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INTERNAL AND EXTERNAL FACTORS AFFECTING AUDITOR'S ABILITY IN DETECTING FRAUDULANCE FROM THE ACCOUNTING STUDENT'S PERSPECTIVE

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ABSTRACT

In assessing financial information, auditors are required to be able to identify fraud to support the creation of transparency and accountability. Many recent financial statement fraud cases have demonstrated the auditor's failure to spot fraud. From many cases occurred and studies that have not yet provided a definite answer regarding the factors influencing an auditor's ability to detect fraud, this research paper was formed to examine the impact of professional scepticism, auditor competence, and red flags towards the auditor's ability to detect fraud as the dependent variable from the viewpoint of accounting students currently enrolled in college or have studied auditing through questionnaire. The sampling method conducted in this research is the non-parametric sampling method, specifically simple random sampling, which would then be processed using SPSS for descriptive statistics and PLS for model testing. The 197 questionnaires obtained and processed showed that each indicator was able to describe the variables used, the PLS model was able to provide pretty good predictions of the model, and each independent variable was able to provide a significant positive influence on its dependent variable. Therefore, in fraud detection, an auditor must always question the most minor thing in his findings, improve his ability to analyze the possibility of fraud occurring, and catch warning signs that often appear minor.

Keywords: *Fraud Detection, Professional Scepticism, Auditor Competence, Red Flag*

1. INTRODUCTION

A go-public firm lists its shares on the Indonesia Stock Exchange (IDX) and sells some of its ownership or shares to the general public to raise more cash from the sale of its shares, which can then be used to finance expansion, settle debt, finance acquisitions, or even be reinvested with public funds (Bursa Efek Indonesia, 2024, p. 1; p. 5). A company with partial public ownership must expose its information to the public, such as operational activities, company finances, company sustainability, and even other news, including investments that the company will make. In other words, companies are encouraged to be open and transparent in their information to their investors. This information will influence public opinion and decisions to continue to name capital in the company or stop investing in the company where this investor is investing. Based on this, seeing the importance of financial information in influencing public opinion, companies can justify any means to be able to present financial reports that satisfy their investors, including manipulating financial reports.

Manipulation of financial reports is not a rare occurrence in Indonesia. One of the fraud cases that managed to surprise various parties and raise concerns about the integrity and transparency in the company's financial management, according to CNBC Indonesia, is the scandal of PT Indofarma Tbk and its subsidiaries, which has caused state losses estimated at IDR 371.8 billion (Sandria, 2021). According to Kompasiana, the cause of this fraud was poor financial management within the company, which is obliged to report its financial

performance every quarter (Rokhimah, 2024). The company was revealed to have manipulated financial reports with the discovery of hiding important information, such as recording fictitious income, inflating asset values, and hiding financial liabilities to show better financial performance than the actual conditions. Although the company has used the same public accounting firm for two audit periods, namely Kreston HHE, the auditor who conducted the financial report audit was still unable to detect or reveal the irregularities that occurred, which shows that the existing audit and supervision procedures are inadequate to capture the manipulation that occurs within the company. In addition to the impact of state losses, the consequences of this case also made the public question the ability of external auditors to carry out audit procedures, especially in detecting fraud. Several factors can cause the inability of auditors to detect fraud, such as a sceptical attitude and auditor competence as the internal factors and red flags that the auditor must capture as the external factor (Gunawan et al., 2022, p. 74; Rininda, 2024, p. 29).

According to Audit Standard (SA) 200 (2012, p. 8), professional scepticism is characterized by a questioning mindset, being aware of affairs that may indicate the occurrence of misrepresentation, whether caused by deception or error, and involves a crucial evaluation of audit evidence. The professional skepticism's questioning attitude involves scrutinizing conflicting audit evidence, the reliability of documents and responses to inquiries, other information obtained from management and those responsible for oversight governance, as well as considerations regarding the adequacy and suitability of the audit evidence gathered under the conditions of the engagement. Many studies have been conducted to see the effect of professional scepticism on fraud detection, some of which are studies conducted by Gunawan et al. (2022), Amrulloh (2022), and Indrasti and Karlina (2020), which state that professional scepticism does not affect the auditor's ability to detect fraud, while studies conducted by Fransisco et al. (2019), Agustina et al. (2021), and Rininda (2024) revealed that professional scepticism affects the auditor's ability to detect fraud.

In the general standards that must be adhered to by an auditor, based on Generally Accepted Auditing Standards (GAAP) (2001, p. 1), in carrying out audit procedures and finding fraudulent acts, an auditor must have adequate technical training and skills to conduct an audit. Based on this, an auditor must have professional skills and expertise in carrying out his duties as an auditor so that the audit process produces an accountable opinion (Gunawan et al., 2022, p. 74). Many studies have also been conducted that reveal the influence between auditor competence and the auditor's ability to detect fraud, including research conducted by Indrasti and Karlina (2020), Arnanda et al. (2022), and Lambe et al. (2022) stated that auditor competence does not affect the auditor's ability to detect fraud, while research conducted by Gunawan et al. (2022), Witjaksono and Yudatama (2021), and Juanaristo et al. (2024) stated that auditor competence influences the auditor's ability to detect fraud.

When performing their duties, auditors must focus on elements that enhance their effectiveness in the audit process, such as a red flag—an indicator of fraud that must be identified by the auditor (Gunawan et al., 2022, p. 74). When red flags appear, auditors should be more vigilant and attentive to these signs to reveal evidence that can quickly detect potential fraud, preventing long-term impacts on the company (Juanaristo et al., 2024, p. 4925). Based on this, it can be said that red flags can affect the auditor's ability to detect fraud, as in the research conducted by Narayana and Ariyanto (2020), Gunawan et al. (2022), and Suci et al. (2022). However, this contrasts with the research conducted by Masri et al. (2022), Indrasti and Sari (2019), and Prakosa (2020), who stated that red flags do not affect the auditor's ability to detect fraud.

Based on the previous explanation, there is still much ambiguity regarding the factors influencing auditors' fraud detection ability. Therefore, further research was conducted to see the influence of professional scepticism and auditor competence as the internal factor accompanied by red flags as the external factor on the auditor's ability to detect fraud. Meanwhile, this study focuses on determining the influence between professional scepticism, auditor competence, and red flags on fraud detection by auditors based on the views of accounting students.

Attribution Theory

Attribution theory was born from the concept of "naive psychology" developed by Heider in 1958 and suggests that laypeople will instinctively try to find the cause of every event or behaviour, such as to understand why someone acts in a certain way in a particular situation (Schmitt, 2014, p. 1). In everyday life, a person will more often judge or assume the cause of other people's behaviour based on general understanding, or in other words; a person tends to make judgments about the cause of someone's actions based on simple assumptions, such as through general beliefs or personal experiences that have not necessarily been scientifically tested or even without in-depth analysis (Heider, 1958, p. 6). Haider (1958, p. 16) said that an individual tends to classify the cause of an event as an internal cause (from within an individual) or an external cause (from outside an individual, such as the environment or situation).

The process by which an individual searches for and determines the cause of an event that will influence the individual in giving emotional or behavioural reactions is called causal attribution. When an individual attributes the cause of action to internal factors such as the nature, ability, or intention of another individual, assume in terms of doing a task, then the individual who assesses the task of another individual will tend to reflect what has been done by this other individual as part of the character or personality of the individual who did the task (Heider, 1958, p. 160). In Heider's book, it is also explained that an individual will be more motivated and choose to continue the efforts that the individual has made since the beginning of the individual views that success can occur from efforts that are indeed caused by the individual himself (Heider, 1958, p. 161). Conversely, if success is more due to external factors, it may decrease the individual's motivation because they know that it is not the individual's efforts that most dominantly influence the success of the efforts that have been made (Heider, 1958, p. 162). The attribution theory presented by Heider in his book also explains that causal attribution greatly influences interactions between individuals, where individuals tend to judge the behaviour of other parties towards the individual.

The use of attribution theory recognizes auditors' personal characteristics as one of the determinants of the effectiveness of the audit procedure to reveal fraud (Arifin, 2022, p. 379). Therefore, this theory is expected to explain how the factors that are believed to influence the auditor's ability to identify fraud can indeed affect the auditor's capacity to recognize fraud through the attitudes or actions of an auditor in response to indications of fraud by the client that may arise during the audit.

Fraud Detection

According to the Association of Certified Fraud Examiners (ACFE), fraud is an activity that depends on deception to achieve an advantage (Association of Certified Fraud Examiners, 2024). Fraud is defined as a crime that involves "an intentional misrepresentation or concealment of material facts to induce another person to act to his or her detriment"

(Association of Certified Fraud Examiners, 2024). According to SA 240 (2012, p. 7), Fraud is a deliberate act performed by one or more individuals within management, those charged with governance, employees, or third parties using deception to gain an unfair or unlawful advantage. Based on the Fraud Examiners Manual (2024), the reasons why some people commit fraud, according to the fraud triangle developed by a criminologist named Dr Cressey, are financial needs, the opportunity to commit fraud, and rationalization (Association of Certified Fraud Examiners, 2024).

The International Standard of Audit (ISA) 240 (2009, p. 169) states that auditors are responsible for considering fraud or errors that may occur when auditing financial statements. While fraud is a wide-ranging legal concept, auditors are particularly worried about fraud that results in material misrepresentation in financial statements. Based on this, an auditor requires the ability to detect fraud that might happen in a company, which is reflected in the company's financial statements. Fraud detection refers to auditors' skills and expertise in identifying signs of fraud (Noviana & Asmara, 2023, p. 3). Meanwhile, according to the opinion of Gizta and Pratiyaksa and Rasmini (2020, in Noviana & Asmara, 2023, p. 3), Fraud detection is an auditor's effort to obtain sufficient early indications of fraud while simultaneously reducing the likelihood of fraudulent behavior and gathering information when identifying signs of wrongdoing or actions that could harm others.

Professional Scepticism

Stated in SA 200 (2012, p. 8), Professional skepticism is an attitude characterized by a questioning mind that is attentive to conditions that may suggest potential misrepresentation, whether due to fraud or error, along with a critical evaluation of audit evidence. Consistent with attribution theory, which explains that internal and external factors influence an individual's performance or ability, professional skepticism acts as an internal factor that can significantly enhance the auditor's ability to detect fraud in an entity (Rininda, 2024, p. 31). Hurtt (2010, in Rininda, 2024, p. 31) stated that low professional skepticism among auditors can reduce the auditor's ability to detect fraud because auditors can easily believe management statements without supporting evidence. According to Arifin (2022, p. 381), it is said that from the perspective of attribution theory, factors originating from within a person, such as continuous efforts to never give up, will continue to spur a person's enthusiasm to do their job perfectly to improve the quality of their work. Therefore, a hypothesis can be made that states that:

H1: Professional Skepticism has a significant positive effect on fraud detection

This hypothesis is supported by the findings of Fransisco et al. (2019), Agustina et al. (2021), and Rininda (2024). However, this is in contrast to the findings of Gunawan et al. (2022), Amrulloh (2022), and Indrasti and Karlina (2020), which state that professional skepticism does not have a significant effect on the auditor's ability to detect fraud. Looking at the research conducted by Sulistiyanti (2020, in Gunawan et al., 2022, p. 84), The cause of this professional skepticism does not significantly affect fraud detection because an auditor's skepticism may indicate fraud; however, it generally does not. An auditor's professional skepticism may only instill an untrustworthy attitude, preventing the auditor from being influenced by either internal or external factors.

Auditor Competency

Based on the International Standards of Supreme Audit Institutions (ISSAI) 150 regarding auditor competence (2022, p. 8), it is stated that competence is knowledge, skills, and personal traits that are important for job success in the audit process. Meanwhile, according

to IFAC (2006, p. 11), it is stated that in conducting a financial statement audit, must be carried out by a professional accountant who has gone through many processes until being assessed to demonstrate that the accountant has the ability and competence to be substantially involved in the financial statement audit and make significant audit judgments in addition to obtaining the knowledge and skills needed to conduct the audit.

Based on attribution theory, which states that competence is an internal factor of an auditor and is based on research conducted by Septianingsih et al. (2021, p. 817), it is said that when an auditor uses his/her abilities, the auditor will carry out his/her duties well. According to attribution theory, expertise is a component of internal attribution, which is primarily influenced by factors within the individual, including ability and effort. Individuals who make a concerted effort to enhance their expertise will possess superior knowledge, enabling them to better respond to social perceptions around them. Auditors with greater expertise will excel at identifying the signs of fraud occurring in their environment (Kartikarini & Sugiarto, 2016, in Zakaria & Setyahuni, 2023, p. 82). Therefore, a hypothesis can be made that states that:
H2: Auditor competence has a significant positive effect on fraud detection

This statement is in line with research conducted by Gunawan et al. (2022), Witjaksono and Yudatama (2021), and Juanaristo et al. (2024), but is in contrast to the statements made by Indrasti and Karlina (2020), Arnanda et al. (2022), and Lambe et al. (2022). This is because the mode of fraud that has arisen or will arise is increasingly complex and continues to develop to become more sophisticated, so this requires more specific abilities for an auditor in detecting fraud that will occur (Arnanda et al., 2022, p. 778).

Red Flag
According to ISSAI 5530 (2016, p. 20), a red flag is an indication or a set of circumstances that deviates from normal activities. When evaluating the strength of internal control, auditors can assess an organization's appropriateness and usage of red flags (ISSAI 5530, 2016, p. 21). Auditors should also remember that potential red flags may emerge during emergencies, and the presence of such indicators does not automatically imply that fraud has occurred. (ISSAI 5530, 2016, p. 21).

Attribution theory indicates that effective audit results can be influenced by the auditor's internal strength when assessing external factors affecting fraud detection, particularly in the form of red flags (Suartana, 2010, in Narayana & Ariyanto, 2020, p. 206; Zakaria & Setyahuni, 2023, p. 88). Effective fraud detection necessitates internal strength and external strength that specifically addresses questions regarding social perception, which is also connected to self-perception (Kelley, 1973, in Narayana & Ariyanto, 2020, p. 206). An auditor's self-perception plays a crucial role in determining whether a red flag indicates signs of fraud or merely an error (Narayana & Ariyanto, 2020, p. 206). When identifying red flags, auditors are likely to concentrate more on unusual conditions and subsequently focus on specific areas based on investigative data (Hegazy & Kassem, 2010, in Zakaria & Setyahuni, 2023, p. 88). From these two discussions, a hypothesis can be formulated that states:
H3: Red Flag has a significant positive effect on fraud detection

This statement aligns with research conducted by Narayana and Ariyanto (2020), Gunawan et al. (2022), and Suci et al. (2022), but as opposed to research conducted by Masri et al. (2022), Indrasti and Sari (2019), and Prakosa (2020) which state that red flags do not affect the auditor's ability to detect fraud. The argument presented by Masri et al. (2022, p. 79), states

that red flags do not affect the auditor's ability to detect fraud because red flags are not sufficient to represent the occurrence of fraud in a company. In addition, in the writing of Rustiarini (Rustiarini & Novitasari, 2014, p. 348) it is said that not all fraud indicators or red flags have the same effectiveness in detecting fraud. As a result, the use of red flags in detecting fraud can make the audit process less effective and may not necessarily reveal the occurrence of fraud.

Based on the hypothesis that has been made, a framework for thinking can be created in the form of:

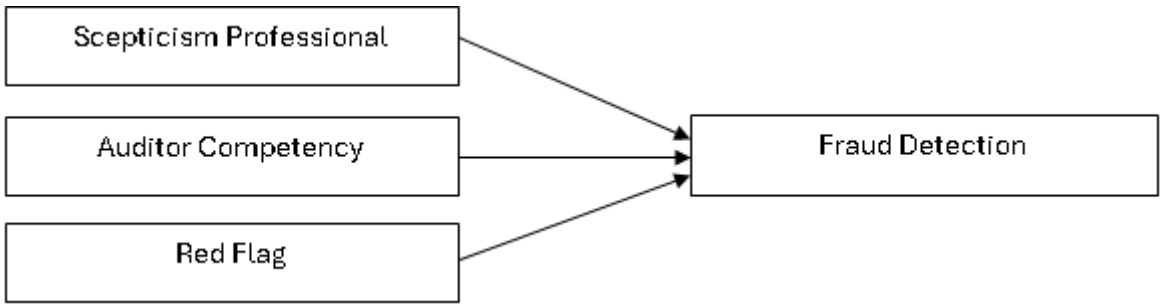

Figure 1. Thinking Framework

2. RESEARCH METHOD

In order to see how accounting students perceive the impact of each independent variable that consist of professional scepticism, auditor competency, and red flag, on the dependent variable, which is fraud detection, the study is based on the perspectives of students who are presently enrolled in classes and who have attended audit courses in the past or present. Due to the uncertainty surrounding the parameters available in a particular population, a non-parametric statistical approach was employed in this study. As for the sample to be used in the form of respondents from all students who are actively studying and who are currently or have taken audit courses, both audit 1 and audit 2. The method used in selecting the sample is probability sampling and the sampling method is simple random sampling, where the sample is selected randomly as long as it still meets the requirements in the form of students who are actively studying and who are currently/have taken audit courses. In this study, the data collected is primary data and is obtained through the distribution of questionnaires through google form. Measurement of variables using instruments in the form of closed questions with a total of 10 questions for each variable and 40 questions in total measured on a Likert scale from 1 to 5. In this study, there are 4 latent variables with 19 indicators as stated in table 1 below:

Table 1. Operational Variable
Source: Compilation of Article's Writer

Variable	Indicator	Scale	Source
Profesional Scepticism	Questiong Mind	Interval	Hurtt (2010); Hartan (2016)
	Suspension of Judgement	Interval	
	Search of Knowledge	Interval	
	Interpersonal Understanding	Interval	
	Self-Determining	Interval	
	Self-Confidence	Interval	
Auditor Competence	Personal Qualty	Interval	Hartan (2016)
	General Knowledge	Interval	
	Special Skills	Interval	

Red Flag	Pressure Characteristics	Interval	Suci et al. (2022)
	Audit Information	Interval	
	Management Oversight	Interval	
	Unusual Transactions	Interval	
	Information and Accounting System	Interval	
Fraud Detection	Understanding Internal Control System	Interval	Suci et al. (2022)
	Understanding Fraud Characteristics	Interval	
	Audit Method	Interval	
	Form of Fraud	Interval	
	Ease of Access	Interval	

The level of error that is still tolerated in this study is 5% with the total sample to be tested following the suggestions given by Kusumah (2023, p. 137) through the formula: Sample size = Number of indicators x 7. According to that formula, the total sample that must be collected based on these suggestions is 133 samples. As for processing the samples that have been collected, SPSS will be used to see the statistic descriptive of the samples and SmartPLS will be used for testing both outer and inner models.

3. RESULTS AND DISCUSSIONS

In this researh, the number of questionnaires distributed and processed was 197 questionnaires. Based on Figure 2 to Figure 4 below, it can be seen that of the 197 questionnaires, the most responses came from Tarumanagara University for about 27%, 58% were students majoring in financial accounting, and 29% were students who were in the semester 4. According to the results of descriptive statistic calculations with SPSS, it is found that from the indicators of each variable, the smallest response value was at number 3 while the largest was at number 5. As for each question indicator, the average answer value was above 4,2 which indicates that the respondents' responses to all question indicators used in this study are classified as high or it means that most of the students are agree or even strongly agree with the statement given in the questionnaire based on the criteria in the book by Kusumah (2023, p. 164). Students can feel that each statement does describe each indicator of the variable submitted due to the experience of learning audit courses that are felt to be by the existing statements or due to the analytical thinking in considering each statement in the questionnaire.

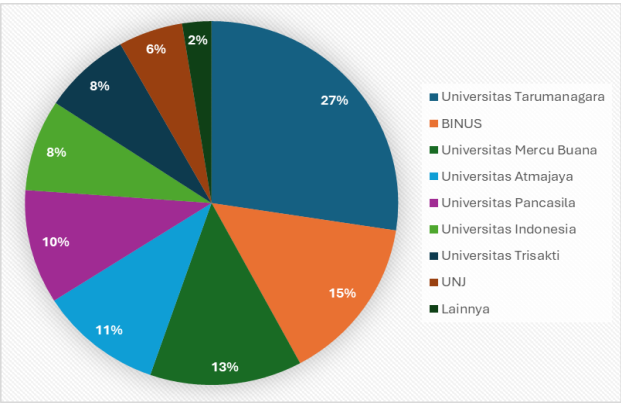

Figure 2. Respondents' University Origins

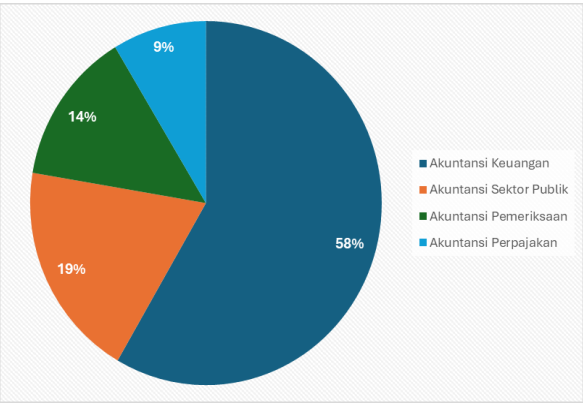

Figure 3. Respondents' Majors

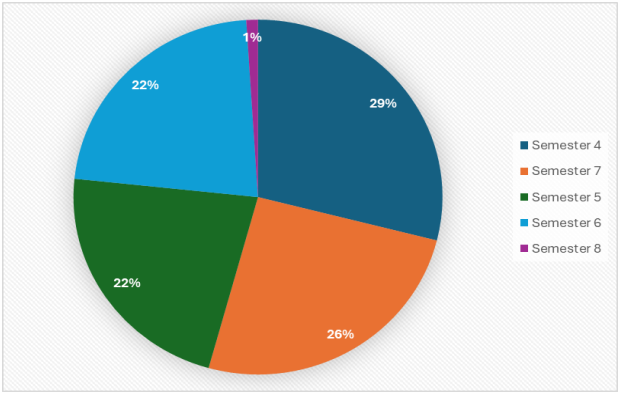

Figure 4. Respondents' Semester

Table 2. Mean Value for Descriptive Analysis
Source: Data research conducted, SPSS 25

Indicator	Min	Max	Mean	StDev	Conclusion	Indicator	Min	Max	Mean	StDev	Conclusion
SP1	3	5	4.401	0.652	Very High	RF1	3	5	4.310	0.670	Very High
SP2	3	5	4.462	0.681	Very High	RF2	3	5	4.299	0.675	Very High
SP3	3	5	4.350	0.673	Very High	RF3	3	5	4.254	0.675	Very High
SP4	3	5	4.274	0.619	Very High	RF4	3	5	4.335	0.654	Very High
SP5	3	5	4.462	0.643	Very High	RF5	3	5	4.442	0.641	Very High
SP6	3	5	4.391	0.601	Very High	RF6	3	5	4.421	0.639	Very High
SP7	3	5	4.426	0.632	Very High	RF7	3	5	4.421	0.631	Very High
SP8	3	5	4.259	0.654	Very High	RF8	3	5	4.437	0.664	Very High
SP9	3	5	4.406	0.661	Very High	RF9	3	5	4.376	0.678	Very High
SP10	3	5	4.492	0.652	Very High	RF10	3	5	4.365	0.669	Very High
KA1	3	5	4.503	0.644	Very High	FD1	3	5	4.548	0.642	Very High
KA2	3	5	4.482	0.667	Very High	FD2	3	5	4.452	0.658	Very High
KA3	3	5	4.426	0.655	Very High	FD3	3	5	4.477	0.635	Very High
KA4	3	5	4.452	0.642	Very High	FD4	3	5	4.452	0.658	Very High
KA5	3	5	4.487	0.644	Very High	FD5	3	5	4.437	0.633	Very High
KA6	3	5	4.447	0.673	Very High	FD6	3	5	4.406	0.668	Very High
KA7	3	5	4.508	0.636	Very High	FD7	3	5	4.401	0.667	Very High
KA8	3	5	4.462	0.658	Very High	FD8	3	5	4.442	0.625	Very High
KA9	3	5	4.609	0.584	Very High	FD9	3	5	4.416	0.662	Very High
KA10	3	5	4.462	0.651	Very High	FD10	3	5	4.457	0.681	Very High

Table 3. Convergent Validity Value Test
Source: Data research conducted, SPSS 25

Convergent Val.	**Question**	**FD**		**KA**		**RF**		**SP**	
Loading Factor	**1**	0.778	**Valid**	0.783	**Valid**	0.749	**Valid**	0.753	**Valid**
	2	0.816	**Valid**	0.793	**Valid**	0.733	**Valid**	0.765	**Valid**
	3	0.782	**Valid**	0.798	**Valid**	0.721	**Valid**	0.726	**Valid**
	4	0.783	**Valid**	0.800	**Valid**	0.748	**Valid**	0.761	**Valid**
	5	0.774	**Valid**	0.771	**Valid**	0.756	**Valid**	0.744	**Valid**
	6	0.753	**Valid**	0.762	**Valid**	0.754	**Valid**	0.768	**Valid**
	7	0.761	**Valid**	0.779	**Valid**	0.787	**Valid**	0.794	**Valid**
	8	0.761	**Valid**	0.778	**Valid**	0.774	**Valid**	0.748	**Valid**
	9	0.775	**Valid**	0.783	**Valid**	0.736	**Valid**	0.746	**Valid**
	10	0.767	**Valid**	0.777	**Valid**	0.738	**Valid**	0.765	**Valid**
Average Variance Extraction		0.601	**Valid**	0.612	**Valid**	0.562	**Valid**	0.573	**Valid**

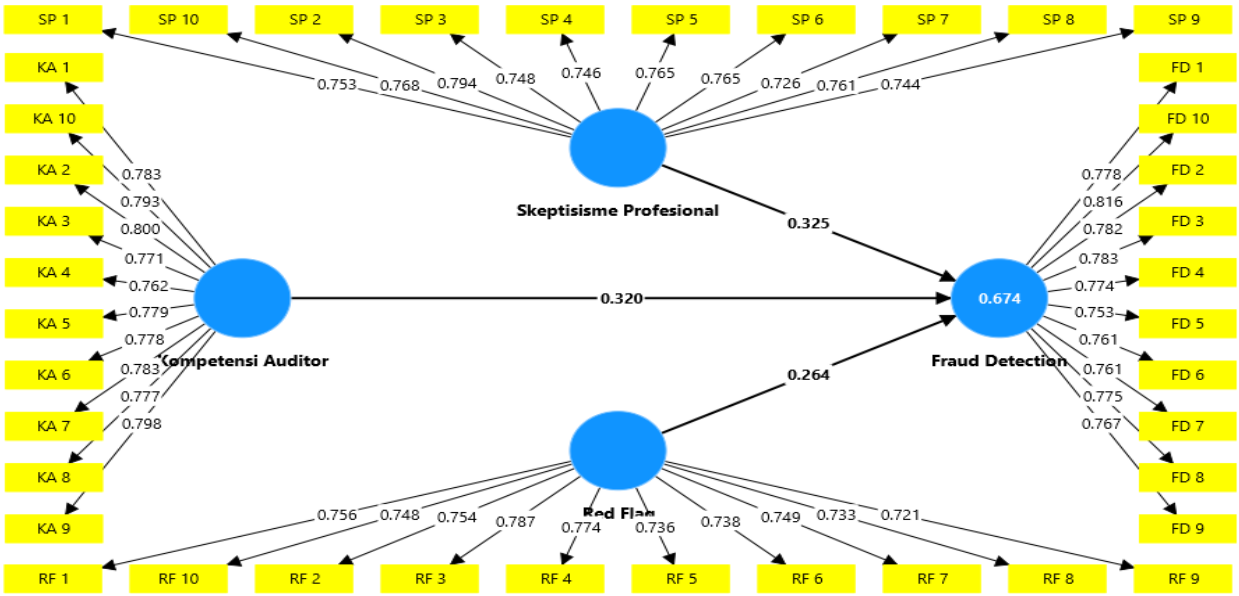

Figure 5. Outer Loading Factor Model
Source: Data research conducted, SPSS 25

The utilization of a convergent validity test is to see how close the specific steps meet in a construct (Kusumah, 2023, p. 95). This test can be evaluated through the loading factor and Average Variance Extraction (AVE) values shown in Figure 5 and Table 2, using the criteria that the loading factor must exceed 0.7 and the AVE must be above 0.5. According to Figure 5 and Table 2, it can be seen that all constructs meet the criteria, so it can be said that the existing data is valid and describes each variable used.

Table 4. Heterotrait-Monotrait Rasio of Correlations Value (HTMT)
Source: Data research conducted, SPSS 25

HTMT Value	FD	KA	RF	SP
Fraud Detection (FD)				
Kompentensi Auditor (KA)	0.814			
Red Flag (RF)	0.778	0.810		
Scepticism Professional (SP)	0.798	0.805	0.724	

The utilization of discriminant validity is to determine the extent to which the same measurements do not converge on other constructs by using the Heterotrait-Monotrait Ratio of Correlations (HTMT), with the criterion for the HTMT value being below 0.9 (Kusumah, 2023, p. 202). According to table 3, each variable's HTMT value is below 0.9, indicating that each variable yields valid results.

Table 5. Cronbach Alpha and Composite Reliability Value
Source: Data research conducted, SPSS 25

Variable	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Conclusion
FD	0.926	0.927	0.938	**Reliable**
KA	0.930	0.930	0.940	**Reliable**
RF	0.914	0.915	0.928	**Reliable**
SP	0.917	0.919	0.931	**Reliable**

Reliability testing is a method that guarantees that repeated measurements yield reliable results by providing evidence of the measuring instrument's consistency and stability (Kusumah, 2023, p. 96). A variable is deemed trustworthy if Cronbach's alpha exceeds 0.6

and composite reliability surpasses 0.7 (Kusumah, 2023, p. 203). According to table 4, both the Cronbach's alpha and composite reliability values for each variable meet the criteria, indicating that each indicator is reliable in measuring its respective variable.

Table 6. Coeficient of Determination Value
Source: Data research conducted, SPSS 25

	R-square	R-square adjusted
Fraud Detection	0.674	0.669

The determination coefficient is used to assess the extent of influence that the independent latent variable has on the dependent latent variable, as well as to determine whether there is a substantive effect. The model is deemed to have an influence if the R-squared value is greater than zero, with values of 0.67, 0.33, and 0.19 categorized respectively as high, moderate, and weak influence on the dependent variable (Chin, 1998, p. 323). According to table 5, the R-squared value of 0.674 indicates that the model utilized is quite strong in explaining the dependent variable, signifying that this research has good predictive value for hypothesis testing.

Table 7. PLS Predict Value
Source: Data research conducted, SPSS 25

	SmartPLS			Linear Model	
	Q²predict	**RMSE**	**MAE**	**RMSE**	**MAE**
FD 10	0.481	0.492	0.414	0.543	0.427
FD 6	0.432	0.505	0.444	0.541	0.441
FD 2	0.429	0.498	0.424	0.59	0.472
FD 3	0.419	0.485	0.412	0.537	0.433
FD 1	0.397	0.500	0.414	0.582	0.46
FD 4	0.391	0.515	0.441	0.539	0.433
FD 8	0.371	0.497	0.432	0.572	0.464
FD 7	0.369	0.531	0.458	0.593	0.469
FD 9	0.352	0.534	0.455	0.592	0.473
FD 5	0.286	0.536	0.468	0.566	0.475

When assessing how effectively the model influences its dependent variable, relying solely on the R-squared statistic is insufficient, as it does not indicate the model's out-of-sample predictive power (Shmueli et al., 2019, p. 3). PLS Predict, developed by Shmueli et al. (2019, p. 3), is a holdout-sample-based method that produces predictions at the case level for either an item or a construct, thus improving predictive model evaluation in PLS-SEM. To claim that the PLS model outperforms linear regression, one can compare the RMSE values from both the PLS and the regression model. If the RMSE values in the PLS model are lower than those in the regression model, it suggests that the PLS model is the preferable option (Shmueli et al., 2019, p. 7). Based on table 6, it is evident that all RMSE values in the PLS model are lower than those in the regression model. This finding indicates that the PLS model demonstrates significantly higher predictive power compared to the regression model.

Table 8. Path Coefficient
Source: Data research conducted, SPSS 25

	Original sample	T statistics	P values
Professional Scepticism -> Fraud Detection	0.325	4.554	0.000
Auditor Competency -> Fraud Detection	0.320	4.057	0.000
Red Flag -> Fraud Detection	0.264	4.076	0.000

Based on table 8, it appears that the coefficient value of professional skepticism on fraud detection is above zero or positive with a value of 0.325, meaning that when an auditor's professional skepticism increases, it will certainly increase the ability to detect fraud as well, and vice versa. The p-values below 0.05 reveal that this professional skepticism has a significant positive influence on fraud detection. Based on the coefficient value and p-values, professional scepticism can be said to have a significant positive influence on fraud detection, which aligns with the hypothesis stated before and makes the hypothesis accepted. This is also aligns with the attribution theory which states that humans are more likely to try to find the cause of every event or behavior, so with professional skepticism, an auditor will look for the cause of each incident until it is complete and immediately straighten out every strange or confusing thing by always demanding answers from the client. Thus, if there is something strange that triggers fraud, of course, it can be revealed directly by the auditor. This result is also consistent with research conducted by Fransisco et al. (2019), Agustina et al. (2021), and Rininda (2024), who said that professional skepticism as part of the internal factors within the auditor will certainly spur the enthusiasm of the auditor to continue to seek and explore information to produce relevant information in exposing fraud.

Table 8 also shows that the coefficient value of auditor competence on fraud detection is above zero or positive with a value of 0.325, meaning that when an auditor's competence increases, it will certainly increase the ability to detect fraud, and vice versa. The p-values below 0.05 reveal that auditor competence has a significant positive influence on fraud detection. Based on the coefficient value and p-values, auditor competence can be said to have a significant positive influence on fraud detection, which aligns with the hypothesis stated before and makes the hypothesis accepted. This result aligns with the attribution theory, which states that humans tend to judge the causes of other individuals' behavior based on general knowledge or simple assumptions. Therefore, with the knowledge and skills possessed by an auditor, the auditor will be able to find out what the client wants to do from the information collected by the auditor. This result is also consistent with research conducted by Gunawan et al. (2022), Witjaksono and Yudatama (2021), Juanaristo et al. (2024), and Zakaria and Setyahuni (2023). Based on Kartikarini and Sugiarto (2016, in Zakaria & Setyahuni, 2023, p. 82), It is said that expertise is part of internal attribution, which is largely influenced by factors within the individual, including ability and effort. Individuals who apply their full abilities to enhance their expertise will gain better knowledge, allowing them to respond more effectively to the social perceptions around them. Auditors with greater expertise will have a clearer understanding of the signs of fraud present in their environment.

The last hypothesis formulation regarding the red flag is said to influence fraud detection significantly, appears from table 8 that the coefficient value of the red flag on fraud detection is above zero or positive with a value of 0.264, meaning that when the red flag indication increases, it will certainly increase the ability to detect fraud as well, and vice versa. The p-values below 0.05 reveal that this red flag has a significant positive influence on fraud detection. Based on the coefficient value and p-value, a red flag can be said to positively influence fraud detection, which aligns with the hypothesis stated before and makes the hypothesis accepted. This result is also in line with the attribution theory, which states that with a red flag, an auditor can bring up their internal attitude, namely competence and professional skepticism in responding to the potential for fraud. Therefore, the auditor will examine whether the cause of the irregularities in the available information is external factors (macro such as market changes) or deliberate internal factors (client fraud). Based on some previous statements, it can also be said that a red flag can help an auditor be more vigilant and detect the potential for fraud. This is in line with research conducted by Narayana and

Ariyanto (2020), Gunawan et al. (2022), Suci et al. (2022), and Zakaria and Setyahuni (2023). This is also in line with the attribution theory expressed by previous researchers who said that the auditor's internal strength can influence effective audit results in terms of concluding external factors that influence fraud detection in the form of red flags (Suartana, 2010, in Narayana & Ariyanto, 2020, p. 206; Zakaria & Setyahuni, 2023, p. 88). Effective fraud detection requires internal strength and external strength that answers explicit questions about social perception, which is also related to self-perception (Kelley, 1973, in Narayana & Ariyanto, 2020, p. 206). An auditor's self-perception is crucial in determining whether red flags indicate symptoms of fraud or merely errors.

4. CONCLUSIONS AND SUGGESTIONS

From the discussions above, it can be inferred that auditors' ability to identify fraud is significantly impacted by internal variables, such as professional skepticism and auditor's competency, and external elements, such as red flags. This suggests that for financial information to be presented in a transparent and accountable manner, auditors must retain and enhance internal and external elements that affect their ability to identify fraud. For the next research, it would be better to conduct research that focuses more on the perspective of current auditors to describe better the actual situation of the influence of each independent variable on fraud detection, as this study only relies on the perspective of students and the limitations that exist when using primary data, particularly in filling out forms where it is unclear whether respondents fill them out consciously and completely or not.

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