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The Influence of Personality Type and Professional Scepticism on Fraud Detection in Auditing

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ABSTRACT

This study explores the impact of Personality Type and Professional Scepticism on fraud detection within audit practices, using data from 38 auditors across three audit firms in Bandung, Indonesia. A multiple linear regression analysis was conducted to examine the relationships between the variables. The findings indicate that neither Personality Type nor Professional Scepticism significantly influences auditors' ability to detect fraud, leading to the rejection of both hypotheses. Despite this, the regression model showed no evidence of multicollinearity, affirming the reliability of the analysis. The study suggests that other factors—such as auditor experience, organizational support, and audit firm governance—may play a more critical role in detecting fraud. These results highlight the need for future research to incorporate additional explanatory variables and larger, more diverse samples to improve generalizability. The findings contribute to the ongoing discourse on auditor effectiveness and emphasize the importance of organizational context in fraud detection outcomes.

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1. INTRODUCTION

Globalization has drastically changed the way businesses operate. Technology advances have brought about improved cross-border communication as well as multilateral collaboration, facilitating a company's expansion into global markets and unearthing diversified personnel. This connection, however, means that business would need to understand and settle cultural, legal, as well as economic differences within its territorial spheres, thus relating to added layers of complexity in its operations. Globalization has increased the competition as a whole, forcing businesses to innovate continuously and improve efficiency so as to remain competitive. This competitive environment forces companies to adapt to different consumer preferences and regulatory environments, thus making business processes more complex.

High volumes of transactions and intricate business structures often increase the risk of data inaccuracies due to a higher likelihood of errors and fraudulent activities. Managing large-scale financial transactions is particularly challenging because even minor discrepancies can result in substantial financial losses or breaches of regulatory compliance. The increasing complexity and frequency of electronic transactions demand sophisticated anomaly detection mechanisms that can identify and rectify irregularities in real-time (Pumsirirat & Yan, 2018). Large data environments and multilayered organizational systems may obscure underlying data quality problems; thus, robust internal monitoring systems are essential to prevent and detect both accidental errors and deliberate fraud. For instance, advanced anti-fraud technologies utilizing user behavior analytics and machine learning models have demonstrated increased success rates in identifying fraudulent transaction patterns (Ngai et al., 2011). Lack of proper oversight in these areas can result in material misstatements within financial statements. Therefore, proactive audit procedures are critical in detecting discrepancies arising from both unintentional mistakes and intentional manipulations (Murphy & Free, 2016).

Fraud and error in financial reporting are critical concerns that can severely undermine an organization's financial integrity. Errors typically occur during the recording or processing of financial transactions and can result from data entry inaccuracies, misapplication of accounting standards, or oversight of relevant information. While such mistakes are generally unintentional and correctable, they can still mislead stakeholders if left unchecked. Common types of accounting errors include errors of omission, commission, principal errors, and clerical mistakes (Trompeter et al., 2013).

In contrast, fraud involves the deliberate misrepresentation of financial information to gain unauthorized benefits. This includes tactics such as inflating revenues or concealing liabilities to present a misleading picture of the organization's financial position. Financial statement fraud involves intentional manipulation that violates accounting principles and results in stakeholder deception. To mitigate such risks, organizations should adopt a tripartite approach consisting of prevention, detection, and investigation.

Prevention strategies include strong internal controls such as separation of duties and regular audits. Detection mechanisms increasingly rely on advanced analytics and continuous monitoring systems to identify suspicious patterns (Yoon et al., 2015). Effective fraud investigation is rooted in forensic accounting, requiring skilled professionals trained to identify, analyze, and report financial irregularities. Forensic auditors must possess both

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technical competence and behavioral attributes such as professional scepticism and cognitive resilience.

Personality characteristics significantly influence the quality of forensic auditing. Personality types—enduring patterns in thought, emotion, and behavior—affect how auditors interact with their environment and make decisions. Another key trait in auditing is professional scepticism, defined as an auditor's mindset that involves critical evaluation and doubt toward audit evidence. It plays an essential role in detecting both errors and fraud, thereby enhancing audit quality (Hurtt, 2010). Research shows that higher levels of professional scepticism contribute not only to fraud detection but also to auditor independence and objective decision-making (Nelson, 2009); (Quadackers et al., 2014). Consequently, cultivating both the right personality traits and a sceptical mindset is crucial for strengthening the effectiveness of forensic audits.

Previous studies have explored the relationship between personality traits, professional scepticism, and the ability to detect fraud; however, their findings remain inconsistent. Some research highlights that certain traits such as conscientiousness and openness to experience are positively associated with ethical decision-making and improved audit performance, thereby enhancing fraud detection ability (Owhoso et al., 2002). Other studies emphasize the importance of structured fraud detection training and cumulative audit experience over personality traits in improving an auditor's capability to detect fraud (Bonner & Lewis, 1990).

Moreover, research suggests that professional scepticism may mediate the relationship between experience, training, and effective fraud detection. For instance, (Hurtt, 2010) developed a scale to measure scepticism as a stable trait that can enhance professional judgment. However, other findings suggest scepticism alone is not sufficient without contextual and organizational support (Nelson, 2009). These contrasting results reveal a gap in the literature, necessitating further empirical investigation to clarify these relationships.

Professional Scepticism.

Professional scepticism is among the fundamental auditor concepts that include attitude with a questioning mind and critical examination of audit evidence. Professional scepticism ensures that auditors do not accept information at face value but critically question the evidence. Professional scepticism is being in a state of mind in relation to situations that may indicate potential misstatement due to fraud or error and diligent testing of audit evidence, according to the International Federation of Accountants (IFAC).

Fraud-detecting quality auditor.

Fraud constitutes intentional acts of deceit applied to achieve illegal or unjust financial or personal benefits. In finance, fraud entails activities such as manipulation of financial reports, theft by deceit, and insider trading. These frauds lead to enormous amounts of money lost and even taint the image of financial institutions.

An effective audit enhances fraud detection through thorough scrutiny of financial records, compliance with auditing standards, and professional scepticism. Quality audits employ

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experienced auditors with robust procedures such as risk-based auditing and data analysis to detect outliers that could be indicative of fraud (Dechow et al., 2010).

How Personality Type Affects Fraud Detection.

Personality type (X1) may influence fraud detection (Y) via cognitive processing, decision style, and professional scepticism. Within the MBTI model, different personality types possess distinct degrees of critical thinking, analysis, and scepticism—elements all of which contribute substantially towards fraud detection. Research conducted by Noviyanti (2008) states that an individual's personality type is one of the determinants of the attitude of an individual, e.g. the scepticism of the individual. Auditors with Myers-Briggs personality types ST (Sensing, Thinking) and NT (Intuition, Thinking) are skeptical. Since the auditor possesses personality traits which always result in fact-based deciding, ST and NT auditors become more sceptical to detect fraud than other categories. Based on previous research, the hypothesis below is formulated:

H1: Personality type significantly affects fraud detection.

Professional scepticism is essential in fraud detection as it enables auditors to critically assess evidence, question inconsistencies, and identify potential misstatements in financial records. Auditors with a sceptical approach are more likely to detect fraud because they challenge evidence rather than accepting it at face value. Research indicates that increased professional scepticism enhances an auditor's ability to identify red flags and discrepancies in financial statements, improving fraud detection (Aminudin & Suryandari, 2016).The following hypothesis is formulated in light of the empirical findings of prior research for this study:

H2: Professional scepticism has a significant impact on fraud detection.

2. METHODOLOGY

Research Design

This study utilized a quantitative research approach with a causal-comparative design to investigate the effect of Personality Type and Scepticism on Fraud Detection. A quantitative framework is appropriate for measuring statistical relationships between variables (Ishtiaq, 2019)

Population and Sample

The population of this research includes professionals working in the auditing sector. The sample was selected using a purposive sampling method, targeting auditors and accounting professionals with relevant experience and insight into fraud detection practices. The data was collected from three audit firms based in Bandung, Indonesia, with a total of 38 respondents participating in the study. All participants completed the questionnaire in full, and their responses were included in the analysis.

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Instrumentation and Measurement

The primary data collection instrument was a structured questionnaire consisting of 45 items. These items were developed based on validated constructs from prior studies and relevant literature:

Personality Type: Measured using items adapted from the Big Five Personality Traits model (Eggers, 2000).
Scepticism: Measured using a scale adapted from Hurtt's Professional Scepticism Scale (Hurtt, 2010).
Fraud Detection: Measured using items developed from previous studies in forensic accounting and audit fraud detection.

Each question was measured using a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire was reviewed by academic experts in accounting and research methodology to ensure face and content validity.

Reliability and Validity

To ensure internal consistency of the questionnaire, a reliability test was conducted using Cronbach's Alpha, which yielded a value of 0.615 for the combined items. Cronbach's Alpha value above 0.60 is considered acceptable for exploratory research, indicating that the instrument is reliable for measuring the intended constructs.

Furthermore, construct validity was supported by adapting items from well-established instruments and aligning them with theoretical frameworks. The absence of multicollinearity in the regression model was verified through Variance Inflation Factor (VIF) and Tolerance values. Both independent variables had VIF values of 1.090 and Tolerance values of 0.918, well within the acceptable thresholds (VIF < 10; Tolerance > 0.1).

Data Analysis

The data was analysed using multiple linear regression to evaluate the effect of the independent variables—Personality Type and Scepticism—on the dependent variable, Fraud Detection. The regression model can be expressed as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \qquad (1)$$

Where:
Y = Fraud Detection
X_1 = Personality Type
X_2 = Scepticism
β_0 = Constant
β_1, β_2 = Regression coefficients

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ε = Error term

The statistical significance of the model and individual predictors was assessed using p-values (< 0.05 as the threshold), t-statistics, and standardized beta coefficients. All computations were performed using SPSS software, which is widely recognized for social science research.

3. RESULT AND DISCUSSION

Reliability Assessment

To assess the reliability of the research instrument, a Cronbach's Alpha test was conducted. The instrument, consisting of four items, achieved a Cronbach's Alpha value of 0.615. Cronbach's Alpha value greater than 0.60 indicates that the instrument has adequate internal consistency and is reliable for use in research. Therefore, the questionnaire in this study is deemed reliable.

Table 1 (Reliability Statistics).

Reliability Statistics

Cronbach's Alpha	N of Items
.615	4

Source: SPSS analysis (2025).

Hypothesis Testing and Multiple Linear Regression

This study aimed to examine the effects of Personality Type (X1) and Professional Scepticism (X2) on Fraud Detection (Y) using multiple linear regression analysis. The regression output showed a significant constant value of 4.008 (p = 0.000), indicating that the fraud detection value is statistically significant even when both independent variables are zero.

The hypotheses tested were as follows:

H1: *Personality Type significantly affects fraud detection.*
H2: *Professional scepticism has a significant impact on fraud detection.*

The results indicated:

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For H1, the regression coefficient for Personality Type was -0.094 with a significance value of 0.163, which is greater than 0.05. Thus, H1 is rejected.
For H2, the regression coefficient for Professional Scepticism was 0.024 with a significance value of 0.730, which is also greater than 0.05. Consequently, H2 is rejected.

The standardized Beta coefficients showed Personality Type (β = -0.089) to be slightly more dominant than Professional Scepticism (β = 0.022), although both effects remained insignificant. Additionally, the t-values of -1.359 and 0.345, respectively, confirmed that neither independent variable had a strong enough effect to explain variations in fraud detection.

Multicollinearity Diagnosis

To ensure the validity of the regression model, a multicollinearity test was conducted. The Variance Inflation Factor (VIF) for both independent variables were found to be 1.090, and the Tolerance value was 0.918. These values are well below the thresholds of VIF < 10 and Tolerance > 0.1, as suggested by Hair et al. (2010). Therefore, it can be concluded that multicollinearity is not an issue in this regression model, despite the independent variables being statistically insignificant.

Table 2 (Descriptive Statistics)

Variable	Mean	Std. Deviation	N
Detection Fraud	3.7473	0.92665	273
Personality Type	3.7949	0.87555	273
Scepticism	3.989	0.85528	273

Source: SPSS analysis (2025).

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Table 3 (Coefficients)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	4.008	0.321		12.506	0	3.377	4.639		
	Personality Type	-0.094	0.067	-0.089	-1.399	0.163	-0.226	0.038	0.918	1.09
	Scepticism	0.024	0.069	0.022	0.345	0.73	-0.111	0.159	0.918	1.09

a. Dependent Variable: Detection Fraud

Source: SPSS analysis (2025).

Discussion

Previous research has shown that personality traits and professional scepticism do not always have a direct or significant effect on audit quality. (Nelson, 2009) emphasized that while scepticism is a core auditing principle, its actual impact may be constrained by external factors like organizational culture, audit pressures, and task complexity. Similarly, (Kathy Hurtt et al., 2013) found that contextual and environmental influences—such as audit firm support, ethical climate, and supervision—can moderate or even overshadow the effects of individual sceptical traits, leading to mixed or insignificant relationships with audit outcomes. These findings support the current study's result, suggesting that broader systemic variables may play a more dominant role in determining audit quality than individual characteristics.

The probable reason behind this result is the presence of other influential variables that may have a stronger effect on fraud detection—such as task difficulty, auditor experience, organizational support, and ethical orientation. (Sayed Hussin & Mohd. Iskandar, 2014) suggest that situational factors and auditor characteristics can significantly impact professional judgment and fraud detection effectiveness. Hence, there exist chances that other variables have overshadowed the effects of Personality Type and Professional Scepticism in this study.

The other potential explanation of the results is the limited sample size, only 38 auditors from three audit firms in Bandung. The 45-question survey may not have caught the subtlety of fraud detection in the real audit environment. Thus, it is recommended that further research with a bigger sample size and wider geographic representation be undertaken to obtain more accurate and generalizable results.

Implications and Future Research

The results highlight the importance of considering systemic and contextual variables rather than focusing on personality and scepticism traits. Subsequent research must

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incorporate broader models that contain mediating or moderating variables like ethical climate, auditor capability, and audit firm governance. A mixed-methods approach that combines qualitative and quantitative data can also tell us more about the multidimensional nature of fraud detection. Augmenting the sample size and examining varied audit settings could further improve the strength and generalizability of future research.

4. CONCLUSSION

This study aimed to examine the influence of Personality Type and Professional Scepticism on Fraud Detection within the context of auditing, specifically among auditors in Bandung, Indonesia. According to multiple linear regression analysis results, both hypotheses, H1 (Personality Type has a significant effect on fraud detection) and H2 (Professional Scepticism has a significant effect on fraud detection), were not supported. The study revealed that Personality Type and Professional Scepticism were not statistically significant in fraud detection.

Both coefficients of regression for both variables—Personality Type (-0.094) and Professional Scepticism (0.024)—as reflected by their high p-values (0.163 and 0.730, respectively), showed lack of significant influence on the dependent variable, Fraud Detection. This can be inferred to mean that the effects of such psychological and attitudinal factors on fraud detection are not significant in the study sample and model. Additionally, the multicollinearity diagnostic tests ensured that the model was free from multicollinearity, guaranteeing the validity of the regression results.

Additionally, environmental and contextual variables—such as ethical climate, firm culture, and audit firm policies—can act as mediating factors that shape how individual characteristics influence fraud detection outcomes (Kathy Hurtt et al., 2013). Limitation of the study is that it has a comparatively small sample size of 38 respondents from merely three audit firms in Bandung, and that may not represent the greater audit profession. Subsequent studies can enhance the sample size, include respondents covering a wider geographical area, and cover other determinants like competence of auditors, complexity of the audit work, and cultural factors to present a better view of the fraud detection determinants. In addition, combining a mixed-methods study that combines qualitative results could be stronger and result in a richer image of the manner in which auditors detect fraud in practice.

In summary, although Personality Type and Professional Scepticism have frequently been termed key variables in fraud detection and audit quality, this study highlights the need for future study into other variables and factors that may in the end have a stronger influence on fraud detection within audit firms. It ought to be the goal of future study to continue the development of the model by adding organisational, environmental, and personal characteristics, thereby enhancing knowledge of the complexities of fraud detection in auditing.

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