

Impact of Auditor Intuition and Experience on Fraud Detection of Kantor Akuntan Publik in Indonesia

Juninetenth Keeply F Sitanggang , Irsan Nasution

Abstract

The type of research conducted in this study is quantitative research with a causal relationship dimension (causal effect), namely a study conducted on facts to empirically prove the influence of a variable on another variable. The population in this study were all auditors at KAP in Indonesia. The sampling technique used random sampling where the samples were randomized and taken as many as the target sample set, namely 200 samples. The data analysis technique used SEM-PLS analysis. The result of auditor experience plays a significant role in error detection. The second hypothesis test proves that intuition has a significant effect on error detection. Partially, auditor intuition plays a significant role in error detection. However, auditor intuition does not stand alone in influencing fraud detection ability. This study also introduces auditor experience as a moderator variable. Auditor experience refers to the length of time the auditor has been in professional practice and the diversity of audit cases that have been handled. Auditors who have extensive experience tend to have more honed and accurate intuition because they have faced various fraud patterns, financial statement manipulation techniques, and audit avoidance strategies. Therefore, experience is expected to strengthen the relationship between intuition and the success of fraud detection.

Keywords: Intuition, Experience, Fraud Detection and SEM-PLS.

Juninetenth Keeply F Sitanggang
Accounting Magister Program, Universitas Pembangunan Panca Budi, Indonesia
e-mail: juninetenthsitanggang@gmail.com

Irsan Nasution
e-mail: irsan@dosen.pancabudi.ac.id

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Introduction

Auditors have a role as controllers and guardians of public interests related to the financial sector. In carrying out the audit role, auditors are responsible for planning and implementing audits to obtain sufficient assurance that the financial statements are free from material misstatements. Auditors must be supported by adequate competence in audit techniques and other supporting competences. These competencies are obtained through formal and informal education levels and through experience in audit practices [1]. The auditor must be able to collect and evaluate the evidence used to support the judgment given. The evidence collected must be sufficient so that it can convince the auditor in providing an audit opinion [2]. The responsibility for preparing and presenting financial statements is the responsibility of the company's management and to assess the fairness of the presentation of financial statements to be more reliable and credible, management requires the services of an independent third party, namely an auditor who has professional requirements who works based on sufficient education and experience.

Consistency in the presentation of public company financial statements is very important, because the annual financial statements of public companies are financial information published to the public (investors, potential investors, creditors and other users) and will be analyzed to support investment, credit or other decisions. In order to be analyzed using existing techniques, financial statements must have consistency in presentation [3] and be presented in an easy-to-understand format. Inconsistency in presentation will make it difficult to use analysis tools and even the results of the analysis can be misleading so that the Financial Statements of public companies must be audited by independent auditors [4] principle, the application of the method and principle must be consistent. However, the company is allowed to change the chosen accounting method or principle with a new accounting method or principle to adjust to the company's current conditions. Possible accounting changes are changes in accounting principles, changes in estimates, changes in reporting entities and accounting errors [5]. Accounting errors in question include mathematical calculation errors and errors in applying an accounting principle. Accounts that may experience changes in accounting principles and accounting estimates are: receivables, inventory, fixed assets, intangible assets, revenue. Changes occur due to changes in the method of writing off bad debts, the method of determining the allowance for bad debts and estimating obsolete inventory, changes in the method of inventory valuation and estimating obsolete inventory, changes in the method of depreciation, amortization and estimation of determining useful life and residual value, and changes in the method of revenue recognition.

The presence of changes in accounts other than the accounts mentioned above and changes due to accounting errors indicate early indications of incorrectness in the audit process (field work). Such incorrectness can be caused by [6], among others: (1) the auditor in the field does not carry out his duties carefully and thoroughly and the supervision process does not run well, causing the financial statements to be prepared to have mathematical calculation errors (2) the auditor in the field misinterprets a transaction fact, causing the financial statements to be prepared to have errors in the application of accounting principles (3) the auditor conducts an audit based on materiality and samples. Although this is permitted by the standard, there is a risk of not detecting transaction facts that are not material for the previous period but material for the current period, so that when these facts are found in the current period, the auditor is required to correct or restate the financial statements of the previous period (4) there is deliberate action by the auditor and management to mislead users of the financial statements by reclassifying the previous year's financial statement accounts when presented as a comparison with the current year's financial statements. This is possible because the published financial statements compare two periods. Based on this explanation, two important things can be

concluded related to the inconsistency in the presentation of financial reports, namely: indications of violations of standards and inaccuracies in the audit process.

There have been many studies on the characteristics that shape experience, but there are also many explanations of experience that have not been revealed. One characteristic that is considered to be the most decisive factor in expertise is knowledge [7]. In general, research on an expert's knowledge consists of research on the content of knowledge and research on the structure of knowledge possessed by an expert. Due to the limited value of information obtained from experimental research on the structure/organization of an expert's knowledge, especially auditors, Bouwman and Bradley suggest that more research be conducted on the content of knowledge. One of them is what special knowledge an expert has more than a layperson.

In accordance with the sentence in the accountant's report which reads "Informative disclosures in the financial statements must be considered adequate, unless otherwise stated in the auditor's report". This means that the audit conducted by the auditor is not carried out without standard standards, but rather an audit conducted with generally applicable standards in auditing. In conducting an audit, auditors generally do not examine all transactions and evidence in the company because it will take a long time and cost a lot of money [8]. One of the audit strategies carried out by auditors to help complete the audit task is by means of a sampling examination, namely an examination of items in the financial statements that are less than 100%, in other words a sampling examination is an examination of part of the population. The selected sampling can help auditors design efficient samples, measure the adequacy of audit evidence, and assess sample results. Adequate competence and sufficient experience are expected to be able to produce reliable conclusions.

In accordance with the General Auditing Standards which state that accountants are required to use their professional skills carefully and thoroughly in conducting audits. This standard requires a detailed examination of the work carried out by management/entity and supervision of the work by other auditors who assist in the audit task [9]. Another specific knowledge that has not been revealed in previous auditing research is regarding the use of intuition. Intuition is a passive species of representation, which allows our sensibility to sense. Intuition allows us to perceive certain relations between representations by limiting empirical knowledge to the realm of the senses by requiring the appearance of space and time. This research produces findings that stop only at the use of schemata by an expert in organizing knowledge. The sharpness of the use of intuition which is a reflection of the establishment of knowledge schemata is also thought to be a characteristic of an expert.

The phenomenon seen from the problem of errors that arise is the rampant accounting scandals that occur, the motive is none other than the company management to mark up the company's income and profits. In addition, many companies record sales that are not fair. This condition seems to be agreed with by internal auditors [10]. Meanwhile, the external auditors themselves fail to detect what the management is doing because of the lack of adequate experience and expertise, so that the data and information on the financial reports that come out are very misleading to investors in making decisions. Public trust in the accounting profession needs to be restored, and this depends entirely on the professional practices carried out by accountants, especially those who open practices as Public Accounting Firms. Where unlike other professions, independent auditors (KAP) are responsible for providing assurance services. While management, assisted by lawyers, financial advisors, and consultants, in presenting financial information, public accountants are tasked with assessing whether the financial information is reliable or not [11]. The validity of information about a company's performance depends greatly on the results of the public accountant's assessment. The word "public" that accompanies the accountant shows that his authority is given by the public and therefore his responsibility is also to the public (guarding public interest). Meanwhile, the word "fair without exception", which is the opinion of a public accountant, contains the meaning that the information audited is trustworthy, does not contain any doubt. Therefore, in carrying out an

audit, a public accountant is responsible for detecting the possibility of fraud and material errors.

Literature Review

2.1 Fraud Detection

Fraud Detection is necessary in order to fulfill its obligations in the field work standards. Knowledge is also necessary in connection with the formulation of the standard audit report form. In connection with this, the auditor has a responsibility to detect errors and irregularities [12]. Auditor's knowledge of errors begins with the acquisition of information in college through books and auditing lectures. Auditor's knowledge will deepen if an accountant works as an auditor. Factors that influence the development of auditor knowledge through audit experience, discussions on audits, seminars, supervision and review of work by supervisory auditors, training programs, follow-ups, audit programs and the use of audit guidelines [13].

The party that conducts the audit of the financial report is the auditor. The auditor will conduct the audit according to the provisions contained in the auditing standards set by the Association of Public Accountants. The existing auditing standards include (1) general standards, (2) fieldwork standards and (3) reporting standards. General standards are personal and relate to the auditor's requirements and the quality of his work. Fieldwork standards relate to the criteria and measures of the quality of the public accountant's performance in conducting fieldwork. Reporting standards relate to the criteria and measures of the public accountant's performance in reporting [14].

2.2 Auditor Intuition

Intuition is a term for the ability to understand something without going through rational reasoning and intellectuality. It seems that the understanding suddenly comes from another world and beyond consciousness. For example, someone suddenly feels compelled to read a book. It turns out that in the book, information is found that he has been looking for for years. Or for example, feeling that he must go to a place, it turns out that there he finds a great discovery that changes his life. However, not all intuition comes from psychic powers. Some intuitions can be explained by their causes [15]). Audit intuition is the auditor's ability to detect something "unusual" or suspicious based on professional experience and understanding, even when there is no direct evidence. This is often referred to as "professional skepticism" (Alnafisah et al, 2024). Audit intuition refers to the use of professional judgment based on the auditor's experience, instincts, and deep understanding of a particular situation, especially when the available information or data is incomplete or not entirely clear. Although not a formal method, intuition still plays an important role in the decision-making process during an audit [16].

2.3 Experience

The influence of experience on knowledge is very important in the context of an auditor's obligation to fulfill his/her duties to meet general audit standards (Lee et al, 2019). An auditor's knowledge begins with formal education, which is expanded through subsequent experiences in audit practice. To meet the requirements as a professional, an auditor must undergo sufficient technical training. Experience is something that has been experienced, lived, felt, endured, and so on". Experience is a combined accumulation of all that is obtained through repeatedly confronting and interacting with other natural objects, conditions, ideas, and senses [17]. Experience is a process of learning and increasing the development of potential behavior from both formal and non-formal education or can be interpreted as a process that brings someone to a higher behavioral pattern. Learning also includes relatively precise changes in behavior resulting from experience, understanding and practice [18].

2.4 Hypotheses Development

The influence of intuition on fraud detection in auditing is significant, especially since fraud is often designed to hide its tracks well, and is not easily detected by standard procedures alone. The auditor's intuition, derived from experience, sensitivity to anomalies, and professional skepticism, can be the initial trigger to dig deeper. However, intuition is not a substitute for audit evidence [19]). It acts as the auditor's "internal alarm" that, when used properly and combined with formal audit procedures, can be very helpful in uncovering hidden fraud. Auditor intuition is a non-formal ability that comes from experience, implicit knowledge, and sensitivity to certain situations. In the audit world, intuition is often referred to as "gut feeling" or professional instinct, and arises as a result of accumulated experience in handling various audit conditions. Although not a standard method in audit procedures, intuition can play an important role in recognizing early symptoms of potential fraud, especially in situations where the evidence is not yet completely clear [20]. According to the bounded rationality theory by Herbert Simon, humans do not always make decisions perfectly rationally due to limited information and time. In this situation, intuition plays an important role in bridging the information gap. In audit practice, intuition helps auditors make initial assessments of high-risk areas and can trigger additional audit procedures to find fraud [21]. Thus, intuition does not replace audit evidence, but functions as a complement that can increase the effectiveness of the audit process. Auditors who have high intuition tend to be more sensitive to symptoms of fraud. This study formulates the following hypotheses :

H2: Auditor Intuition Influences Fraud Detection in Public Accounting Firms in Indonesia

The influence of experience and knowledge is very important in the framework of an auditor's obligation to fulfill his/her duties to meet general audit standards. An auditor's knowledge begins with formal education, which is expanded through subsequent experiences in audit practice. To meet the requirements as a professional, an auditor must undergo sufficient technical training [22]. A person with more experience in a particular field has more items stored in his/her memory. An auditor's experience influences the auditor's knowledge structure about the different types of errors that he/she knows about. Audit experience can reduce the recency effect on auditor judgment. More experienced auditors are not sensitive to certain types of evidence, in terms of negative or positive evidence. Auditor experience is able to map information so as not to be trapped by the sequence of information received. It is said that the review mechanism can reduce the amount of bias, because the recency effect on the evaluation case of the company's internal control is reduced compared to without the review method. The review mechanism carried out in groups can also reduce the amount of bias, because the recency effect on the case of assessing the company's survival. La Ode emphasized that the results of the study have benefits for audit practices that should be the accounting firm emphasizing the review aspect to each auditor staff, so that the considerations made can be free from the evidence sequence factor [23]. Lannai explained based on research conducted on Public Accounting Firms in Solo and Jakarta, they concluded that using the number of years of experience for audit accountants as the only measure of expertise is not appropriate [24]. Audit expertise is an ability to identify errors which is part of auditor competence. This study formulated the following hypothesis :

H2: Audit Experience Influences Fraud Detection in Public Accounting Firms in Indonesia

Research Methodology

The type of research conducted in this study is quantitative research with a causal relationship dimension (causal effect), namely a study conducted on facts to empirically prove the influence of a variable on another variable. The population in this study were all

auditors at KAP in Indonesia, totaling 413 people. The sampling technique used random sampling where the samples were randomized and taken as many as the target sample set, namely 200 samples. The data analysis technique used SEM-PLS analysis.

Table 1. Variables and Indocators

No	Variable	Definisi	Indicator	Scale
1	Experience (X1)	Auditor experience is the ability of an auditor or examining accountant to learn from past events related to the ins and outs of audits or examinations.	1. Length of service 2. Intensity of tasks and career development 3. Work ability 4. Decision making 5. Learning from other people's experiences.	Likert's
3	Intuition (X2)	Intuition is the power or ability to know or understand something without thinking or studying; whisper of the heart; movement of the heart.	1. Preparation stage. 2. Illumination stage. 3. Verification stage.	Likert's
4	Fraud Detection (Y)	Fraud detection means an unintentional misstatement or omission of an amount or disclosure in the financial statements.	1. Errors in a business organization 2. Errors in the authorization system and recording procedures 3. The possibility of unhealthy practices	Likert's

Results and Discussion

The hypothesis states that Intuition has a significant effect on error detection. The results of testing the hypothesis of the effect of Intuition on Error Detection show that the hypothesis is accepted. This means that Intuition has a significant effect on Error Detection of KAP in Indonesia. The results of the regression analysis show that the regression coefficient value of the Experience variable is 0.143, meaning that for every 1% increase in the Intuition variable, Error Detection will increase by 14.3% with the assumption that other variables are considered constant. The results of this study cannot be compared with previous studies because they have different dependent variables so that the results of this study cannot be used as a general basis (generalization) in drawing conclusions. However, the results of this study can be the basis for statistical conclusions in the field that Intuition has an effect on Error Detection. This finding is expected that the KAP Auditor must have good Intuition in order to support high openness so that Error Detection will be even better [25].

The hypothesis stating that experience has a significant effect on error detection proves that the hypothesis is accepted. This means that experience has a significant effect on the Auditor's error detection. This finding shows that the Auditor's error detection is directly influenced by the Auditor's existing experience. The results of the regression analysis show that the regression coefficient value of the experience variable is 0.051, meaning that for every 1% increase in the experience variable, error detection will increase by 5.1% assuming that other variables are considered constant. The results of the study above cannot be used as a

basis for accepting the hypothesis. From these findings, it is expected that Auditors will remain aware of the existence of experience in order to support quality financial reporting. Specifically, the research findings conclude that experience cannot increase error detection. Experience in the form of laws or regulations has not been a driving force for increasing error detection [26,27]. The results of this study cannot be compared with previous studies because they have different dependent variables so that the results of this study cannot be a general basis (generalization) in drawing conclusions [28,29].

Conclusion

The first hypothesis test proves that experience has a significant effect on error detection. Partially, auditor experience plays a significant role in error detection. The second hypothesis test proves that intuition has a significant effect on error detection. Partially, auditor intuition plays a significant role in error detection. However, auditor intuition does not stand alone in influencing fraud detection ability. This study also introduces auditor experience as a moderator variable. Auditor experience refers to the length of time the auditor has been in professional practice and the diversity of audit cases that have been handled. Auditors who have extensive experience tend to have more honed and accurate intuition because they have faced various fraud patterns, financial statement manipulation techniques, and audit avoidance strategies. Therefore, experience is expected to strengthen the relationship between intuition and the success of fraud detection. Subsequent researchers can test similar research by adding independent variables that have not been discussed by researchers, such as professional care and thoroughness, mastery of accounting standards, auditor ethics, and other factors.

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