

# Determinants of Internal Auditor Performance in Islamic-Based Organizations: Empirical Evidence from Indonesia

Yulianti YULIANTI<sup>1</sup>, M. Wahyudin ZARKASYI<sup>2</sup>, Harry SUHARMAN<sup>3</sup>, Roebiandini SOEMANTRI<sup>4</sup>

Received: February 10, 2022 Revised: May 02, 2022 Accepted: May 10, 2022

## Abstract

This study aims to obtain empirical evidence of the absence of testing the effect of professional ethics, emotional intelligence, and internal auditor performance on professional skepticism. According to this study, internal auditors can use professional skepticism to better understand red flag fraud. Questionnaires were used as the research instruments in this study. The participants included 186 auditors. Using structural equation modeling, this study confirms the hypothesis. The results show that the application of professional ethics and emotional intelligence has a positive effect on professional skepticism. The findings show that 1) professional skepticism can improve internal auditors' understanding of the red flags of fraud, 2) professional ethical norms influence how people behave and accomplish jobs, and 3) how constructive findings are produced by an audit procedure that adheres to the requirements of an audit expert, not just an espionage agent trained to infiltrate. As a result, internal auditors' higher performance in performing functions as a building agent rather than a secret agent like intelligence can be attributed to this. This study provides evidence that 1) not only does the use of professional ethics increase professional skepticism, but high emotional intelligence also plays a role, and 2) professional skepticism can improve internal auditors' understanding of red flags of fraud.

**Keywords:** Professional Ethics, Emotional Intelligence, Internal Auditors, Professional Skepticism, Red Flag of Fraud

**JEL Classification Code:** M4, M42, M14, L89

## 1. Introduction

Numerous studies in Islamic-based organizations have concluded that Shariah values are universal and applicable in the fields of economics, business, and the behavior

of their perpetrators (Hafidz, 2015). Internalization of Islamic values into ethics is a determining factor in shaping behavior and professionalism in any field, including auditing, but there have been few studies in Islamic universities on how Islamic values are embodied in the ethics of their internal auditors.

As a result, this research contributes to the integration of Islamic values into professional ethics as an auditor in the performance of duties as a professional auditor and as an employee of an organization. Thus, the findings of this study will strengthen the role of the university's internal auditors, with or without an adequate professional code, as well as emotional intelligence in determining the level of professional skepticism. Internal university auditors, like any other profession, should develop professional codes to serve as a means of resolving conflicts of interest between auditors and stakeholders. Stakeholders require assurance about internal audit results because accountants follow strict guidelines when conducting audits. Because there are no rules, stakeholders cannot rely on the auditor's report. Not only are there no guidelines, but even internal university auditors are hired without regard for professional competence

<sup>1</sup>First Author and Corresponding Author. Ph.D. Student, Accounting Department, Faculty of Economics and Business, Universitas Padjadjaran Bandung, Indonesia [Postal Address: Jl. Raya Bandung Sumedang KM.21, Hegarmanah, Kec. Jatinangor, Kabupaten Sumedang, Jawa Barat 45363, Indonesia]  
Email: yulianti16001@mail.unpad.ac.id

<sup>2</sup>Accounting Department, Faculty of Economics and Business, Universitas Padjadjaran Bandung, Indonesia.  
Email: wahyudin\_zarkasyi@yahoo.com

<sup>3</sup>Accounting Department, Faculty of Economics and Business, Universitas Padjadjaran Bandung, Indonesia.  
Email: harry.suharman@unpad.ac.id

<sup>4</sup>Accounting Department, Faculty of Economics and Business, Universitas Padjadjaran Bandung, Indonesia.  
Email: kaproeibiandini@yahoo.co.id

or other important requirements for becoming auditors, although competence is critical (Dethan et al., 2019). As a result, the quality of the university auditor's internal reports is frequently questioned (Abdulai et al., 2021; Mungal & Slippers, 2015), and previous research still yields mixed and inconclusive results.

Research on faith-based organizations has been widely conducted and has concluded that the religious values hold influence organizational professional practices (Askeland et al., 2019), and auditing principles are within Shariah values (Kartini & Sholihati, 2020). Previous studies attempted to establish a link between professional code and professional skepticism. They agree that professional code is related to professional skepticism. Internal auditors can benefit from clear guidelines in carrying out their duties. As a result of adhering to the procedure, the internal auditor will have a high level of professional skepticism. Professional skepticism is the auditor's attitude toward gathering valid and reliable audit evidence in accordance with audit standards (Hurt, 2010). Previous studies have discovered empirical evidence that internalizing cultural and other positive values can influence professional behavior (Patel et al., 2002) and skepticism (Handoiono & Matrutty, 2021). The auditor's skepticism should be reasonable, normal, and not excessive. Professional skepticism is an important area for auditors in creating audit quality (Khan & Harding, 2020; Kusumawati & Syamsuddin, 2018; Hurt et al., 2013; Mardijuwono & Subianto, 2018). Furthermore, professional skepticism is also very important in improving the auditor's ability to detect fraud (Hurt, 2010; Verwey & Asare, 2021).

In addition to professional skepticism, the first step in detecting fraud is to understand the red flag of fraud (Moeller, 2016). Internal auditors must be skeptical of an amount that is not excessive, but they must also be able to recognize a red flag of fraud for the fraud detection process to be effective and efficient (Moeller, 2016; Singleton & Singleton, 2010). This ability becomes difficult for the university's internal auditors because they are frequently appointed for political reasons rather than having adequate competence (Sumiyana et al., 2021) so external auditors cannot rely on their performance (Brody, 2012).

The red flag of fraud is not something that can be easily observed and discovered, it can be recognized through accounting anomalies, unusual reactions, behaviors, attitudes, personalities, and lifestyles (Sandhu, 2020, 2022; Feess & Timofeyev, 2020; Peltier-Rivest, 2018; Singleton & Singleton, 2010). Some research has examined professional skepticism from a variety of perspectives, including trait skepticism, skeptical mindset, and skeptical behavior (Hurt, 2010), ethics and experience (Shaub & Lawrence, 1996), the value of self-direction, value of tradition, the value of universalism, value of stimulation, the value of achievement, the value of security, the value of

benevolence, the value of hedonism, the value of power, the value of conformity (Khan & Harding, 2020), indirect audit fee and auditor independence (Kim et al., 2018), auditor quality (Kusumawati & Syamsuddin, 2018), accountability pressure, knowledge superior's preferences (Gong et al., 2014), auditor knowledge, traits, and incentives to produce judgments (Nelson, 2009), auditor characteristics, evidence characteristic, client characteristics, and environmental characteristics (Hurt et al., 2013), accountability and culture (Endrawes et al., 2021), organizational justice (Salehi et al., 2022; Islam & Bhuiyan, 2021). Unlike previous studies, the current study linked professional skepticism to the internal characteristics of auditors at Islamic-based universities.

Based on the description above, it can be stated that (1) professional code becomes a determinant of professional level of skepticism, but Islamic-based do not have it; (2) religious values set forth in the organization's vision and mission are expected to be internalized into professional codes; and (3) this study provides an important finding in the application of professional codes to Islamic University internal auditors. Internalization of natural values in the organization's vision and mission serves as a guideline for auditors in carrying out their responsibilities, which should be formalized in professional ethical codes and audit rules of conduct (Jones, 1991). The structure of this paper consists of a literature review presented in part 2. Research methods are presented in part 3. Part 4 discusses the study results, and part 5 shows the results of the discussion. Conclusions are presented in section 6.

## **2. Literature Review**

### **2.1. Professional Skepticism**

An internal auditor's responsibility, like that of other auditors, is to provide a reasonable assurance report on a university's financial statements in accordance with certain standards and regulations. To go through with it, one needs to apply appropriate professional skepticism. There is no universal understanding or practical guidance on what professional skepticism is, but previous research has shown that a lack of professional skepticism contributes to audit failure. Taking a presumptive doubt for the entire audit, on the other hand, would result in an overabundance of audit evidence in many areas, resulting in a suboptimal balance of effectiveness and efficiency (Nelson, 2009). As a result, in some cases, skepticism can include a degree of trust accompanied by proper verification. During the audit, the auditor must be able to maintain skepticism about a particular situation. As a result, the use of professional skepticism is a continuum to achieve the best balance of effectiveness and efficiency. Professional skepticism is an attitude that leads auditors to always ask questions and evaluate audit evidence

critically (AFC, 2020). As a result, the internal auditor will have the right attitude in terms of asking questions, suspending assessments, and acquiring knowledge related to the examination of audit evidence to obtain sufficient evidence before making a decision (Hurt, 2010). Internal auditors with a high level of skepticism make decisions based on risk assessments that an assertion is incorrect based on the information available to the auditor (Nelson, 2009). Thus, internal audits are conducted with professional ability and accuracy to identify the possibility of significant errors, fraud, or non-compliance (Indonesian Government Internal Audit Standards, 2021).

## 2.2. Professional Ethics and Professional Skepticism

The code of ethics to which a profession subscribes can clarify its mission and responsibility. Internal auditors, like other professions, have created and adopted a code of ethics. Two primary ethical orientations, moral and prudent, are used in the formulation of a professional ethics code. Accountants are frequently considered utilitarian in nature, and as a result, they are likely to take the prudent route. The enforceable rules section of the AICPA code is predominantly a guide to practice, although the principles section in the introduction addresses moral components. The internal auditors' code, on the other hand, is a guide to individual moral behavior. Because of the emphasis on loyalty, dignity, and morality, it is reasonable to assume that this institute follows a moral rather than a pragmatic policy. Individuals are not covered by the ethical codes, which are geared at accounting firms. As a result, the internal auditor ethical code is more common than the external auditor ethical code in reflecting individual ethical conduct and decision-making. The code specifies the human characteristics that are deemed necessary for doing ethical public service. Internal auditors always analyze evidence based on the personal understanding, motivation, and integrity of individuals supplying evidence when carrying out their obligations (Hurt, 2010). Auditors who hold professional codes will consider the moral value of the decisions taken so that professional skepticism is more targeted (Hurt et al., 2013; Shaub, 2020; Liu, 2018; Verwey & Asare, 2021). The proposed research hypothesis is as follows:

*H1: Professional ethical codes have a positive effect on professional skepticism.*

## 2.3. Emotional Intelligence and Professional Skepticism

A previous study found that faith is an excellent foundation for good emotional intelligence. Because an Islamic-based university places high importance on Islam, the internal

auditor will do the same. In this way, the university auditor can demonstrate how Islam has become an internalized value in their lives. The auditor's personality, attitude, and audit experience influence professional skepticism (Popova, 2013). Self-confidence reflects good emotional intelligence (Hellriegel & Slocum, 2011), and This attitude affects how we think about things and how we act. A person with high emotional intelligence will have self-awareness, social empathy for themselves and others, motivation, and high social abilities (Hellriegel & Slocum, 2011; Goleman, 1998). These characteristics are important to auditors because they work in teams, so the quality of an auditor's work can affect auditing quality. As a result, the auditor's personality is crucial in managing information processing and critical thinking processes. A professional attitude will emerge when the auditor can control his ego; yet, a lack of self-control will hamper the auditor's capacity to digest information and use critical thinking (Donnelly et al., 2021; Rosman, 2011; Hurt et al., 2013; Nolder, 2012). Research hypotheses can be proposed as follows:

*H2: Emotional intelligence has a positive effect on professional skepticism.*

## 2.4. Professional Ethical Codes and Understanding Red Flags of Fraud

A professional code of ethics represents the principles of an organization as well as the agreement of its members on those values. Those values reflect both organizational and individual judgments about whether particular things are "good" or "bad," "useful" or "harmful," and so on. (Fritzsche & Oz, 2007). Values and ethical norms provide a significant purpose in offering guidelines for analyzing his or her own and others' behavior. As a result, the professional code of ethics serves as a sign of professional moral courage that would connect all members of the organization to the organization's goals, but members of the organization also require organizational processes that would support the application of these principles (Sekerka et al., 2009). One of the professional behaviors related to ethics is to report questionable actions to the audit. Reporting dubious conduct to the audit is one of the professional behaviors related to ethics. These reporting activities necessitate security and assurance. The first step in recognizing the signs of cheating is to report any suspicious behavior (Boo et al., 2014). Auditor accountability can help auditors detect fraud more effectively (DeZoort & Harrison, 2018). Furthermore, the need to promote accountability motivates cognitive and auditor attentiveness in the detection of fraud (Endrawes et al., 2021). Ethical auditors will aim to avoid doing anything that may hurt them, such as failing to spot misstatements or cheating. When making choices, auditors

will not be influenced by auditing demands (Nelson, 2009). The adoption of professional ethics, it can be assumed, will improve internal auditors' comprehension. The hypotheses proposed in this study are as follows:

**H3:** *Professional ethical codes have a positive effect on understanding the red flag of fraud.*

## 2.5. Emotional Intelligence and Understanding Red Flag of Fraud

Emotional intelligence is defined as the capacity to understand, express, organize, and use emotions (Gaspar et al., 2017). A person with strong emotional intelligence will be able to control their emotions and have confidence in their ability to complete their task (Hellriegel and Slocum, 2011). Auditors believe in their abilities to recognize red flags of fraud when they are confident and able to regulate their emotions. Emotional intelligence is divided into five categories: the ability to recognize emotions, manage emotions, motivate oneself, recognize emotions fabric, and develop relationships with others (Mayer et al., 1999). Self-motivation is one of the emotional intelligence (Goleman, 1998). Auditor motivation might be boosted by the leader's intrinsic motivation. The auditor will be motivated to share the results of his audit with the rest of the team, the information will be accurate, and audit evidence will be gathered (Mocadlo et al., 2020). Internal auditors can recognize a red flag of fraud when the audit-proof is sufficient and the information acquired is accurate. When conducting an audit, if the auditor has a high level of emotional intelligence, he will be able to study the audit evidence thoroughly and recognize the red flags of fraud. The hypotheses proposed in this study are as follows:

**H4:** *Emotional intelligence has a positive effect on understanding the red flag of fraud.*

## 2.6. Professional Skepticism on Understanding Red Flags of Fraud

Professional skepticism is related to the detection of fraud (Hurtt, 2010; Verwey & Asare, 2021). Furthermore, internal auditors must first grasp the red flags of fraud to detect it (Singleton & Singleton, 2010; Moeller, 2016).

Skepticism interacts strongly with a high awareness of the risk of cheating. Obstacles to fraud investigation include a lack of professional skepticism and issues with audit procedures (Carpenter & Reimers, 2013). Due to a lack of professional skepticism, auditors are unable to uncover fraud (Beasley et al., 2001). Professionals who are skeptical and whistleblowers are crucial to determining fraud (Kusumawati & Syamsuddin, 2018). Auditors must have a skeptical self-critical mentality while investigating

the evidence. A skeptical self-critical mentality can raise the professional level of suspicion when considering financial statements that contain serious misstatements and fraud in financial statements (Harding & Trotman, 2014). Skeptical outcomes would enable auditors to detect fraud (Nelson, 2009). Auditors must work hard to gather credible evidence since a business's heterogeneity and complexity are high enough for the red flag of fraud to be recognized early on (Schierstedt & Corten, 2021). After receiving advice with assurances of whistleblower protection, auditors are more likely to disclose dubious behavior (Boo et al., 2014). Failure of auditors to detect fraud might jeopardize the auditor profession's reputation (Huang et al., 2017). When fraud remains undiscovered, auditors must be aware of possible audit procedures for influencing professional skepticism while testing the fraud risk (Simon et al., 2020). High levels of professional skepticism are likely to improve the red flag understanding of internal auditor fraud. The research hypothesis is presented as follows:

**H5:** *Professional skepticism positively influences the understanding of the red flag of fraud.*

## 2.7. Professional Ethical Codes to Performance

Professional ethics become a distinguishing feature of a profession that serves to control the behavior of its members. Professionalism must be analyzed not just in the context of a division of labor, but also "as part of a network of social and economic relationships," as a classical profession is built on its relationship to society as a whole. As a result, every member of the profession who provides services to the community and is an instrument of trust for the larger community must fulfill and adhere to the code of professional ethics.

Understanding the ethics of the profession will lead to the auditor's attitude and behavior in completing the assignment and achieving good outcomes. To retain public faith in the auditor and the audit results, an auditor must uphold the ethics of his profession as an auditor while conducting the assessment. The auditor's attitudes, behaviors, and actions will be guided by this ethical perspective to achieve positive results. Internal auditor performance is likely to increase if strict professional ethical rules are followed. The research hypothesis is presented as follows:

**H6:** *Professional ethical codes positively influence Performance.*

## 2.8. Emotional Intelligence to Performance

Emotional intelligence is the ability to effectively use, manage, and influence others' relationships in a constructive

way (Goleman, 1998). Emotional intelligence (Salovey & Mayer, 1990) is the ability to sense emotions, accept and build emotions, comprehend emotions, and have emotional knowledge that can help in emotional and intellectual development. It contains emotional intelligence, which includes the ability to manage oneself, spur, persevere, and motivate oneself. The abilities include the control of both good and negative emotions (Goleman, 1998). The appropriate use of emotion to achieve the goal of developing productive connections and achieving career success (Patton, 1998). Emotional intelligence has been shown to have a favorable impact on a person's work and performance in previous research. Emotional intelligence is associated with human resource management systems, such as training; in this scenario, emotional intelligence can be utilized as a foundation for providing specific training. Individual performance improves as a result of the training (Boyatzis et al., 1999). Controlling strong emotions can improve performance; empirical research suggests that emotional intelligence has a substantial impact on auditor performance (Hasanuddin & Sjahrudin, 2017; Dewi & Tenaya, 2017; Prasetya & Kuswati, 2017; Lasak & Shepherd, 2017; Wibowo, 2017; Trihandini, 2005; Supriyanto & Troena, 2012). The hypotheses proposed in this study are as follows:

*H7: Emotional Intelligence positively influences Performance.*

## 2.9. Professional Skepticism to Performance

Skepticism plays a role in analyzing audit evidence presented by management to support the audit's guaranteed quality. Professional skepticism should be employed in the gathering and evaluation of evidence during the audit process, according to Auditing Standard number 04 section 230. Previous research has found that skepticism affects audit quality in terms of risk assessment (Hasanuddin & Sjahrudin, 2017), cognitive performance (Peytcheva, 2014), and fraud symptoms (Hasanuddin & Sjahrudin, 2017; Fullerton & Durtschi, 2004). This demonstrates that the higher the level of professional skepticism, the higher the quality of the financial statement audit. Based on this hypothesis in this study, the following:

*H8: Professional Skepticism positively influences Performance.*

## 2.10. Understanding Red Flag of Fraud to Performance

Arwani (2018) explained that there are several red flags. Atypical purchase patterns may indicate that the cause(s) of these red flags should be investigated further. Excessive

amounts purchased, worse quality goods purchased than normal, greater prices compared to budget or previous buying, same vendors or vendor groups for several buying transactions, and so on can all suggest a pattern. The internal auditor should utilize the red flags as a symptom to detect any potential fraud, so prevent the university from committing wrongdoing. The more the auditor's knowledge of fraud's red flags, the more sensitive the auditor will be in recognizing and detecting fraud. As a result, the auditor's efficiency will improve. Thus, the hypotheses proposed in this study are as follows:

*H9: Understanding Red Flag of Fraud positively affects Performance.*

## 3. Research Methods

This study employed a cross-sectional survey design to distribute self-administered questionnaires to internal auditors at Islamic-based universities. All state universities designated as Public Service Agencies must have an internal auditing body, according to Ministry of Finance regulations. There are 58 Islamic universities in the country, however, only 14 have been designated as Public Service Agencies. As a result, only the Public Service Agency has been designated as a respondent. The researcher sends the questionnaire to the head of the internal auditor body via email, who then distributes it to the body's members. 186 questionnaires have been filled out, and three have been ignored due to missing data. 60.75 percent of the 186 respondents were men, while the rest were women. Respondents had a master's degree in 70.96 percent of cases and a doctor's degree in 15 percent of cases in economics, management, and accounting, with the balance of the cases falling outside of those three categories. None of the respondents indicated they had worked as auditors, both internal and external auditors, for more than five years. A model for university internal auditor performance is developed using 5 (five) study factors. There are two (two) independent variables and three (three) dependent variables, with two (two) of the dependent variables also serving as independent variables. As shown in Figure 1, the research model.

To measure the variables, below are the operational definition of each variable:

1. Professional skepticism is measured using auditor-related indicators in evaluating audit evidence, namely: question mind, suspension of judgment, and search for knowledge (Hurt, 2010).
2. Professional ethical codes are measured using the ethical principles of internal auditors of government, namely integrity, confidentiality, competence, accountability, and professional behavior (Indonesian Government Internal Auditor Association, 2018).

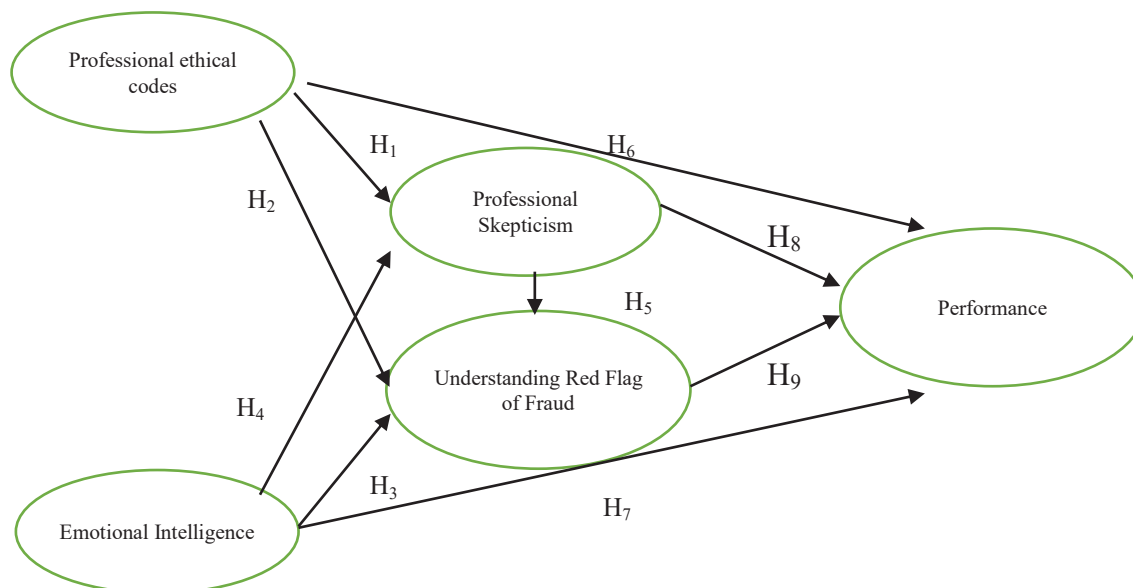


Figure 1: Research Model

3. Emotional intelligence is measured using four indicators: having high self-awareness, having high social empathy for yourself and others, having high motivation, and having high social skills. (Hellriegel & Slocum, 2011; Goleman, 1998).
4. Understanding the red flag of fraud is measured using three indicators, namely understanding the symptoms of fraud in financial statements, understanding the symptoms of fraud in asset misappropriation, and understanding the symptoms of fraud in corruption. (Singleton & Singleton, 2010).
5. Internal auditor performance is measured using the internal auditor's performance ratio consisting of attendance and performance assessment by superiors. (Regulation of the Minister of Religion of the Republic of Indonesia No. 29, 2016).

## 4. Empirical Results

### 4.1. Test Validity and Reliability of Instruments

Test the validity of the instrument using construct reliability (CR) and the instrument reliability test using average variance extracted (AVE) and. The AVE value of the construct must be at  $\geq 0.50$ , and CR has a value of  $\geq 0.70$  (Hair et al., 2010). The results of the validity and reliability tests in this study are presented in Table 1.

### 4.2. Coefficient of Determination Value

In determining the value of the coefficient of determination /  $R$ -square ( $R^2$ ), the value ranges from 0 to

1 and is divided into three assessment criteria, the first for the value of  $R$ -square ( $R^2$ ) ( $1 - 0.75$ ) including substantial/strong, the second for the value of  $R$ -square ( $R^2$ ) ( $0.74 - 0.5$ ) is moderate, the third for the value of  $R$ -square ( $R^2$ ) ( $0.49 - 0.25$ ) is weak (Table 2).

The findings of the examination of the coefficient of determination in each variable are shown in Table 2. Professional ethical codes and emotional intelligence both had a 0.329 effect on the red flag of fraud. That is, all exogen variables (professional ethics and emotional intelligence) had a 32.9 percent effect on the red flag of deception. Meanwhile, other variables not studied in the study influenced the remaining 67.1 percent. The  $R$  square test of professional ethics code and emotional intelligence against professional skepticism yielded a score of 0.305. This suggests that professional ethics codes and emotional intelligence have a combined influence of 30.5 percent on professional skepticism.  $R$  square is divided into weak and strong values. The  $R$  square of the results of comparing the variables red flag of fraud and professional skepticism against performance is 0.080. That is, the influence of red flags of fraud and professional skeptics on performance was measured at 0.080, while the rest was influenced by variables not investigated.

### 4.3. Hypothesis Test Results

Based on the results of the Bootstrapping calculation in Table 3 and Figure 2, it can be seen that four hypotheses tests produce a  $p$ -value of more than 0.05, namely H4, H6, H8, and H9. Meanwhile, five other hypothesis tests showed a  $p$ -value of less than 0.05. The explanation of each hypothesis test is described as follows.

**Table 1:** Results of Construct Reliability and Average Variance Extracted Test

Constructs	Construct Reliability (CR)	Average Variance Extracted (AVE)
Professional ethical codes	0.791	0.625
Emotional intelligence	0.799	0.502
Professional skepticism	0.721	0.500
Understanding of red flags of fraud	0.835	0.628

**Table 2. R-Square Test Result**

	R-Square	R-Square Adjusted
Red Flag	0.329	0.318
Professional Skepticism	0.305	0.298
Performance	0.080	0.060

**Table 3:** Bootstrapping Calculation Result

Hypotheses	Direction	Original Sample	T-statistics	P-values	Conclusion
H1	Professional Ethic to Professional Skepticism	0.322	5.064	0.000	accepted
H2	Emotional Intelligent to Professional Skepticism	0.306	4.378	0.000	accepted
H3	Professional Ethic to Red Flag	-0.160	1.989	0.047	accepted
H4	Emotional Intelligent to Red Flag	0.114	1.315	0.189	rejected
H5	Professional Skepticism to Red Flag	0.581	7.887	0.000	accepted
H6	Professional Ethic to Performance	0.005	0.050	0.960	rejected
H7	Emotional Intelligent to Performance	0.157	2.039	0.042	accepted
H8	Professional Skepticism to Performance	0.147	1.692	0.091	rejected
H9	Red Flag to Performance	0.034	0.485	0.628	rejected

1. There is a significant effect of Professional Ethics on Professional Skepticism because the Prob value is  $0.000 < 0.05$ . So that there is an influence of Professional Ethics on Professional Skepticism variable, or in other words, H1 is accepted. The original sample showed a value of 0.322, meaning that if the variable Professional Ethics rose by one unit, then Professional Skeptics also increased by 0.322. The relationship formed between variable Professional Ethics and Professional Skepticism is positive or unidirectional.
2. There is a significant effect of Emotional Intelligence on Professional Skepticism because the Prob value is  $0.000 < 0.05$ . So that there is an influence of Emotional Intelligence on Professional Skepticism variable, or in other words, H2 is accepted. The magnitude of the influence of the variable Emotional Intelligence on Professional Skepticism is 0.306, which means that if the value of Emotional Intelligence increases by one unit, then the value of Professional Skepticism also increases by 0.306. The relationship formed in this variable is positive.
3. There is a significant effect of Professional Ethics on Red Flag of fraud because the Prob value is  $0.047 < 0.05$ . So that there is an influence of Professional Ethics on the Red Flag of fraud, or in other words, H3 is accepted. The magnitude of the influence of the variable Professional Ethics on the Red Flag of Fraud amounted to  $-0.160$ . In this case, the relationship formed between the Professional ethic and the Red Flag of Fraud is negative, meaning that if the value of Professional Ethics increases by one unit, then the Red Flag of Fraud will decrease by 0.160.
4. There is no significant effect of Emotional Intelligence on the Red Flag of fraud because the Prob value is  $0.189 > 0.05$ . So that there is no influence of Moderation variables on Good Intentions, or in other words, H4 is rejected.

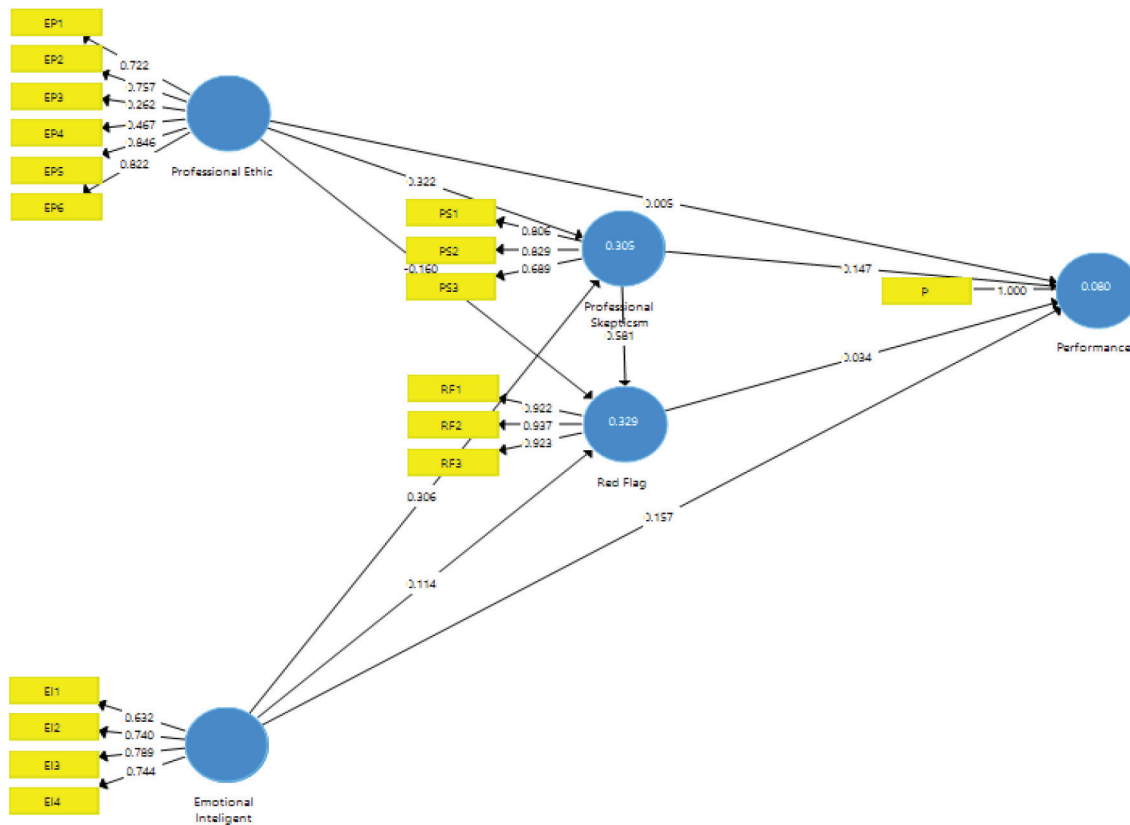


Figure 2: Bootstrapping Calculation Result

- There is a significant effect of Professional Skepticism on Red Flag of fraud because the Prob value is  $0.000 < 0.05$ . So that there is an influence of Professional Skepticism on the Red Flag of fraud variable, or in other words, H5 is accepted. The original sample value is 0.581, which suggests that if the number of Professional Sceptics rises by one unit, the Red Flag of Fraud rises by 0.581 as well. In other words, Professional Skepticism and the Red Flag of Fraud have a positive relationship.
- There is no significant effect of Professional Ethics on Performance because the Prob value is  $0.960 > 0.05$ . So that there is no influence of Professional Ethics on Performance, or in other words, H6 is rejected.
- Because the Prob value is  $0.0420.05$ , there is a significant effect of Emotional Intelligence on Performance. H7 is accepted since there is an influence between the Emotional Intelligence and Performance variables. Emotional Intelligence and Performance have a positive relationship. The performance will increase by 0.157 units if the Emotional Intelligent value increases by one unit. In the same way, if Emotional Intelligence drops by one unit, performance drops by 0.157.

- There is no significant effect of Professional Skepticism on Performance because the Prob value is  $0.091 > 0.05$ . So that there is no influence of Professional Skepticism on Performance, or in other words, H8 is rejected.
- There is no significant effect of Red Flag on Performance because the Prob value is  $0.628 > 0.05$ . So that there is no influence between the Red Flag to Performance, or in other words, H9 is rejected.

#### 4.4. Indirect Effect

Based on the indirect effect test findings in Table 4, it can be concluded that the indirect influence of each test gives a positive value in general. In other words, the test's indirect influence is favorable. The indirect influence of variable professional ethics on performance through the red flag of fraud has a negative score of  $-0.005$ , indicating that the link has a negative effect. The relationship between professional ethic influence on red flags of fraud and emotional intelligence against red flags of fraud through professional skepticism had the largest indirect effect, 0.187, and emotional intelligence against red flags of fraud



through professional skepticism had the largest indirect effect, 0.178.

#### 4.5. Total Effect

Based on Table 5, the total magnitude of the effect can be described as follows:

1. Emotional intelligence factors have a total influence of 0.212 on Performance, which suggests that if emotional intelligence grows by one unit, Performance will increase as well. The indirect effect of variable emotional intelligence on performance was 0.306 via professional skepticism and 0.292 via red flag of fraud. This is a positive influence.
2. The total influence of variable professional ethic on Performance is 0.053, which means that if professional ethic rises by one unit, Performance rises by 0.053 as well. Through professional skepticism, the indirect influence of fluctuating professional ethics on performance was 0.322, and through red flags of fraud, it was 0.027. This influence might be either positive or negative.
3. Professional skepticism factors have a total influence of 0.166 on Performance, which implies that if professional skeptics increase by one unit, Performance can increase by 0.166. Through the red

flag of fraud, the indirect contribution of Professional Skepticism factors on Performance is 0.581. This influence might be either positive or negative.

#### 5. Discussion

Individual and Islamic-Based Organization values are more aligned, making any leader's direction more acceptable. As a result, the internal audit purpose of securing as well as preventing the possibility of improper action has already been internalized in the internal auditor's thinking and behavior. Curiosity will be more prevalent than among those performing work audits. They regard presumptive skepticism as a human trait, rather than relating to any profession. This research provides empirical evidence that although in universities there are no written regulations, Islamic values are fused in the application of professional ethics, thus positively affecting professional skepticism as studied by Hurtt (2010), Shaub (2020), Nelson (2009), Hurtt et al. (2013), Liu (2018), Verwey and Asare (2021).

When auditors relate to others, they will correctly recognize who and how the person they are dealing with for them to respond appropriately. Therefore, an auditor with high emotional intelligence would always look for ways to recognize the object of the audit in depth before he could make a decision. A person with high emotional intelligence will have self-awareness, social empathy for themselves

**Table 4:** Indirect Effect

Description	Specific Indirect Effects
Emotional Intelligent → Professional Skepticism → Performance	0.045
Professional Ethic → Professional Skepticism → Performance	0.047
Emotional Intelligent → Red Flag → Performance	0.004
Professional Ethic → Red Flag → Performance	-0.005
Emotional Intelligent → Professional Skepticism → Red Flag → Performance	0.006
Professional Skepticism → Red Flag → Performance	0.020
Professional Ethic → Professional Skepticism → Red Flag → Performance	0.006
Emotional Intelligent → Professional Skepticism → Red Flag	0.178
Professional Ethic → Professional Skepticism → Red Flag	0.187

**Table 5:** Total Effect

	Performance	Professional Skepticism	Red Flag
Emotional Intelligent	0.212	0.306	0.292
Performance			
Professional Ethic	0.053	0.322	0.027
Professional Skepticism	0.166		0.581
Red Flag	0.034		

and others, motivation, and high social abilities (Hellriegel & Slocum, 2011; Goleman, 1998) thus having a positive impact on professional skepticism. The results of this study are in accordance with Nelson (2009), Hurtt (2010), Popova (2013), and Donnelly et al. (2021).

However, emotional intelligence has no effect on the red flag of fraud. Goleman (1998) reveals that emotional intelligence can reflect self-motivation. With high emotional intelligence, a person can control themselves and exert their best efforts to achieve something expected, such as having certain knowledge. However, the complexity of universities and audits demands not just self-encouragement but adequate ability and experience (Liu, 2018; Nelson, 2009, Popova, 2013). Ownership of certification makes the auditor have the right audit knowledge and techniques so that they can see the red flag of fraud (Shaub & Lawrence, 1996). Ownership of certification makes the auditor have the right audit knowledge and techniques so that they can see the red flag of fraud (Mocadlo et al., 2020). Emotional intelligence cannot improve the red flag's understanding of fraud. High emotional intelligence is not enough to make auditors understand the red flag of fraud.

The influence of emotional intelligence on performance is acknowledged. Because auditors work in groups, they must maintain tight control over their relationships with other team members. They are in charge of the information processing and critical thinking processes. They will develop a professional attitude as they restrain their ego; yet, the auditor's capacity to digest information and apply critical thinking will be hampered by his lack of self-control (Donnelly et al., 2021; Rosman, 2011; Hurtt et al., 2013; Nolder, 2012). The shared organizational value facilitates inter-organizational relationships and improves auditor teamwork synergy.

The red flag's understanding of fraud cannot be improved by emotional intelligence. High emotional intelligence isn't enough to convince auditors that fraud is a red flag. The impact of emotional intelligence on performance is acknowledged. Because auditors work in groups, they must maintain tight control over their interactions with other team members. They are in charge of the information processing and critical thinking processes. They will develop a professional attitude as they restrain their ego; yet, the auditor's capacity to digest information and apply critical thinking will be hampered by his lack of self-control (Mardijuwono & Subianto, 2018; Kusumawati & Syamsuddin, 2018). A healthy dose of skepticism can help one's curiosity lead to new discoveries. Curiosity facilitates the capture and processing of information, allowing a person to have a better understanding of a subject (Stone, 2000). As a result, professional skepticism, as hypothesized, can improve comprehension of the red flags of fraud. When an auditor has a strong interest in a subject, such as the

procurement of university resources, he or she can quickly assimilate diverse procurement-related data and develop an understanding of how procurement fraud can occur.

However, due to the incredible complexity of audit work, the amount of evidence that must be collected, and the demands for evidence validity, understanding of red flags may be unable to deliver useful findings. The internal audit method results in constructive audit findings, which means that the goal is to discover the cause of the problem rather than just report facts. Internal auditors are employed at the institution to assist in the implementation of effective university governance. As a result, the pattern of the check, recheck, evaluate, and improve is used to achieve continuous improvement. The internal auditor plays a critical role in this cycle, not just in discovering but also in recovering. University auditors' internal demographic diversity contributes to a variety of opinions and behaviors during the auditing process. To create real audit evidence rather than just knowledge-based audit evidence, the audit process necessitates particular competencies and competence.

## 6. Conclusion

The findings of this study show that professional, ethical norms influence how people behave and accomplish jobs, in this case, as internal auditors. As a result, internal auditors' higher performance in performing functions as a building agent rather than a secret agent like intelligence can be attributed to this. The other findings show how constructive findings are produced by an audit procedure that adheres to the requirements of an audit expert, not just an espionage agent trained to infiltrate. As a result, just having nice behavior and emotions will not be enough to qualify as an auditor; Being competent is also needed. Internal auditors must be treated as building agents, not intelligence agencies, if the government is serious about fostering effective university governance. As a result, a side gig as the university's internal auditor isn't going to help the university's governance. Good objectives (constructive audits) must be met in a professional and ethical manner by competent persons (Jahid et al., 2020).

The study also enlightens the application of Islamic ideals in the development of university auditors' internal morals. Internal auditors, on the other hand, have been reported to use their code of ethics to assist in the resolution of professional ethical difficulties. The audit process can continue to run without professional ethical norms, defined processes, and rules, but without enough competence, the audit process will only produce audit activities with no impact on developing better systems and mechanisms (Reynolds, 2000). As a result, Islamic-based institutions can integrate Islamic values while adhering to relevant criteria such as the IIA code of ethics, IIA standard for the professional practice of internal auditing, and IIA position

paper on whistle-blowing (Reynolds, 2000; Hashem Valipour et al., 2013; Khanifah et al., 2020).

There are some drawbacks to this study. First, internal auditors at Islamic universities are new to them, so the answers given may not be representative of experienced internal auditors; second, internal auditors at Islamic universities are new to them, so the answers given may not be representative of experienced internal auditors; third, internal auditors at Islamic universities are new to Second, the number of state Islamic universities is limited, resulting in an insufficient population; Third, internal auditors are not appointed indefinitely and can be removed by university administration if necessary. As a result, experience is not a factor in this study.

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