THE EFFECTS OF EXPERIENCE AND TASK-SPECIFIC KNOWLEDGE ON AUDITOR'S PERFORMANCE IN ASSESSING A FRAUD CASE

MEIRYANANDA PERMANASARI dan INDRA ARIFIN DJASHAN

STIE Trisakti

Abstract: This research's objective is to investigate the relationships of auditor's experience, task-specific knowledge gained from training, and auditor's performance. This study explores whether the experience or the task specific knowledge variable or even the combination from both of them gained the auditor's performance in assessing a fraud case. This research used 16 CPA firm samples that consist of 141 external auditors. This research used normality test, independent sample t-test, one way ANOVA. This result of this research shows that there is no difference between combination of experience and task-specific knowledge on auditors' performance in assessing a fraud case. For the task specific knowledge there is difference between the auditor who has training and without training on auditors' performance in assessing a fraud case. And the last there is no difference between the auditor who worked less than a year, more than a year but less than 2 years and more than 2 years on auditors' performance in assessing a fraud case.

Keywords: Auditor's experience, Task-specific knowledge, auditor's performance, fraud.

INTRODUCTION

It's known that Indonesia is the most corrupt country in the world. That's why Indonesia needs account more than before. In one company, small or big, it can say that a fraud surely happened. It makes the degradation in their financial report. In "Standar Profesional Akuntan Publik" or SPAP, it

is mentioned that the purpose of an accountant doing an inspection for a financial report of a company is to assess the financial report and company's profit whether it's reported properly or not. Public accountant usually use the data that they have collected along the inspection to assess it. The data, especially company's financial report, was collected in audit's paper work. They will find any mistakes, irregularities or even any fraud in this paper.

Along the year 2002, so many mass media and international websites presenting news of any financial scandal of big companies, especially in USA and other countries. It is ironic that the scandals happen in big companies in USA. They manipulated their profit's report by stating that they will get millions dollar in profit but actually they are having financial degradation or financial loss. "WorldCom", the second of the biggest telecommunication company in USA, stated that they will have US$3.8 millions in profit but actually they are having a big loss. (Gunanwan 2002) "Tyco International" was accused for tax embezzlement in a transaction in New York. "Adelphia Communication" also accused for a securities fraud because they have an extraordinary transaction which giver more profit for them. "Xerox Cooperation" was accused for manipulating the report of their revenue. And also "Walt Disney" which manipulating their financial report for two fiscal year. (Sunarsip, 2002)

An auditor can not give a guaranty for their client that their financial statement report is accurate. That is because they were not checked every transaction that happen along the auditing year. They did not know whether every transaction that happens has been reported, summarized, or compiled properly in the financial report. That's why an auditor also can not guarantee the accuracy of that report. It will take more time and costly.

There are many issues that I will put in this research. First is the literature of the correlation between experience and performance. Some research before stated that experience is the most influencing factor on auditor's performance (Butt 1998, Shelton 1999, Knapp and Knapp 2001). On the other hand, some research stated that there are no difference between experienced auditors and inexperienced auditors on their performance (Ashton 1991).

The second issue is that most research on this topic employs the case rather than study the case itself as a parameter to measure their research successfulness. For example, there is a research which assesses the case continuality (Choo and Trotman, 1991; Shelton, 1999) and risk control assessment case (Frederik and Libby, 1986; Bonner, 19901; Davis, 1996) as performance parameter. Using fraud assessment case as a tool for a research should be strengthened by the previous research which found that knowledge

on specific task can improve the auditor's performance (Bonner 1990). That's because fraud assessment tasks require task specific knowledge. According to Bologna et al. (1993), that task specific knowledge, such as accounting and auditing; fraud knowledge; law and rules of evidence; mentality investigation; psychology; communication skills; computers and information technology are required for fraud assessment.

Thirdly, since this study use fraud assessment case and also since the concern of the public and the regulator regarding auditors' responsibility and ability to assess fraud has increased in recent years, this study is expected to make a contribution to the effort in increasing auditors' performance in dealing with fraud audit. For example, the previous results found that training may be useful to improve auditors' performance (Bonner 1990; Libby and Frederick 1990).

The objectives of this research are (1) to prove that the combination between auditors' experience and task specific knowledge will improve auditors' performance in assessing a fraud case; (2) To prove that the task specific knowledge will improve auditors' performance in assessing a fraud case; (3) To prove there's a significant difference between the auditor who has an experience less than a year, more than a year but less than two years, and more than two years in assessing a fraud case.

THEORITICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

The Effects of Experience and Task-Specific Knowledge on Auditors' Performance

This study tries to explore the effects of experience and task-specific knowledge on auditors' performance. Related with the experience, the results from the previous research of Tubbs (1992) which also supported by Hartoko's research (1997), it stated that the auditor's experience will influence auditor's knowledge structure about type of fraud which known by auditor.

On the contrary, Sularso and Naim's research (1999) concluded that difference of auditor's experience does not have an effect on the amount of knowledge about type of fraud which known by auditor.

The harmony of the idea that training and experience creates task specific knowledge can improve auditors' performance in cue selection task (Bonner 1990). Therefore, the following hypothesis is proposed:

H_1 The combination of experience and task-specific knowledge would improve auditors' performance in assessing a fraud case.

Task-Specific Knowledge on Auditors' Performance in Assessing a Fraud Case

Bonner and Walker (1994) stated that knowledge which gained trough formal training is good as it got from the experience from certain special program. It has a bigger influence in gaining the auditor's competence than from traditional program.

Through training session an auditor can obtain their knowledge. Therefore, this study predicts that as specific knowledge is gained, the numbers of fraud known by auditor is expected to increase because the auditor have more items (task-specific knowledge) stored in their memory. Moreover, the using of task-specific knowledge can improve auditor's performance to assess a fraud case.

Since task-specific knowledge that gained through training session in this study is important to improve auditors' performance, therefore the following hypothesis is proposed:

H_2 Task-specific knowledge would improve auditors' performance in assessing a fraud case.

Differences between the auditor's performance who has an experience less than a year, more than a 1 year but less than 2 years and more than 2 years in assessing a fraud case

According to Tirta's research (2004) auditor who has an experience more than three years classified as experienced auditor, while auditor will be categorizing as inexperienced auditor if the auditor having an experience less than three years. Besides auditor, this object is the respondent which is college student majoring accountancy.

Different from the previous research, in this research, the respondents are divided into 3 categorize, which are (1) Auditor who has an experience less than a year, (2) Auditor who has an experience less than one year and more than two year, (3) Auditor who has an experience more than two year.

Some base becoming researcher consideration why respondents are divided into three categorizes. Student who used in the previous research as one of the object replaced by auditor who has an experience less than a year, that's because auditor with an experience less than a year assumed that their knowledge is not much different with a college student in final year majoring accountancy. Therefore, the following hypothesis is proposed:

H_3 There is differences between the auditor's performance who has an experience less than a year, more than a 1 year but less than 2 years and more than 2 years in assessing a fraud case.

RESEARCH METHODS

Sampling and Collecting Data

This research is a survey research, the researcher only search a sample from a certain population. The research object used in this research is external auditor who works in public accountant firms located in Jakarta. The data which will be analyzed is the data from the questionnaires that fulfilled by the auditor. The sample selection method used is area sampling, which means that the auditors chosen are those that work at public accountant firms in Jakarta.

The questionnaires that were distributed is 180, it was distributed from October to November 2006. Only 156 questionnaires or 86.7% were returned and only 141 questionnaires or 90.4% were used in this research. The details of the questionnaires which were distributed, returned, omitted completely and processed in this research are as follows:

Table 1 Questionnaires

	Total	Percentage
Questionnaires distributed - contact person	125	69.4
Questionnaires distributed - email	55	30.6
Questionnaires returned	156	86.7
Not returned questionnaires	24	13.3
Incomplete questionnaires	15	9.6
Questionnaires processed	141	90.4

Definition and Measurement of Operational Variables Auditor's Experience

Experience represents one of the important elements in auditing besides knowledge which also has to be owned by an auditor. Of course it is not something surprising if the way of conducting and answering an information during the inspection between experienced auditor and inexperienced auditor will be different, also in making an audit conclusion on the object research.

Auditor experience measured from the duration of the auditor works in the public accountant firms which is will be analyzed from the question-naires that fulfilled by the auditor. The auditor is divided into three categorizes which are auditor who has an experience less than a year, auditor who has an experience less than one year and more than two years, auditor who has an experience more than two years.

Based on the previous research Tirta (2004) the research object is the auditor who works as government employees and employed by Badan Peme-riksa Keuangan Republik Indonesia (The Indonesian's Supreme Audit Board; hereafter BPK-RI) and the majority of those accepted as new employees (auditors) in BPK-RI will be placed in branch offices throughout Indonesia, then automatically most of the employees classified as experienced auditor, otherwise, the researcher in this research use the external auditor who works in public accountant firms located in Jakarta and it has a quite big employee turnover, then two year assumed is enough to be classified as experienced auditor.

An experienced auditor will be more aware of numbers of fraud matter that usually happened and more selective to accept information than an inexperienced auditor. Besides that, their experience makes them easy to recognize the object critical point to check.

Task-Specific Knowledge

In a discussion paper of expert auditors, Bedard and Chi (1993) said that an expert could be characterized by their knowledge, their way to solve problems, and their quality to make a decision. They are suggesting that in the issue of knowledge, there are two main considerations that affect expert performance in doing their tasks. These considerations are such amount of knowledge and knowledge structure. The expert-level performance not only depends on amount of knowledge but also depend on the organization of this knowledge or knowledge structure. Moreover, according to Bedard and Chi (1993), several research give suggests for experts in making categorizes based on deep structure (such as principles or procedures) whereas novices rely on surface structure (common factor), and of course that experts have more and stronger links among concepts and more procedural knowledge associated with those concepts.

RESEARCH RESULT

Table 2 shows the characteristic of respondent in this research.

Table 2 Respondent Characteristics

		Total	Percentage
Types of Public Accountant Firms	Big four	61	43.3 %
	Non big four	80	56.7 %
Sex	Male	57	40.4 %
	Female	84	59.6 %
Level of Education	High School	3	2.1 %
	Diploma	10	7.1 %
	Bachelor	124	88 %
	Master	4	2.8 %
	Doctor	0	0 %
	Others	0	0 %
Experience	< 6 month	24	17 %
	6 month < 12 month	27	19.2 %
	12 month < 2 years	47	33.3 %
	2 years < 3 years	19	13.5 %
	> 3 years	24	17 %
Fraud Training	No	76	54 %
	1 < 3	49	34.7 %
	4 < 6	11	7.8 %
	7 < 9	1	0.7 %
	> 10	4	2.8 %
Conducting Audit Investigation	Yes	58	41.1 %
	No	83	58.9 %

Analysis Of Variance (ANOVA) conducted to test whether 4 categories of sample have the same mean. The result is shown at table 3 as follow:

Table 3 ANOVA (First Hypothesis Testing)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	153.615	3	51.205	2.200	.091
Within Groups	3142.112	135	23.275		
Total	3295.727	138			

From table 3, shows F value is 2.200 with the probability 0.091. Because the probability is more than 0.05, so H_1 is not supported, it means that there is no significant difference between 4 auditor categories on auditors' performance in assessing a fraud case.

The result for independent sample t-test is shown at table 4 as follow:

Table 4 Independent Samples Test (Second Hypothesis Testing)

		Levene's Test for Equality of Variances		t-test for equally of Means		
		F	Sig.	t	df	Sig. (2-tailed)
RKP	Equal variances assumed	.605	.438	-2.199	137	.030
	Equal variances not assumed			-2.219	135.862	.028

From the table above shows that F value in levene test is 0.605 and probability 0.438, because the probability is more than 0.05, it means that they have the same variance. Otherwise t-test analysis should use equal variance assumed. From the table the t value at equal variance assumed is -2.199 and significant probability is 0.030 (2-tailed) bellow 0.05, so H_2 supported, it means that there is significant difference between the auditor who has a fraud training with the auditor who has no fraud training.

Analysis Of Variance (ANOVA) was conducted to test whether 3 categories of sample have the same mean or not. The result of analysis of variance (ANOVA) is shown at table 5:

Table 5 ANOVA (Third Hypothesis Testing)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	66.159	2	33.079	1.393	.252
Within Groups	3229.568	136	23.747		
Total	3295.727	138			

Table 5 shows that F value is 1.393 and the probability is 0.252. Because the probability is more than 0.05 so H_3 is not supported, it means that there is no significant difference between 3 auditor's experience categories on auditors' performance in assessing a fraud case.

CONSCLUSION, LIMITATIONS AND RECOMMENDATIONS

From the result of the research, take the following conclusion first, there is no difference of combination of experience and task-specific knowledge on auditors' performance in assessing a fraud case. The result of this research is not consistent with the previous research of Tirta (2004). But it is consistent with the previous research of Sularso and Naim (1999) and Ashton (1991). Second, there is difference between the auditor who has training and without training on auditors' performance in assesing a fraud case. The result of this research is consistent with the previous research of Tirta (2004). Third, there is no difference between the auditor who worked less than a year, more than a year but less than 2 years and more than 2 years on auditors' performance in assesing a fraud case. The result of this research is not consistent with the previous research of Tirta (2004). But it is consistent with the previous research of Sularso and Naim (1999) and Ashton (1991).

There is some inadequacy in this research that needs to be noticed for the next research (1) independent variable is distributed not normal although the outlier test have been conducted, this maybe because the data is not sufficient or respondent is not fulfill the questioners completely; (2) The research use questioners for data collecting so that it can generate wrong perception, it will different if the data was obtained from an interview so because the researcher can give explanation directly of how the respondent should fill the questions; (3) The research only takes the sample of respondent from certain locations which are Jakarta and a place that easy to reach; (4) The questioners was distributed on busy months, so there are difficulties to find the respondent who is willing to fulfill the questioners.

The recommendations which can be given and suggested for the next research are (1) The next researcher should try to distribute the questioners which supported by the proper interview method or he can be involved directly with the respondent; (2) The quantity of the questioners should be exceeded this research and distributed not only in Jakarta but also outside Jakarta, considering the normality test showed that data is distributed not normal; (3) Research's variable can be developed with other variable that consider correlate with the experience and knowledge.

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