



# Skepticism and Professionalism to Fraud Detection Ability

## Skeptisisme dan Profesionalisme untuk Kemampuan Mendeteksi Kecurangan

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This study aims to prove the impact of skepticism and professionalism on the fraud detection ability of internal government auditors in East Java Province. Primary data is used to obtain data from respondents, namely 102 APIP taken with saturated samples. The collected data were then analyzed using SEM PLS version 3.0, where the results prove that skepticism and professionalism has an positive impact on Fraud Detection Ability.

**Keywords:** Scepticism, Professionalism, Internal Government Auditors, Fraud Detection Ability

Penelitian ini bertujuan untuk membuktikan pengaruh skeptisisme dan profesionalisme terhadap kemampuan deteksi kecurangan auditor internal pemerintah di Provinsi Jawa Timur. Data primer digunakan untuk memperoleh data dari responden yaitu 102 APIP yang diambil dengan sampel jenuh. Data yang terkumpul kemudian dianalisis menggunakan SEM PLS versi 3.0, dimana hasilnya membuktikan bahwa skeptisisme dan profesionalisme berpengaruh positif terhadap Kemampuan Deteksi Fraud

**Keywords:** Skeptisisme, Profesionalisme, Auditor Pemerintah Internal, Kemampuan Deteksi Penipuan

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## INTRODUCTION

Transparency, construction and anti-corruption have become public demands to the government in providing the best available services. There are indications of declining public confidence in the government makes the need for the government to fix the bureaucracy more comprehensively. In this case, the government as the organizer of the state in the executive, legislative and judicial order is required to commit in implementing good governance and clean government. Commitment to increase supervision to minimize fraud action is fundamental to be owned by the government in motivating the region and the center of government as an effort to create good authority.

Fraud can be defined as a fraud to obtain material or non-material advantages such as dishonesty and deceit [Hutabarat \(2015\)](#). Fraud can be associated with ways that begin with the goal and the human mind in applying actions that benefit the individual. Fraud includes acts such as robbery, fraud, bribery, extortion, conspiracy, or devious ways to deceive others.

Losses for all parts of the economy caused by fraud make fraud a criminal act. Fraud also makes public services unrealized not even used, so the quality is getting worse. The worsening service makes the public disappointed and dissatisfied, so the government needs to prevent fraud by instilling a culture of trust and anti-fraud. Besides, fraud prevention is also carried out by monitoring and supervising the implementation of internal audits.

The implementation of fraud prevention can be more effective through the approval of the internal control system through the improvement of the ability of the Government Internal Audit Board (APIP). Modification of an internal control system can be done through Fraud Detection Ability (FDA). According to PP 60/2008, APIP consists of the State Development Audit Board (BPKP), Inspectorate General, Provincial Inspectorate, Regency / City Inspectorate. However, the public is hesitant about APIP's capabilities, as it is not yet following the Indonesian Government's Internal Audit Standards (SAIPI). The community considers APIP needs to be more responsible in carrying out its duties. APIP is also still not maximal in supervising Government Institutions and find indications of fraud early on and even need to improve aspects of challenge skills and soft skills to be able to approve the ability to detect fraud. Therefore, the APIP needs to develop scepticism and professionalism.

Fraud is measured that is set and done cleverly to get benefit by forging the document. Fraud can be deceit, cunning and unfair way, so it gives a disadvantage to other. Article 240 of the International Standards on Auditing defines fraud as an attitude of members of company management, employees, corporate governance who deliberately commit fraud in order to obtain personal benefits illegally. Fraud detection involves identifying fraud as quickly as possible after it is done [Fauzan et al. \(2015\)](#), and this method needs to be developed to detect better fraud that may have been disguised by the perpetrator better. Fraud is important to be detected by the auditor, so in

detecting fraud, the auditor must have competence and professionalism. [Fauzan et al. \(2015\)](#). Experience and technical qualifications in the industry being audited are mandatory for auditors, because it will make it easier for the auditors to find fraud from the audited client.

Auditor scepticism is the attitude or mindset of auditors who always question the truth of audit evidence presented by a business entity or company and philosophy in carrying out audit assignments. Auditor skepticism can be defined as the auditor's critical attitude in assessing the reliability of evidence so that in the audit process there is high confidence in evaluating the evidence received and considering the adequacy and suitability of the evidence obtained [Fauzan et al. \(2015\)](#).

Scepticism refers to consistent doubt and individual suspicion of their judgment until sufficient information or evidence is obtained [Simha and Satyanarayan \(2016\)](#). Scepticism is essential for the assessment of external auditors on the risk of fraud. Lack of professional scepticism is considered a critical factor in the failure of fraud risk assessment and leads to audit failure [Simha and Satyanarayan \(2016\)](#). Auditors can be more sensitive to material misstatements caused by fraud if they have high professional skepticism.

Scepticism is the auditor's curiosity, which includes continuous questioning and critical evaluation of audit evidence [Sandari \(2018\)](#). An auditor is required not to be complacent with answers that are less convincing even though the client's management is honest.. Professional skepticism is defined as an attitude that is applied by always critically questioning evidence. An auditor must have a professional suspicion because scepticism or curiosity of the auditor can improve the quality of audits [Sandari \(2018\)](#).

Professionalism can be used to measure how professionalism perceives its profession reflected in their attitudes and behaviours [Butar and Perdana \(2017\)](#). There is a reciprocal relationship between attitudes and behaviours where professionalism behaviour is a reflection of professionalism, and vice versa.. Professionalism has a significant on the ability of auditors to detect fraud [Sulistyowati and Supriyati \(2016\)](#). Professionals have several elements namely [Sihombing et al. \(2019\)](#): (a) assurance that the work is of great importance; (b) the matter of trust to provide services to the public; (c) the importance of autonomy in doing work; (d) the urge to have its own rules in the results; and (e) the extent of affiliation with same-sex work in other organizations.

Actions and professional attitudes are demands in all fields in every profession, one of which is an auditor Professionalism is defined as the responsibility that the auditor has which is greater than required even more than simply complying with written laws and unwritten regulations of society. The auditor as a professional individual has responsibility for management and for co-workers including behavior, even though this is a personal sacrifice. Conceptual Framework

## Conceptual Framework

The conceptual framework of this research is as follows :

[Figure 1 about here.]

### Picture 1

The hypothesis of this research is presented in Table 1 as follows :

[Table 1 about here.]

## METHOD

### Scepticism

Auditor scepticism is the attitude or mindset of auditors who always question the truth of audit evidence presented by a business entity or company and philosophy in carrying out audit assignments [Hussin et al. \(2017\)](#). The variable of scepticism will be measured based on some indicators. Scepticism in this study were referred to [Sihombing et al. \(2019\)](#) which was mentioned in the implementation of an auditor's audit that is not easy to believe, an auditor shall not make conclusions before obtaining facts and details of what actually happened [Winardi et al. \(2017\)](#) the auditor applies professional scepticism at the moment asking the question and performing audit procedure, by feeling satisfied quickly in auditing result that is less persuasive. Only based on trust that management and part related always have critical thought, professional, honest, have confidence in exact assumption, accurate in auditing, understand toward audit result.

### Professionalism

Professional action is a demand in various fields in every profession, including the auditor profession [Mardijuwono and Subianto \(2018\)](#). Professionalism dimensions that were said by Kalbers & Fogarty are taxonomy of professionalism was noted by [Hall and Goodale \(1986\)](#). More explicit attention to specific professionalism dimensions becoming this research indicator is community affiliation, necessity of being independent, belief in own rule/ profession, the relationship between the profession and social duty.

### Fraud Detection Ability

Fraud detection is a condition in which an auditor finds fraud [Hamdan \(2019\)](#). The indicators used to measure fraud detection in this study use indicator made by Hamdan. The needles used by Hamdan's research use an interval measurement scale with a Likert scale, starting from point 1 (strongly disagree) to point 5 (strongly agree), meaning that point 5 describes the disclosure of fraud using high corporate forensic accounting and point 1 describes disclosure. fraud using low forensic accounting.

## Population

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate [Sekaran and Bougie \(2016\)](#). The people of this research is all of the internal auditor working in East Java.

## Sample

A sample is a subset or subgroup of the population [Sekaran and Bougie \(2016\)](#). Sampling technique of this research uses saturated sampling, a sampling technique by using all community in research. This method is used because the sample can be determined based on a respondent who more understands about detecting fraud is APIP (province-level) who works in East Java. Thus, an example of this research encompasses BPKP an inspectorate of East Java.

## Data Collecting Method

The data of this research is collected from investigation auditor of BPKP as representation and Inspectorate of East Java. The procedure for collecting the data is based on the questioner technique. The data collection method in this research uses survey method directly, i.e. distributing questionnaires now or facing respondents directly who meet requirements.

## Data Analysis Technique

A descriptive statistic is directly related to data collecting, central tendency, until the presentation of data measurement. This research uses primary data collected from giving and returning the questioner. The respondent of this research is APIP investigation auditor of province-level working in East Java.

Data analysis model used in this research is the causality model or the correlation between the influence of variable research. The influence correlation model between research variable examined by using causality analysis technique Structural Equation Model (SEM) based component and variance and supported by Software SmartPLS 3.0. PLS-SEM aimed to investigate the predictive correlation between variables by observing whether there is a correlation or influence between those variables [Ghozali and Latan \(2015\)](#). PLS-SEM is exceptionally appropriate to use in research that purposed to develop the theory. Significance criteria of the calculation were done by comparing the value  $t(\text{count})$  with  $t(\text{table})$ , if  $t(\text{count}) > t(\text{table})$ , so the result of the research shows the significant effect between independent variable to a dependent variable [Ghozali and Latan \(2015\)](#).

## Hypothesis Test

Testing the hypothesis aimed to determine whether the theoretical answer contained in hypothesis statements supported by the fact that collected and analyzed in trying the data. In this research, a hypothesis test is done by using two models,

the inner model and outer model [Ghozali and Latan \(2015\)](#).

### Outer Model Test

The outer model aimed to evaluate the validity and reliability model. The external model with reflexive indicator tested with convergent and Cronbach alpha. At the same time, the outer model with formative hand-tested with substantive content by comparing the magnitude of relative weight and significance of variable indicator [Ghozali and Latan \(2015\)](#).

### Inner Model Test

Inner model tested by using the magnitude of variance presentation that is explained by seeing the value R-square to the latent variable. The internal model also tested with Stone-Geisser Q-square test to trying predictive relevance, and by visiting the value of significance to know the influence between variable using bootstrapping procedure [Hamdan \(2019\)](#).

## RESULT AND DISCUSSION

The outer model is measured by indicator reflection through a score based on the correlation between the estimated item and the outer loading factor with the minimum factor measurement score reflecting 0,5 [Ghozali and Latan \(2015\)](#). The estimation result of the outer loading factor score can be found in Table 2 below :

[Table 2 about here.]

Source: data processed in 2020

Based on the calculation result found in table 2, so the whole proxy has score outer loading factor higher than 0.5. Thus, it can be concluded that the entire proxy is correctly used as an indicator that can form each related variable.

### Validity And Reliability Test

The measured discriminant validity is obtained by comparing the square root score of the AVE for each construct with the correlation between other constructs which require it to be higher than 0,30. In table 3, describes that measurement result of discriminant validity in this research, as follows:

[Table 3 about here.]

Source: data processed in 2020

Based on Table 3, shows that all variables have score discriminant validity above 0,30. Thus, it can be concluded that all variables are valid and reliable. Variable having been stated valid and then reliability test can be conducted. This research uses a reliable composite technique to test variable reliability in determining whether a reliable measurement instrument or can not be known through coefficient reliability. The coefficient reliability must be higher than 0.70. In table 4, describes that

measurement result of composite Reliability in this research, as follows:

[Table 4 about here.]

In Table 4, shows that all variables are already reliable after the variable is reliable determined, so the variable is used to analyze further.

### The Measurement Of Inner Model

Testing the inner model used for measuring the correlation of the whole variable in research. The correlation of the entire variable measured by using value R-Square (Adjusted R2) of each endogen variable. In this research, there is an endogen variable Fraud Detection Ability. R-Square Adjusted (Adjusted R2) for endogen variable presented in Table 5, as follows:

[Table 5 about here.]

Source: data processed in 2020

Based on Table 5 above, can be found out that Fraud Detection Ability has R-square Adjusted with score 0,491. It means that Fraud Detection Ability variable can be explained as 49,1 % by auditor scepticism & auditor professionalism, and the remaining 50,9 % explained other variables does not use in this research.

### Hypothesis Proving

The influence of Government Internal Auditor scepticism to Fraud Detection Ability.

[Table 6 about here.]

Source: data processed in 2020

Hypothesis 1 describes that the auditor scepticism is beneficial to fraud detection ability. The result of this research by using a statistical test shows that the variable of auditor scepticism has a significant and positive influence on fraud detection ability, so H2 received. It shows that the auditor must have scepticism behaviour. Scepticism can build reasonable belief and guarantee that it can detect and reveal deceit early.

Based on the results of data analysis conducted shows that the Government Internal Auditor Skepticism has a significant influence on Fraud Detection Ability. The impact of both variables between Government Internal Auditor Skepticism on Fraud Detection Ability is positive, which means the higher the attitude or scepticism behaviour of an auditor, the higher the Fraud Detection Ability. These results suggest that the first hypothesis "Skepticism has a positive and significant influence to fraud detection ability", acceptable and proven truth.

The significant and positive influence of Government Internal Auditor Skepticism on Fraud Detection Ability shows that the ability to detect fraud that is getting better can be formed by the attitude and behaviour of internal auditor scepticism. Each auditor has a different capability to detect fraud due to several factors, such as varying levels of auditor experience, another suspicion [Anggriawan \(2014\)](#)

Low auditor professional scepticism is one of the causes of the failure of auditors to detect fraud (Beasley et al., in Noviyanti (2008) ). High suspicion by the auditor can increase the ability to see through the development of seeking additional information when experiencing symptoms of fraud Faradina et al. (2016) . As well as auditors with a high scepticism will most likely be able to detect fraud (Ansah et al. (2002)

The results in this study support the findings of Adnan and Kiswanto (2017) , which found that scepticism positively affects auditors' ability to detect fraud. This result is also in line with the results of research conducted by Putra and Dwirandra (2019) , which proves that skepticism has a positive and significant impact on the ability of auditors to detect fraud.

The influence of Government Internal Auditor Professionalism to Fraud Detection Ability

[Table 7 about here.]

Source: data processed in 2020

Hypothesis 2 describes that auditor professionalism gives a significant and positive impact on fraud detection ability, so H3 received. Thus, it can be concluded that auditor professionalism is one of the significant factors to implement fraud detection ability so that deceit can be minimized and detected as early as possible.

Based on the results of data analysis conducted shows that the Government Internal Auditor Professionalism has a significant influence on Fraud Detection Ability. The impact of both variables between Government Internal Auditor Professionalism on Fraud Detection Ability is positive, which means the higher the attitude or professionalism behaviour of an auditor, the higher the Fraud Detection Ability. These results suggest that the second hypothesis "Professionalism has a positive and significant influence to fraud detection ability", acceptable and proven to be true.

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The significant and positive influence of Government Internal Auditor Professionalism on Fraud Detection Ability shows that the ability to detect fraud that is getting better can be formed by the presence of professional attitudes and behaviors owned by internal auditors. Auditors must have and maintain a professional attitude because this professional attitude is vital auditors so as not to fail in detecting fraud. After the fraud is detected, the auditor does not participate in hiding the cheating Widiyastuti and Pamudji (2009) . The results in this study support the findings of Butar and Perdana (2017), which found that professionalism variables affect the ability of auditors in detecting fraud.

## CONCLUSION

Based on the result of the research discussion having been explained before, so it can be concluded that: Test and analysis result shows that the skepticism of Government internal auditor gives positive influence to fraud detection ability and significantly proved. The development of the research shows that the Better auditor has Skepticism attitude, the easier auditor will get the related evidence. Thus, The skepticism of Government internal auditor can give believe and guarantee that the auditor can detect and reveal deceit early through fraud detection ability. Test and analysis result shows that the professionalism of Government internal auditor gives positive influence to fraud detection ability and significantly proved. The development of the research indicates that auditor professionalism is one of the significant factors to implement fraud detection ability so that deceit can be minimized and detected as early as possible.

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**Conflict of Interest Statement:** The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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**TABLE 1** | Hypothesis Research

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|                     |   |
|---------------------|---|
| Hypothesis research |   |
| H <sup>1</sup>      | Scepticism has a positive and significant influence on fraud detection ability      |
| H <sup>2</sup>      | Professionalism has a positive and significant influence on fraud detection ability |

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**TABLE 2** | The Estimation Result of Outer Loading Factor

| Variable               | Indicator | Outer Loading Score | Conclusion |
|------------------------|-----------|---------------------|------------|
| skepticism             | S.1       | 0,822               | Valid      |
|                        | S.2       | 0,823               |            |
|                        | S.3       | 0,798               |            |
|                        | S.4       | 0,818               |            |
|                        | S.5       | 0,758               |            |
|                        | S.6       | 0,794               |            |
|                        | S.7       | 0,843               |            |
|                        | S.8       | 0,797               |            |
|                        | S.9       | 0,835               |            |
|                        | S.10      | 0,841               |            |
| profesionalism         | P.1       | 0,733               | Valid      |
|                        | P.3       | 0,744               |            |
|                        | P.4       | 0,705               |            |
|                        | P.5       | 0,695               |            |
|                        | P.6       | 0,720               |            |
|                        | P.7       | 0,642               |            |
|                        | P.8       | 0,691               |            |
|                        | P.9       | 0,694               |            |
|                        | P.10      | 0,698               |            |
|                        | P.11      | 0,782               |            |
| Frud Detection Ability | P.12      | 0,818               | Valid      |
|                        | P.13      | 0,757               |            |
|                        | P.14      | 0,701               |            |
|                        | P.15      | 0,738               |            |
|                        | P.16      | 0,721               |            |
|                        | F.1       | 0,799               |            |
|                        | F.2       | 0,867               |            |

**TABLE 3** | The Measurement Result of Discriminant Validity

| Variable                | Average Variance Extracted (AVE) |
|-------------------------|----------------------------------|
| Skepticism              | 0,661                            |
| Professionalism         | 0,523                            |
| Fraud Detection Ability | 0,695                            |

**TABLE 4** | The Measurement Result of Composite Reliability

| VARIABLE                | Composite Reliability |
|-------------------------|-----------------------|
| Skepticism              | 0,951                 |
| Professionalism         | 0,946                 |
| Fraud Detection Ability | 0,820                 |

**TABLE 5** | R-Square Adjusted Score

| Endogen Variable        | Original Sample (O) |
|-------------------------|---------------------|
| Fraud Detection Ability | 0,491               |

**TABLE 6** | The T-statistic test result of Skepticism influence to Fraud Early Warning System

| Correlation Between Variable          | Original Sample (O) | T Statistics ( O/STDEV ) | P Values |
|---------------------------------------|---------------------|--------------------------|----------|
| Skepticism -> Fraud Detection Ability | 0,351               | 3,446                    | 0,001    |

**TABLE 7** | The T-statistic test result of professionalism influence to Fraud Early Warning System

| Correlation Between Variable               | Original Sample (O) | T Statistics ( O/STDEV ) | P Values |
|--|---------------------|--------------------------|----------|
| Professionalism -> Fraud Detection Ability | 0,394               | 3,761                    | 0,000    |

**LIST OF FIGURES**

1 **Conceptual Framework** . . . . . 85

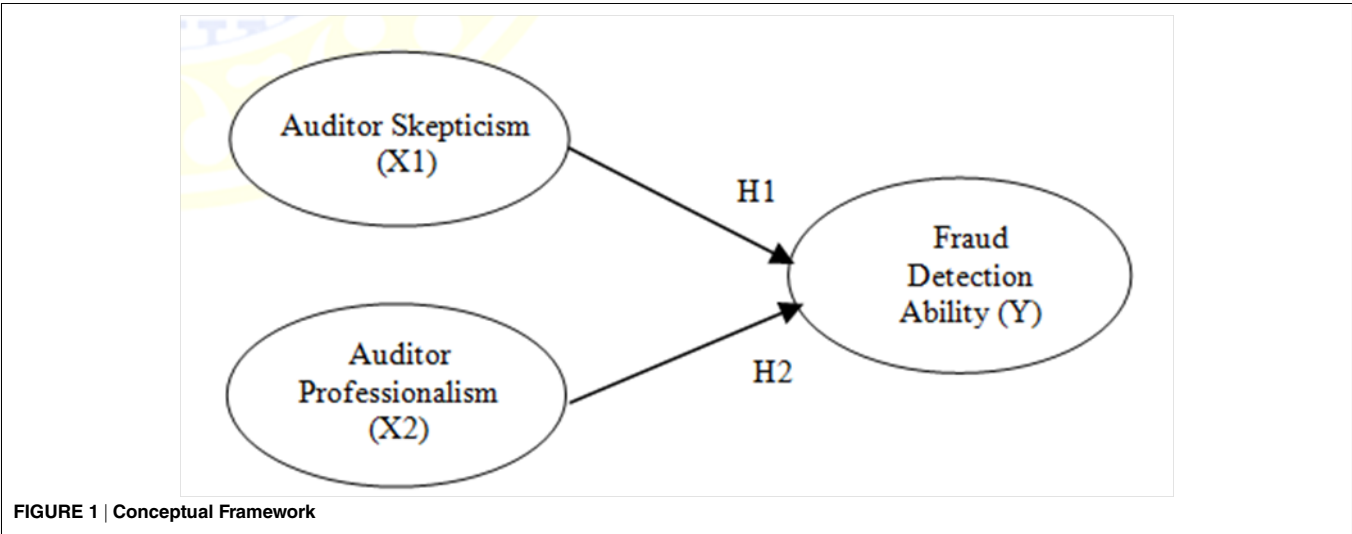


FIGURE 1 | Conceptual Framework