of Auditing Standards (SAS) No.82 is a misstatement or deliberate omission of data in the reporting of financial statements. One of the causes of financial statement fraud is information asymmetry, because these conditions provide an opportunity for managers to use information they know as an effort to maximize their intelligence.

Audit Procedure

Audit procedures are steps that must be carried out by auditors in carrying out their examinations and are indispensable by assistants so as not to make deviations and can work efficiently and effectively (Herron and Cornell 2021). Auditors to

obtain or collect adequate audit evidence, one of which is to use well-executed audit procedures. The audit procedure is an instruction that explains in detail how to obtain audit evidence during the audit process (Zhang and Li 2022).

Traditional or unchanged audit methods and procedures in accordance with current conditions are not effective in detecting fraud. The findings of a study conducted by Herron and Cornell (2021) suggest the need for a new audit approach that is not static with the risk of fraud. The level of audit policies and plans that will be carried out in detecting fraud, which will increase the detection and prevention of fraud. *International Standards on Auditing* (330) in the assessment of audit risk, auditors shall design and conduct audit procedures in assessing the risk of material misstatements related to transaction items.

Audit Method or Strategy

In carrying detecting the material misstatements caused by fraud, auditors must develop an audit strategy that cannot be predicted or that is unforeseen, especially in terms of obtaining the nature, extent and timing of their examination tests to improve the effectiveness of fraud detection. Statements on Auditing Standards (SAS) states that audit planning is an initial stage that must be passed by an auditor before conducting audit activities. Planning will affect the implementation. Therefore, the audit plan must be designed as well as possible so that the objectives of the audit can be achieved on time. After understanding the business process, the next step that must be taken by an auditor is to carry out the analysis process. At this stage the auditor will evaluate all types of information available, in the form of data or documents, both financial and non-financial and then compare it with the data that has been held by the auditor. The aim is to be able to further increase the auditor's understanding of the unit to be audited, and to be able to carry out early identification of possible risks that might occur.

From the discussion above, the auditor is responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud. This responsibility is of course in order to assess the fairness of the financial statements from material misstatements in accordance with auditing standards and the accountant's code of ethics. If there is a violation or deviation from professional ethics as required in auditing standards and the accountant's code of ethics, it means that the auditor does not show an independent attitude and does not prevent various interests from occurring.

Auditor Competence

Auditing is an assessment and evaluation of evidence about information in determining and reporting the degree of conformity between information and the specified criteria, and this *auditing* must be carried out by a competent and

independent person. Hung and Cheng (2018) define competence as the expertise of a person who plays a continuous role in which the movement is through the learning process from knowing something. The results of research by Chambers and Reckers (2022) show that the ability of auditors has a significant effect on fraud detection in public sector organizations with a positive coefficient, meaning that the higher the auditor's ability, the more it will increase the detection of fraud in public sector organizations.

Therefore, the competence possessed by an auditor greatly affects the results and quality of audits, as stated by Hung and Cheng (2018) called good quality audits require both competence (expertise) and independence. These qualities have direct effects on actual audit quality, as well as potential interactive effects. In addition, financial statement users' perception of audit quality are a function of their perceptions of both auditor independence and expertise. Therefore, the audit must be carried out by an auditor who always uses professional skills carefully and thoroughly. With professionalism that is always held by the auditor, it is hoped that audit quality will increase and the image of the auditor profession is always well maintained, considering that at this time the auditor profession is threatened with losing its reputation and reputation in the eyes of the public.

Auditor Independence

An auditor is responsible for maintaining independence in mental attitude (independent in fact) and independence in appearance) in his behavior. Being independent means avoiding relationships that can interfere with the examiner's mental attitude in carrying out the examination. In BPK regulation No.2 of 2011, independence is defined as an attitude and action in carrying out an examination to be impartial to anyone and not to be influenced by anyone. Auditors have an obligation to be honest not only with management, but also with third parties as users of financial statements, such as creditors, owners and potential owners. Because this is contrary to the principles of integrity and objectivity of the auditor. In carrying out their audit duties, an auditor is not only required to have expertise, but is required to be independent. Even though an auditor has high expertise but he is not independent, a client is not sure that the information presented is credible.

Auditors Objectivity

Objectivity is that the presentation of the entire report must be credible, the intention of a report determined by the presenter is impartial, so that the financial statement can be convinced by the facts presented. An examiner must be objective and free from conflicts of interest in carrying out his professional responsibilities. Being objective is a way of thinking that is impartial, intellectually honest, and free from conflicts of interest. To maintain the objectivity, it requires a continuous assessment of the examiner's relationship with the entity being

examined. Auditors to obtain adequate confidence in financial statements are free from overall material errors both caused by fraud and fraud, and can provide reports that are in accordance with their findings, the auditor must be objective in conducting an audit of the financial statements.

An examiner must be honest and open to the entity being examined and the users of the inspection report in carrying out their torture while still paying attention to the confidentiality limits contained in the provisions of the laws and regulations. The most effective way to guarantee that an examination report has been made in a reasonable, complete and objective manner is to obtain a review and response from the official responsible for the entity being examined.

Professional Skepticism

Professional skepticism is a choice to fulfill the professional auditor's duty to prevent or reduce harmful consequences of another person's behavior. While the professional skepticism defined by the American Institute of Certified Public Accountants (AICPA) is "professional skepticism in auditing implies an attitudes a questioning mind and a critical assessment of audit evidence without being suspicious or skeptical. Auditor professional skepticism is the attitude of the auditor in carrying out audit assignments where this attitude includes a mind that always questions and evaluates audit evidence critically.

The auditors' professional skepticism is influenced by several factors namely: a. Ethical skew factors, Ethical skew factors have a significant influence on the skepticism of the auditor's professional. *The American heritage directory* states ethics as a rule or standard that determines the behavior of members of a profession; b. Factors of the situation, factors of the situation positively influence the professional skepticism of the auditor. Situation factors such as *irregularities situation* influence auditors to increase their professional skepticism; c. Experience, factors in question that can influence the auditor's skepticism, namely the auditor's experience in conducting financial statement checks both in terms of the length of time and the number of assignments he has done.

Jeppesen (2019)notes auditors are asked not to have too high a level of trust in their clients. But in practice, an auditor often faces conflicts regarding his level of trust in the client. This study aims to investigate the effect of interaction and trust and fraud risk assessment on auditors' professional skepticism, whether auditors who have a high level of trust in clients, management and client staff, can maintain an attitude of professional skepticism if given a high fraud risk assessment. In addition, we also want to know whether auditors who have a low level of trust if given a low fraud risk assessment will reduce their professional skepticism. Knowledge of this matter is important for the head of a public accounting firm in maintaining audit quality.

The effect of audit procedures in detecting fraudulent financial statements

Audit procedures and audit programs are one of the important instruments for auditors in detecting fraudulent financial statements. The results of his previous research that showed that auditors should consider the audit procedures used, including research conducted by Bujaki et al. (2019), found that auditors in carrying out their work as detectors of material misstatements caused by disregard or misrepresentation should also use audit procedures designed to obtain precise and accurate evidence. Research conducted by van Brenk et al. (2022), shows that the most effective audit procedure in detecting fraud is to review task separation and control tests for risk analysis. Currently, audit procedures for corruption cases are centered on *whistleblowers'* solicitations and conducting observations on employees. As good as the audit planning is carried out in the audit procedure, the level of auditor findings on fraud committed by clients is getting higher. Therefore, the first hypothesis proposed in this study is:

H1: Audit procedures affect the success of detecting fraudulent financial statements in public sector organizations.

The effect of audit strategies in detecting financial statement fraud

In today's world, an auditor is always required to always develop the methods or strategies used to find misstatements both material and non-material caused by fraud or errors of the client's management / officials which requires auditors to develop checklists for fraud risk signals. The purpose of audit planning is to reduce work ineffectiveness and risks associated with inherent risk and control risk in audit work. The partner's responsibility and role in planning is to design audits and the suitability of members in the audit engagement in relation to the responsibilities of each team. The audit engagement team helps partners to develop audit plans that can be implemented and meet predetermined standard criteria.

Audit planning includes the development of an overall strategy for implementation and the expected scope of the audit. The nature, scope, and timing of plans vary with the size and complexity of the entity, experience with the entity, and knowledge of the entity's business. The methods or strategies used by internal auditors are better at detecting fraud than the methods or strategies used by external auditors that are shown with the magnitude or percentage of cases that can be detected. The better the audit method or strategy used by the auditor, the higher the level of the auditor's findings in assessing or detecting fraud that occurred. Therefore the second hypothesis proposed in this study is:

H2: Audit methods or strategies are focused on the success of detecting fraud in financial statements in public sector organizations.

The effect of limited auditor competence in detecting the financial confusion

An examiner/auditor must collectively have sufficient professional skills to conduct the examination tasks or experience in a particular field, such as accounting, statistics, law, engineering, design and methodology of examination, information technology, State administration, economic sciences, social sciences, or actuarial sciences. The results of research conducted by Laux et al. (2021) show that the ability of auditors has a significant effect on cheating in public sector organizations. Chen et al. (2018), the results of their research show that the most effective ability for auditors in detecting fraud is the ability to master auditing tools and techniques, theories, methodologies, and the ability to personally enhance their educational levels. The higher the ability of the auditor, the more it will improve the results in detecting material misstatements caused by fraud committed by the management of the company or organization. Therefore the third hypothesis proposed in this study is:

H3: Auditor competence affects the success of detecting fraudulent financial statements in the public sector organizations.

The effect of auditor independence in financial statement fraud

Independence is an important point that must be highlighted in the definition of internal audit. An internal auditor must have an independent and objective nature in carrying out his work. Independent here is defined as a condition free from situations that can threaten the ability of the internal auditor's activities to be able to carry out their responsibilities impartially. Independence is an attitude that must be ended high by auditors in carrying out their professional duties in order to produce quality examination results and not prioritize the interests of certain individuals or groups. Objectivity can be compromised by influences other than interests, namely by influences other than a lack of independence. Integrity, a moral quality, can affect objectivity. Moral weakness can lead to biased behavior. However, integrity can also support objectivity. This is because independence and integrity function separately. Strong integrity can maintain a maximum level of objectivity even when interests create a material risk of bias.

There is a very close relationship between independence in mental attitude and independence in appearance, where an accountant with independence in a good mental attitude will naturally be impartial according to the perception of users of financial statements. Independence concerns the ability to act objectively and with integrity. This can only be done by someone who is psychologically highly intellectual and full of honesty. Therefore independence is a state of mind that is not easy to measure. Without independence, the expected examination results will not be realized optimally because the quality of the examination results is related to the number of responses given by people in completing a piece of work compared

to the standard results or criteria that have been previously set. With a high level of independence, it can increase the results of fraud detection that occurs. Therefore the fourth hypothesis proposed in this study is:

H4: Auditor independence affects the success of detecting fraudulent financial statements in public sector organizations

The influence of auditor objectivity in detecting financial statement fraud

Being objective is a way of thinking that is impartial, intellectually honest, and free from conflicts of interest. Auditors in carrying out their professional duties as examiners of financial statements must increase objectivity and maintain the freedom of mental attitudes they have. The nature of objectivity if it is already owned by the auditor, the pressure and intervention of the interested party cannot affect the auditor's judgment and decision. Accordingly, the auditor's report will contain disclosures that are consistent with the auditor's findings. An examiner must be honest and open to the entity being examined and the users of the inspection report in carrying out their inspection while still paying attention to the limits of confidentiality contained in the laws and regulations. Therefore, the fifth hypothesis proposed in this study is:

H5: Auditor objectivity affects the success of detecting fraudulent financial statements in public sector organizations.

The influence of professional skepticism in fraudulent financial statements

An auditor should not consider that the management of the entity being examined is dishonest, but also should not assume that the honesty of such management is no longer disputed. Research by Chambers and Reckers (2022) states that one of the causes of auditors' failure to detect fraud is the low level of audit skepticism. Auditors who have skepticism will tend to be critical and continue to question audit evidence that is not yet clear about its veracity and will evaluate critically the audit evidence. Auditors will not be easily satisfied with less convincing evidence even if according to the presumption the management of the entity being examined is honest. Then, auditors are expected to exercise professional skepticism in conducting the audit, and in gathering sufficient evidence to support or disprove management's statements. Based on the above understanding, it can be concluded that professional skepticism is the attitude of the auditor to think critically about the audit evidence he has during the audit process. Therefore, the sixth hypothesis proposed in this study is:

H6: Professional skepticism affects the success of detecting fraudulent financial statements in the public sector organizations.

RESEARCH METHODOLOGY

Types of Research and Data Sources

This research uses quantitative research. The data source used in the study is primary data. The primary data in this study came from respondents' answers to written questioning lists (questionnaires).

Population and Sampling Techniques

The population in this research is all auditors who are in the BPK RI representative of East Java Province. The government in the BPK representing East Java is divided into 4 sub-sections. The East Java section I consists of 41 examiners, the East Java section II consists of 40 examiners, the East Java section III consists of 38 examiners, the East Java section IV consists of 35 examiners. So that the total number of examiners in the BPK representing East Java amounted to 154 people. The sample application method used in this study is simple random sampling.

Variable Operations

This study consists of 7 variables consisting of: audit procedures, audit methods or strategies, auditor competence, auditor independence, auditor objectivity, professional skepticism, and successfully detecting financial statement fraud in public sector organizations. Every variable is measured by a 5-point Likert scale. The answers provided start from a score of 1 (Strongly Disagree), 2 (Disagree), 3 (Neutral), 4 (Agree), 5 (Strongly Agree).

Data Quality Test

To test the quality of data researchers use validity and reliability tests. Data management is done by using SPSS for windows. It is said to be valid if $r\text{-count} > r\text{-table}$. Meanwhile, instruments can be said to be reliable when the value of alpha is greater than the r of the critical product moment.

Classical Assumptions Test

In this study, the classical assumption tests used were the normality test, the multicollinearity test, and the heteroscedasticity test. Testing the normality of the data is with the *Kolmogorov-Smirnov* test. If the significance value < 0.05 then the distribution is abnormal, and If the significance value > 0.05 then the distribution is normal (Fornell and Larcker, 1981). The multicollinearity test is a tolerance value

< 0.10 or equal to a VIF value > 10. While heteroscedasticity testing can be done using the Glejser Test.

Hypothesis

1. If $t_{\text{count}} > t_{\text{table}}$ or $p \text{ value} < \alpha$ then H_0 is rejected and H_a is accepted, meaning there is a significant influence between the Independent variable (X) on the bound variable (Y).
2. If $t_{\text{count}} \leq t_{\text{table}}$ or $p \text{ value} > \alpha$ then H_a is rejected and H_0 is accepted, meaning there is no significant influence between the Independent variable (X) and the bound variable (Y).

RESULT AND DISCUSSION

The Respondents' Characteristic

This research was conducted to the auditors of the Audit Board of the Republic of Indonesia (BPK RI) Representative of East Java Province. The number of questionnaires distributed was 100 questionnaires but 78 questionnaires were returned. So the total questionnaires processed were 78. Respondent Profile Description, see Table 1.

Table 1: Demographic respondents

| NO | Items | Quantity | % |
|----|--------------------------|----------|------|
| 1 | Experience | | |
| | 1-5 years | 10 | 12,8 |
| | 5-10 years | 45 | 57,7 |
| | Over 11 years | 23 | 29,5 |
| 2 | Education | | |
| | D3 (Diploma) | 0 | 0 |
| | S1 (Bachelor) | 62 | 79,5 |
| | S2 (Magister) | 16 | 20,5 |
| | S3 (Doctoral) | 0 | 0 |
| 3 | Trainings | | |
| | Auditing | 78 | 61,9 |
| | Taxation | 35 | 27,8 |
| | Advanced audit trainings | 13 | 10,3 |
| | others | 0 | 0 |

Source: the author's data

Data Quality Test

Based on the results of testing validity and reliability, it shows that all variables in this study can be said to be valid because the calculated r of these variables is greater than the r table, and the value of *Cronbach's Alpha* is above the value of 0.60, so it can be concluded that all variables are reliably enumerated. Validity test results, see Table 2. Then, reliability test results, see Table 3.

Table 2: Validity test

| Audit Procedure (X1) | | | |
|-------------------------------|----------------|-----------|-------|
| Items | calculated r | r table | notes |
| items 1 | 0,625 | 0,225 | Valid |
| items 2 | 0,645 | 0,225 | Valid |
| items 3 | 0,545 | 0,225 | Valid |
| items 4 | 0,507 | 0,225 | Valid |
| items 5 | 0,619 | 0,225 | Valid |
| items 6 | 0,568 | 0,225 | Valid |
| strategy of audit (X2) | | | |
| Items | calculated r | r table | notes |
| items 1 | 0,722 | 0,225 | Valid |
| items 2 | 0,528 | 0,225 | Valid |
| items 3 | 0,748 | 0,225 | Valid |
| items 4 | 0,637 | 0,225 | Valid |
| items 5 | 0,658 | 0,225 | Valid |
| items 6 | 0,734 | 0,225 | Valid |
| Competency (X3) | | | |
| Items | calculated r | r table | notes |
| Item 1 | 0,670 | 0,225 | Valid |
| Item 2 | 0,595 | 0,225 | Valid |
| Item 3 | 0,595 | 0,225 | Valid |
| Item 4 | 0,685 | 0,225 | Valid |
| Item 5 | 0,574 | 0,225 | Valid |
| Item 6 | 0,613 | 0,225 | Valid |
| Item 7 | 0,609 | 0,225 | Valid |
| Independency (X4) | | | |
| Items | calculated r | r table | notes |
| Item 1 | 0,819 | 0,225 | Valid |
| Item 2 | 0,751 | 0,225 | Valid |
| Item 3 | 0,734 | 0,225 | Valid |
| Item 4 | 0,762 | 0,225 | Valid |
| Item 5 | 0,781 | 0,225 | Valid |
| Item 6 | 0,777 | 0,225 | Valid |
| Item 7 | 0,625 | 0,225 | Valid |

| | | | |
|-------------------------------------|---------------------|---------|-------|
| Item 8 | 0,735 | 0,225 | Valid |
| Objectivity (X5) | | | |
| Items | calculated <i>r</i> | r table | notes |
| Item 1 | 0,830 | 0,225 | Valid |
| Item 2 | 0,680 | 0,225 | Valid |
| Item 3 | 0,822 | 0,225 | Valid |
| Item 4 | 0,653 | 0,225 | Valid |
| Item 5 | 0,762 | 0,225 | Valid |
| Item 6 | 0,641 | 0,225 | Valid |
| Item 7 | 0,788 | 0,225 | Valid |
| Professional skepticism (X6) | | | |
| Items | calculated <i>r</i> | r table | notes |
| Item 1 | 0,540 | 0,225 | Valid |
| Item 2 | 0,474 | 0,225 | Valid |
| Item 3 | 0,531 | 0,225 | Valid |
| Item 4 | 0,752 | 0,225 | Valid |
| Item 5 | 0,676 | 0,225 | Valid |
| Item 6 | 0,689 | 0,225 | Valid |
| Item 7 | 0,747 | 0,225 | Valid |
| Fraud detection (Y) | | | |
| Items | calculated <i>r</i> | r table | notes |
| Item 1 | 0,585 | 0,225 | Valid |
| Item 2 | 0,820 | 0,225 | Valid |
| Item 3 | 0,864 | 0,225 | Valid |
| Item 4 | 0,865 | 0,225 | Valid |
| Item 5 | 0,802 | 0,225 | Valid |
| Item 6 | 0,888 | 0,225 | Valid |

Source: the author's data

Table 3: Reliability test

| Variables | Cronbach's Alpha | Minimum of Reliability number | Notes |
|-----------|------------------|-------------------------------|----------|
| X1 | 0,610 | 0,60 | Reliable |
| X2 | 0,744 | 0,60 | Reliable |
| X3 | 0,731 | 0,60 | Reliable |
| X4 | 0,885 | 0,60 | Reliable |
| X5 | 0,856 | 0,60 | Reliable |
| X6 | 0,756 | 0,60 | Reliable |
| Y | 0,888 | 0,60 | Reliable |

Source: the author's data

Classical Assumptions Test

The results of the normality test in this study showed a *Kolmogorov-Smirnov* value of 0.912 and a significance value of 0.377 (significance of > 0.05). This shows that the residual results have been normally distributed. The results of the multicollinearity test obtained a *tolerance* value of < 0.01 or a *VIF* (*Variance Inflation Factor*) value > 10 . So it can be said that all the concepts of measuring the variables used do not contain multicollinearity. Meanwhile, the heteroscedasticity test in this study was through *the Glejser Test*. After testing, it can be concluded that all variables show a significance level of more than 0.05. Then it can be concluded that this regression model satisfies the assumption of heteroscedasticity. Normality Test, see Table 4 and multicollinearity Test Results, see Table 5. Then Glejser test results, see Table 6.

Table 4: Normality test

| | unstandardized residual | note |
|------------------------|-------------------------|--------|
| Kolmogorov-Smimov Z | 0,912 | Normal |
| Asymp.Sig. (2-tailed) | 0,377 | |

Source: the author's data

Table 5: Multicollinearity test

| Variabel | Tolerance | VIF | Notes |
|----------|-----------|-------|----------------------|
| X1 | 0,804 | 1,244 | No multicollinearity |
| X2 | 0,755 | 1,325 | No multicollinearity |
| X3 | 0,969 | 1,032 | No multicollinearity |
| X4 | 0,963 | 1,038 | No multicollinearity |
| X5 | 0,931 | 1,074 | No multicollinearity |
| X6 | 0,880 | 1,134 | No multicollinearity |

Source: the author's data

Table 6: Glejser test

| Variabel | Sig. | Notes |
|----------|-------|-----------------------|
| X1 | 0,487 | No heteroscedasticity |
| X2 | 0,860 | No heteroscedasticity |
| X3 | 0,590 | No heteroscedasticity |
| X4 | 0,948 | No heteroscedasticity |
| X5 | 0,315 | No heteroscedasticity |
| X6 | 0,290 | No heteroscedasticity |

Source: the author's data

Hypothesis Test

The results of hypothesis testing using a multiple linear analysis approach can be obtained regression results which can be seen in Table 7.

| Hypothesis | β | SE | Notes |
|------------|---------|-------|----------|
| H1 | 0,256 | 0.032 | Accepted |
| H2 | -0.245 | 0.124 | Accepted |
| H3 | 0.029 | 0.034 | Rejected |
| H4 | 0.196 | 0.182 | Accepted |
| H5 | 0.033 | 0.201 | Rejected |
| H6 | 0.315 | 0.103 | Accepted |

Source: the author's data

DISCUSSION

The effect of audit procedures in detecting financial statement fraud

Table 7 shows that the calculation of the audit procedure is 2.423 greater than t table 1.665 and the significance of 0.018 is more than $\alpha=0.05$, it can be concluded that the audit procedure has an effect on the success of detecting financial statement fraud in public sector organizations. A positive regression coefficient value indicates a positive relationship between audit procedures and the successful detection of financial fraud in public sector organizations. This means that the better the audit process designed or made by the auditor for the collection of material audit evidence, the higher the auditor's findings in carrying out the detection of financial statement fraud. These results support the first hypothesis that the researcher put forward.

The results of this study support the results of several studies, including research conducted by Abdillah et al. (2019), auditors in carrying out their work as fraud detectors should also use audit procedures designed to obtain precise and accurate evidence that is used to identify material errors in the financial statements presented by management. The results of the investigation of Habib et al. (2019), show that the most effective audit procedure in detecting fraud is to conduct a task-based review of task separation and control tests for risk analysis, while the audit procedure for corruption cases is centered on *the whistleblowers* policy and make observations on the work-wan. In addition, it also supports the results of research by Maulidi and Jake (2021), effective *anti-fraud programs* must be able to block, prevent and detect all types of fraud models both from misrepresentation of financial statement information, asset misuse, and corruption.

The results of this study are also able to explain and support the theory that has been presented by researchers before him who state auditors to obtain or collect adequate audit evidence, one of which is to use well-planned audit procedures. *International Standards on Auditing* (330), in assessing audit risk, auditors design and conduct audit procedures in assessing the risk of material misstatements related to witness-proof items. Based on the results of this study, it can be concluded that

auditors can get sufficient, competent, and relevant evidence in assessing the risk of fraud and or to detect fraud that is happening depends on the maturity of the audit procedures made by the auditor. Good and proper planning will lead to good and precise results as well. Therefore, the better the audit planning made and outlined in the audit procedure, this will increase the auditor's findings on the confusion carried out by the client.

The effect of audit strategies in detecting financial statement fraud

Table 7 shows that t of the audit method or strategy is -2.427 less than t table 1.665 and the significance of 0.018 is less than that of $\alpha=0.05$. So it can be concluded that the audit method or strategy affects the results of detecting financial statement fraud in public sector organizations or in other words H2 is accepted. The value of the regression coefficient is negative, then there is a negative influence of the audit method or strategy on the success of detecting fraudulent money reports in the public sector. This means that the audit method or strategy used by the CPC auditor cannot find the entirety of financial statement fraud that occurs if the preparation and use of the audit strategy is only based on intuition and is not supported by further professional education and training.

This research supports the results of research conducted by ACFE (2022) which found that the method or audit strategy used by internal auditors is better at detecting fraud than the methods or strategies used by designated external auditors with the magnitude or percentage of cases that can be detected. This is due to the limited ham and knowledge of external auditors on the entities being studied and the complexity of the audit and the scope of the audit faced in carrying out their professional duties.

This research is in line with and dubbed several research results that allow auditors to always develop and improve the audit methods or strategies used when detecting fraud. The results of this study can also explain and support the theory that has been presented by the researcher before him which states that auditors in detecting material misstatements caused by fraud, auditors must be able to develop a conditioned audit strategy that cannot be redistributed, especially under conditions of obtaining the nature of the evidence they want to have or obtain. Therefore, an auditor if he cannot develop an audit strategy and is only based on the old audit strategy, it is less effective if used in current conditions.

Based on this research, it can be concluded that the audit method or strategy is one of the crucial instruments that must be developed and improved in assessing and detecting material misstatements caused by fraud by clients. Therefore, the audit method or strategy must be properly considered with regard to aspects in its preparation or development. The institution of an auditor is incomplete if it is not supported by further professional training and education in making or developing method or audit strategies. The better the audit method or strategy used by the

auditor, the higher the level of the auditor's findings in assessing or detecting fraud that occurred.

The effect of auditor competence in detecting the misconduct of financial statements

In Table 7, it shows that t counts the competence of auditors by 0.379 is smaller than t table 1.665 and the significance of 0.706 is greater than that of $\alpha=0.05$, it is concluded that the competence of auditors has no effect on the success of detecting financial statement fraud in the public sector. Therefore, these results do not support the third hypothesis that the researcher proposed or H3 was rejected. This means that the competence of the auditors of the BPK RI Representative of East Java Province in detecting financial statement fraud in public sector organizations needs to be improved again.

The results of this study are contrary to the results of a study conducted by Boyle et al. (2015), which states that the competence or ability of auditors affects the detection of confusion in public sector organizations. And does not support the results of the research of Ahn, et al (2020), which resulted in that the competence of auditors has a significant effect on the quality of audits / examinations. This is due to differences in experience and functional encoding and training in the field of examination or detection that respondents have participated in.

Auditors to be able to find or detect fraud must have and maintain their competence through continuous professional education by attending existing functional education and training. Chambers and Reckers (2022) state that in conducting the examination, the torturer must collectively have knowledge of the torture standards that are in accordance with the type of examination and have the education and expertise to eradicate this knowledge in the examination carried out. In addition, the examiner must also have knowledge about the environment of the entity, the program, and the activities it checks.

The competence possessed by the auditor is very crucial in detecting fraud because the higher the auditor's competence will increase the auditor's findings. In this study, it was not proven that the competence of auditors affects the results of fraud detection of money reports. This is due to the differences in functional education and training (training) as well as in the field of examination followed by the den-response. Each training in the field of education has a minimum criteria for participants based on the role in the examination, so that the training that has been followed by the examiner varies according to their role in the examination.

The effect of independence auditors in fraudulent financial statements

Table 7 shows that t counts the auditor's independence of 3.309 greater than t of table 1.991 and the significance of 0.001 is less than $\alpha=0.05$ with a positive regression coefficient value. This shows that the independence of an auditor has a

positive influence on success in detecting fraudulent financial statements in public sector organizations, thus it can be concluded that H4 is accepted. This means that the more independent the auditor in carrying out his duties, the more he will be able to improve his findings because the auditor will be more flexible in finding or digging (or mining) deeper into adequate audit evidence without intervention from certain parties. So it can be concluded that the external auditor has a sufficient attitude of independence.

The results of this study are able to explain the theory that has been presented by previous researchers who claim that auditors are responsible for maintaining independence in mental attitudes (*independent in fact*) and independence in behavior (*independent in appearance*) when carrying out their examinations. Without independence, the expected examination results will not be realized optimally because the quality of the examination results is related to the number of correct responses given by a person in submitting a job in comparison with the standard results or criteria that have been set before him.

Based on the results of this study, it can be stated that an external auditor to ensure that a financial statement presented by a client is said to be free from material misstatements, he must apply an attitude of independence in assessing / detecting misstatements caused by fraud and recording errors. In addition, if an auditor is independent, then he will provide audit results that are in accordance with the findings of his examination because the auditor has no burden on anyone. So that the guarantee of the reliability of the financial statements examined by the auditor who absorbs the independence attitude can be trusted by all interested parties. Therefore, the more independent an auditor is, the higher the results of fraud detection.

The influence of auditor objectivity in fraudulent financial statements

Table 7 shows that the auditor's objectivity t count of 0.457 is smaller than t of table 1.665 and the significance of 0.649 is greater than $\alpha=0.05$, it is concluded that the auditor's objectivity has no effect on the outcome of detecting financial statement fraud in public sector organizations. Therefore, these results do not support the third hypothesis proposed by researchers which states that the objectivity of auditors has an effect on the success of detecting financial statement fraud in public sector organizations or in other words H5 is rejected. The results of this study can be stated to support the research carried out by Hsieh et al (2020), that objectivity does not have a significant effect on the quality of encryption.

The results of this study can be concluded that the instruments used by the researchers cannot explain the theory presented by previous researchers and cannot support the results of research conducted by Church et al. (2020) which resulted in that objectivity had a significant positive influence on the quality of audits / examinations This is due to the fact that the CPC auditors in carrying out the

examination to Government agencies are already mandatory as stipulated in Law number 15 of 2006. This means that whether or not auditors are objective, they have been required by the state to carry out their professional duties properly and appropriately without any interference of interest. In addition, the auditor in carrying out his professional duties has been free from conflicts of interest, if he can get an interest with the party being examined in carrying out his professional duties must be resolved first.

The effect of professional skepticism in financial statement

Table 7 shows that t counts professional skepticism 3.520 greater than t table 1.665 and significance 0.001 less than $\alpha=0.05$ it can be concluded that professional skepticism has an effect on the success of detecting fraudulent financial statements in public sector organs. A positive regression coefficient value indicates a positive relationship between professional skepticism and the co-ability to detect fraudulent financial statements in public sector organizations. That is, the more skeptical an auditor is in conducting an examination, the higher the auditor's findings in carrying out fraudulent detection. These results support the sixth hypothesis proposed by the researcher.

The results of this study support the results of research conducted by Bryan and Mason (2020), the more skeptical an auditor is, the more it will reduce the level of error in conducting an audit. Research by Ege and Stuber (2022) which states that one of the causes of auditor failure in detecting fraud is the low level of audit skepticism. As well as research conducted by Wang et al. (2021), showing that auditors with a combination personality type “*sensing-thinking*” and “*intuitive-thinking*” show a higher professional sceptic thinking in detecting fraud, compared to auditors with other personality types.

Based on this research, it can be concluded that an auditor who has a high skeptic attitude will tend to be critical and continue to question audit evidence that is not yet clear about its veracity and will evaluate critically the audit evidence. Auditors will not be easily satisfied with less convincing evidence even if according to the presumption the management of the entity being examined is honest. With this skepticism, it will reduce the error rate in conducting checks. Because a financial statement presented by the client must be free from material misstatements caused by fraud. To be able to detect material misstatements caused by fraud an auditor must have and apply a high skeptic attitude towards client management. Because an auditor is skeptical, it will not be easy to believe the explanations given by the client and the auditor will continue to search and collect evidence to ensure that the financial statements presented by the client are free from material misstatements. Therefore, an increasingly skeptical auditor differs in the magnitude of his fraud detection findings from an auditor who does not have a skeptical attitude towards the management of client agencies.

CONCLUSIONS AND SUGGESTION

Conclusion

Audit procedures and strategies have a significant effect on detecting financial statement fraud in public sector organizations. Meanwhile, The auditors competence is not significantly responsible in detecting financial statement fraud in public sector organizations. The auditors independence and professional skepticism has a significant effect on detecting fraudulent reports in public sector organizations. Thus, the auditor objectivity has no significant effect on the success of detecting financial statement fraud in public sector organizations.

Limitations and suggestions

The study used a survey method in the form of a questionnaire. It is hoped that the next study should be supported through interviews so that respondents can provide information that is close to the actual situation. Then, the research was only conducted at the state external auditors located at East Java Province. For the next study, it is expected to be able to expand the object of research to improve the generalization of the conclusions of the research results.

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