

THE EFFECT OF RED FLAGS AND INDEPENDENCE ON THE AUDITOR'S ABILITY TO DETECT FRAUD WITH MORAL REA-SONING AS THE MODERATING VARIABLE ON THE AUDITORS

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THE EFFECT OF RED FLAGS AND INDEPENDENCE ON THE AUDITOR'S ABILITY TO DETECT FRAUD WITH MORAL REASONING AS THE MODERATING VARIABLE ON THE AUDITORS OF INSPECTORATE IN SOUTH SULAWESI PROVINCE

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KeyWords

Red Flags, Independence, Moral Reasoning, Auditor's Ability to Detect Fraud.

ABSTRACT

This study aims to provide an overview of the effects of red flags and independence on the auditor's ability to detect fraud with moral reasoning as the moderating variable. The object of research is the auditors of Inspectorate in the South Sulawesi Province. Population of 51 auditors. Determination of the sample using the Nonprobability sampling technique, which is research that takes samples that do not provide equal opportunities / opportunities for each element or member of the population to be selected as samples. The population in this study was 51 auditors and all populations were sampled. Data were collected using a questionnaire with data analysis using moderated regression analysis (MRA) using SPSS version 25.

The results showed that (1) red flags have a positive effect on the ability of auditors to detect fraud; (2) independence has a positive effect on the ability of auditors to detect fraud; (3) moral reasoning has a positive effect on moderation by strengthening the relationship between red flags and the ability of auditors to detect fraud; and (4) moral reasoning has a positive effect on moderation by strengthening the relationship between independence and the ability of auditors to detect fraud.

I. Introduction

Fraud is a latent danger that threatens the sustainability of the organization. The results of research from the Association of Certified Fraud Examiners (ACFE) show that every year an average of 5% of the organization's income becomes a victim of fraud. Fraud cases occur in all types of organizations, including government, corporate and profit organizations. In 2003, ACFE also stated that the biggest fraud was financial reporting fraud. In Indonesia there are many frauds such as financial fraud (corruption). The results of monitoring by ICW (Indonesia Corruption Watch) in 2015 showed that state losses due to corruption amounted to IDR 3.1 trillion. The state losses in 2015 were caused by the number of corruption cases recorded by ICW as many as 550 cases (Fitriana, 2019).

Fraud perpetrators also develop not only limited to the upper classes but have touched the lower layers of employees. This indicates that the care and vigilance of all parties related to the occurrence of fraud is needed. Misuse of assets, tax manipulation and financial reports, and bribery are evidences of fraud either committed by individuals or government institutions that can harm the country (Hartan and Indarto, 2016).

Law of the Republic of Indonesia Number 32 of 2004 and Government Regulation of the Republic of Indonesia Number 8 of 2006 states that local governments are required to submit financial reports as an account of the end of the fiscal year, which are prepared and presented in accordance with Government Accounting Standards (SAP). Government Accounting Standards serve as guidelines for unifying perceptions among compilers, users and auditors. With the existence of SAP, the financial reports of the central or local government will be of higher quality, understandable, relevant, reliable and trustworthy. One of the users of Government Accounting Standards is a government auditor. Government auditors are auditors who work in government agencies that are tasked with conducting audits of financial accountability presented by organizational units or government entities or financial accountability addressed to the government (Dandi, 2017).

In the provisions of Government Regulation Number 41 of 2007 concerning Regional Apparatus Organization. The inspectorate is an internal government and development inspection apparatus, whose job it is to supervise government affairs. The inspectorate has a significant role as an internal examiner, commonly known as the internal auditor, in detecting fraud and improving regional financial reports.

In the Modern Auditing book, the function of the internal auditor is to carry out an internal audit function which is an independent assessment function within an organization to test and evaluate the activities of the organization carried out. In addition, the internal auditors are expected to contribute more to improving efficiency and effectiveness in the context of improving organizational performance, in this case the government organization. Thus, government internal auditors play a very important role in the process of creating accountability and transparency of financial management within the scope of government (Boynton et al, 2007).

II. Literature review

Attribution Theory

Attribution theory will provide an explanation of how to determine the causes or motives for someone's behavior. (Heider, 1958) as the originator of attribution theory argues that attribution theory is a theory that explains a person's behavior. Attribution theory describes the process by which we determine the causes and motives for a person's behavior. This theory refers to how a person explains the causes of other people's behavior or themselves which will be determined whether from internal factors such as nature, character, attitude or external conditions such as the pressure of certain situations or circumstances that will affect the behavior of individuals (Luthans, 2005).

(Robbins, 2003: 177) also argues that attribution theory is a person's behavior caused by internal or external factors. Internal factors are triggers that are under the individual's personal control, while external factors are seen as the result of external causes, namely that the individual is seen to be forced to behave in this way because of the situation. Meanwhile (Ikhsan and Ishak, 2008: 55) explain that attribution theory studies how a person interprets an event, reason, or cause of behavior. Is the behavior caused by dispositional factors (internal / internal factors), or is it caused by external conditions. (Andhani and Mertha, 2014) also put forward attribution theory, which is a theory that explains a person's behavior. This theory describes the process by which we or someone can determine what the motives and causes are regarding someone's behavior. So that in this study, attribution theory can be related to auditor independence which can be influenced by internal and external factors in their ability to detect fraud.

Cognitive Development Theory

The theory of moral development (Cognitive Development Theory) was first put forward by (Kohlberg, 1969), which focuses on the cognitive development of the structure of reasoning (reasoning) that drives or causes a person to make decisions. Kohlberg developed his theory using cognitive theory from Piaget, a Swiss psychologist. According to Kohlberg, the stages of moral development are a measure of a person's moral level based on the development of his moral reasoning. There are three stages classified by Kohlberg, namely the pre-conventional stage, the conventional stage and the post-conventional stage.

In the first stage, which is pre-conventional, this stage is the lowest stage. Individuals will tend to act because of submission and fear of existing laws. In addition, individuals at this moral level also view their personal interests as the main thing in carrying out an action.

Meanwhile, the second stage is conventional, where individuals have a basis for moral considerations related to understanding law, social rules in society, obligations, and justice in their social environment. Individuals at this stage begin to form moral reasoning in themselves by obeying rules such as ethical rules, professional code of ethics to avoid dysfunctional behavior.

The last stage is post-conventional, where the individual has shown a higher moral maturity. Moral maturity is the basis for individual considerations when addressing ethical issues related to social responsibility to others. Based on social responsibility, individuals / auditors who have high moral reasoning are expected to not conduct deviant behavior in their audit tasks.

Fraud

Fraud is a term that is generally defined as fraud or fraud with the aim of obtaining material and non-material benefits. (SKPN No.1 / 2017) defines fraud as an act that contains elements of intent, intention, benefits oneself or others, fraud, concealment or embezzlement, and misuse of trust which aims to obtain unauthorized benefits in the form of money, goods / assets, services, and does not pay for services, which are performed by one or more individuals who are responsible for governance, employees, or third parties. According to (Tuanakotta, 2013) the auditor's ability to detect fraud is related to the techniques the auditor has mastered in carrying out his duties. The techniques referred to can be in the form of techniques in auditing financial reports, investigative audit capabilities for organized crime and income tax smuggling, and investigative audit capabilities in disclosing fraud in the procurement of goods and services.

According to The Association of Certified Fraud Examiners (ACFE), fraud is an act that is against the law that is done intentionally for a specific purpose (manipulation or giving false reports to other parties) by people from inside or outside the organization for personal gain or groups that directly or indirectly harm other parties. The Association of Certified Fraud Examiners (ACFE) classifies fraud into three types, namely asset misappropriation, corruption, and fraudulent statements.

Fraud Pentagon Theory

Fraud Pentagon Theory is a theory put forward by (Crowe, 2011). This theory is the development of the Fraud Triangle theory (Donald R. Cressey, 1953) and the Fraud Diamond theory (Wolfe and Hermanson, 2004). Where the previous theory, the fraud triangle theory has three components, namely pressure, opportunity, and rationalization. Then in the fraud diamond theory one component is added, namely competence (capability / competence), so that the fraud diamond theory becomes four components. Furthermore, the pentagon theory fraud was refined again by (Crowe, 2011) by adding another new component, namely arrogance. So that the fraud pentagon theory is divided into five components, namely pressure, opportunity, rationalization, capability / competence and arrogance.

Red Flags

The term red flags is a sign that something is out of place and needs attention. ¹ Auditors ¹⁰ investigators use red flags as an indication or **indication of fraud in a financial statement**. Di Napoli (2012) defines that red flags is a set of circumstances that are unusual in nature or vary from the normal activity. It is a signal that something is out of the ordinary and may need to be investigated further. Remember that red flags do not indicate guilt or innocence but merely provide possible warning signs of fraud. (Zimbelman et al., 2014) terms red flags as a sign that you are fraud. According to him, to detect fraud, auditors must be aware of the signs of fraud (red flags) and investigate whether these signs were caused by actual fraud or caused by other factors. (Zimbelman et al., 2014) also divides the fraud indicators into six groups, namely accounting anomalies, internal control weaknesses, analytical anomalies, excessive lifestyle, inappropriate behavior, and information and complaints.

Independence

The Institute of Internal Auditors IIA (2011: 43) as an internal auditor association in America that was formed in 1941 formulated a definition of independence, independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Independence is a general auditing standard set by the Indonesian Institute of Accountants (IAI) which ² states that in all matters relating to engagement, independence and mental attitude must be maintained by the auditor. Independence is essentially an attitude of the mind of someone who has responsibility, is free to communicate the results of his examination and avoids conflicts of interest.

Moral Reasoning

According to (Gaffikin and Lindawati, 2012) moral reasoning is defined as the reason that a person takes action or the reasons that underlie someone in justifying or criticizing an act. In this case, moral reasons are obtained from the learning process and scientific reasoning by a person (auditor). Forms of moral reasoning can be seen from the behavior shown in work such as being honest and working in accordance with conscience and the oath of office. When moral considerations have been carried out properly in making every decision, the quality of work carried out will get better.

Auditor's Ability to Detect Fraud

The ability of auditors is the expertise and skill ⁴ possessed to carry out their duties, including in gathering evidence, making judgments, evaluating internal control, and assessing audit risk. An auditor is highly demanded for his ability to provide the best service according to the needs of the company or organization. The auditor's ability to detect fraud is the quality of an audience in explaining the impropriety of the financial statements presented by the company by identifying and proving the fraud (Nasution and Fitriy, 2012). According to (Tuanakotta, 2013: 351) the ability of auditors to detect fraud is related to the techniques the auditor has as a provision for carrying out their duties. The techniques referred to can be in the form of techniques in auditing financial reports, investigative audit capabilities for organized crime and income tax smuggling, investigative audit capabilities in disclosing fraudulent procurement of goods and services.

Research Hypothesis

H1 = Red flags have a positive effect on the ability of auditors to detect fraud.

H2 = Independence has a positive effect on the ability of auditors to detect fraud.

H3 = Moral reasoning has a positive effect in moderating the relationship between red flags and the auditor's ability to detect fraud. ¹

H4 = Moral reasoning has a positive effect in moderating the relationship between independence and the auditor's ability to detect fraud. ²

III. Research methodology

Types of Research

This type of research is a type of quantitative research that is research that aims to test the hypotheses that have been formu-

lated.

Data Types and Sources

Types and sources of data used in this study are primary and secondary data. Primary data obtained directly from respondents in the form of results from questionnaires that have been distributed directly to selected samples. Secondary data is data that comes from literature studies related to the problem being researched through books, journals, theses, and other sources related to the title of this research.

Method of Collecting Data

Data collection through field research (field research) is done by using a questionnaire method, namely by distributing questionnaires that have been arranged in a structured manner and refer to the research variables.

Population and Sample

The sampling method used in this research is non-probability sampling with a purposive sampling technique. Purposive sampling, namely the selection of a group of subjects based on certain characteristics or traits. After the researcher considered the population in the location less than 100, the researcher decided to use the entire population as a sample, namely all internal auditors at the Inspectorate of South Sulawesi Province with 51 auditors.

Data Analysis Technique

The data analysis technique used in this study is the statistical analysis method using SPSS 25.0. The data analysis method used in this study is multiple linear regression analysis and moderated regression analysis (MRA). Multiple linear regression analysis or multiple regression analysis is intended to reveal the influence between several independent variables and the dependent variable, while moderated regression analysis (MRA) is a moderating variable analysis to determine whether these variables can strengthen or weaken the relationship between the independent variables and the dependent variable.

Validity and Reliability Test

The validity test is used to measure whether a questionnaire is valid or not as a research instrument. The questionnaire is said to be valid if the questions in the questionnaire are able to reveal something that will be measured by the questionnaire (Sunyoto, 2011: 72). Reliability is a tool for measuring a questionnaire which is an indicator of the variables studied (Sunyoto, 2011: 67). The questions in the questionnaire are said to be reliable if a person's answer to the questions is consistent.

Normality test

This assumption test will test the data for the independent variable (X) and the data for the dependent variable (Y) in the resulting regression equation, whether it is normally distributed or not normally distributed (Sunyoto, 2011: 84). This test aims to test whether there are confounding variables or residual variables in the regression model. The data normality test in this study was carried out using graph analysis and the Kolmogorov-Smirnov one-sample test. Decision making with graphic analysis used in this study is a normal probability plot test. The normal probability plot test is said to be normally distributed if the real data line follows a diagonal line and this method is considered more reliable than a histogram graph because this method compares real data with normal distribution data (Sunyoto, 2011: 89). Meanwhile, the Kolmogorov-Smirnov test is said to be normally distributed if the asymptotic data significance is greater than 0.05 ($p > 0.05$) (Sufren, 2013: 68).

Multicollinearity Test

This classic assumption test is used for multiple regression analysis which consists of at least two independent variables, in which the level of association (closeness) of the relationship or influence between the independent variables is measured through the correlation coefficient (r). In determining the occurrence of multicollinearity, the following methods can be used.

- a. If the correlation coefficient between independent variables is greater than 0.6.
- b. Tolerance value is the level of error that is statistically justified.
- c. The value of variance inflation factor (VIF) is a squared standard deviation inflation factor.

One way to test multicollinearity is to look at the tolerance value and variance inflation factor (VIF). The tolerance value must be between 0.0 - 1 or not less than 0.1, while for VIF the value must be lower than the number 10 (Sufren, 2013: 110). The higher the VIF value, the lower the tolerance.

Heteroscedasticity Test

The heteroscedasticity test was carried out to see whether or not the variance of the residuals from one observation was equal to another. If the residuals have the same variance, it is called homoscedasticity and if the variances are not the same, heteroscedasticity occurs. The expected result is homoscedasticity. Heteroscedasticity occurs when the points in the scatterplot have regular patterns, either narrowing, widened or wavy. Meanwhile, homoscedasticity occurs if the scatterplot results from data processing spread below or above the origin point (zero) on the Y axis and do not have a regular pattern.

Hypothesis testing

Hypothesis is basically a proportion or response that is often used as the basis for making decisions or solutions to problems. Before being tested, the data must first be quantified. Statistical hypothesis testing is a procedure that enables decisions to be made, namely the decision to reject or accept hypotheses from the data being tested (Sunnyoto, 2011: 93). The four regression equations in this study are as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1 Z + \beta_4 X_2 Z + \epsilon$$

Multiple Regression Analysis Testing (t-test)

The t test statistic is used to independently test the relationship between the independent variable (X) and the dependent variable (Y) (Sugiyono, 2013: 235). The steps in making the decision for the t test are as follows.

a. Ho: $\beta = 0$, red flags and independence have no effect on the ability of auditors to detect fraud.

b. Ha: $\beta \neq 0$, red flags and independence affect the ability of auditors to detect fraud.

To find t table, it is calculated by $df = n - k - 1$, where n is the number of respondents and k is the number of variables. The 5% real level can be seen using statistical tables. The t table value can be seen using the t table. The basis for decision making is.

a. If $t > t$ table, then Ha is accepted and Ho is rejected.

b. If $t < t$ table, then Ha is rejected and Ho is accepted.

Decisions of arithmetic statistics and table statistics can also be made based on probability.

a. If probability > significant level, then Ha is accepted and Ho is rejected.

b. If the probability < significant level, then Ha is rejected and Ho is accepted.

Moderated Regression Analysis Testing

Moderated Regression Analysis (MRA) is a test to find out whether a moderating variable will strengthen or weaken the relationship between the independent variable and the dependent variable. (Ghozali, 2013) states that there are three regression testing models with moderating variables, namely the interaction test (MRA), the absolute difference value test and the residual test. This study also uses the MRA test, which is a special application of multiple regression where the regression equation contains an element of interaction (multiplication of two or more independent variables).

IV. Results

Validity and Reliability Test

Correlation value of all indicator statement items on each variable has a value above 0.297 (> 0.297), so it can be concluded that all statement items on the instrument are declared valid. The reliability test in this study was carried out statistically by calculating the amount of Cronbach's Alpha. Reliability test is used to measure a questionnaire which is used as an indicator of the research variables. If the alpha coefficient is ≥ 0.7 then the indicator used is reliable and the closer to 1 indicates the higher the internal consistency of reliability. The results show that the Cronbach's alpha value of all variables is greater than the standard coefficient alpha value of 0.7. This means that the instrument used in this study is reliable.

Normality test

Statistical normality testing was performed using the Kolmogorov-Smirnov test. The results show that the data distribution is around the diagonal line. Therefore, the data collected is declared to meet the normality assumption and can be used to test the hypothesis.

Multicollinearity Test

The multicollinearity test aims to test the relationship between independent or independent variables. The independent variables in the multiple regression model are expected to be unrelated to avoid bias in the results of hypothesis testing. Criteria for multicollinearity assumptions are based on tolerance (> 0.1) and VIF values (< 10). Vice versa, namely the value of tolerance (< 0.1) and VIF value (> 10), it can be concluded that there is multicollinearity. Good research results show that there is no multicollinearity in the results of the study. And after being tested, the result is that there is no multicollinearity.

Heteroscedasticity Test

The data distribution chart (scatterplot) shows that the graph does not show a certain pattern and is scattered on the top and bottom of the origin point (number 0). So it can be stated that the data collected does not meet the element of heteroscedasticity and can be used to test hypotheses.

Multiple Regression Analysis (t-test)

a. The effect of red flags (X1) on the ability of auditors to detect fraud (Y).

In the red flags variable (X1), the probability value is 0,000. Because the probability value is less than 5% ($0.001 < 0.050$), par-

tially the red flags variable (X1) has a significant effect on the variable auditor's ability to detect fraud (Y). Based on the coefficient value 0.905 means it indicates that it has a positive effect. This means that the more red flags (X1) are found, the higher the auditor's ability to detect fraud (Y). Conversely, the fewer red flags (X1) are found, the lower the auditor's ability to detect fraud (Y).

- b. The effect of independence (X2) on the ability of auditors to detect fraud (Y). In the independence variable (X2), the probability value is 0.000. Because the probability value is less than 5% (0.001 < 0.050), partially the independence variable (X2) has a significant effect on the variable auditor's ability to detect fraud (Y). Based on the coefficient value of 0.371 means it indicates that it has a positive effect. This means that the higher the level of independence (X2), the higher the auditor's ability to detect fraud (Y). Conversely, the lower the level of independence (X2), the lower the auditor's ability to detect fraud (Y).

Moderate Regression Analysis

- a. The effect of red flags (X1) on the auditor's ability to detect fraud (Y) which is moderated by moral reasoning (Z). The red flags variable (X1) after interacting with the moral reasoning variable (Z) has a probability value of 0.000 below the standard significance value of 0.05. This shows that moral reasoning moderates the effect of red flags on the ability of auditors to detect fraud. The coefficient for the interaction of red flags (X1) and moral reasoning (Z) is 0.47 indicating that it has a positive effect, which means that the moral reasoning variable strengthens the effect of red flags on the ability of auditors to detect fraud.
- b. The effect of independence (X2) on the ability of auditors to detect fraud (Y) which is moderated by moral reasoning (Z). The independence variable (X2) after interacting with the moral reasoning variable (Z) has a probability value of 0.040 below the standard significance value of 0.05. This shows that moral reasoning moderates the effect of independence on the ability of auditors to detect fraud. The coefficient for the interaction of independence (X2) and moral reasoning (Z) is 0.133, indicating that it has a positive effect, which means that moral reasoning variables strengthen the effect of independence on the auditor's ability to detect fraud.

V. Discussion

The effect of red flags on the ability of auditors to detect fraud.

The first hypothesis based on the test results is accepted. Thus the hypothesis which states that red flags have a positive effect on the ability of auditors to detect fraud can be proven by auditors who work at the Regional Inspectorate of South Sulawesi Province. This means that the more red flags are found and are investigated further, the higher the auditor's ability to detect fraud. Conversely, if the discovery of red flags is not followed up or even covered up by interested parties, the lower the level of the auditor's ability to detect fraud.

(Tuanakotta, 2013) states that auditors and investigators use red flags or so-called red flags as an indication or indication of fraud. Red flags can also be regarded as an odd condition or different from normal conditions. In other words, red flags are hints or indications of something unusual and require further investigation. The results of this study indicate that an auditor who has good knowledge of red flags will be more sensitive in detecting fraud than an auditor who has less knowledge of red flags. So that it is faster to follow up on the findings of red flags, it is even more likely to thwart and prevent fraud. In the fraud pentagon theory, there are five components that can support a person in committing fraud, namely pressure, opportunity, rationalization, competence (capability / competence) and arrogance (arrogance).

The results of this study are also supported by research conducted (Prasetyo, 2015), (Arsendy, 2017) and (Pratama et. Al., 2019) which states that red flags have a positive effect on the ability of auditors to detect fraud. The research conducted by (Badzlina W., et al., 2018) on profit companies also states that red flags have a positive effect on the ability of auditors to detect fraud, especially in asset misuse fraud.

The effect of independence on the ability of auditors to detect fraud.

The second hypothesis based on the test results is accepted. Thus the hypothesis which states that independence has a positive effect on the ability of auditors to detect fraud can be proven by auditors who work at the Regional Inspectorate of South Sulawesi Province. This means that the higher the level of auditor independence can be proven by complying with all codes of ethics and not taking sides with anyone, the higher the ability to detect fraud. Conversely, if there is a low level of independence in the auditor, the lower the ability to detect fraud.

An auditor who has and maintains an attitude of independence in every audit process and will not care about any interference or pressure from other parties, then the auditor has high integrity. This is in accordance with the attribution theory which states that a person's attitude is influenced by external and internal factors. Where the attitude of independence is reflected in the behavior of the internal auditor. So that the higher the independence attitude of the auditor, the more the auditor's ability to detect fraud will increase.

The results of this study are also supported by research conducted by (Hartan and Indarto, 2016) on auditors at the Inspectorate of the Special Region of Yogyakarta and research conducted by (Hutabarat, 2015) and (Indrawati et. Al., 2019) at a Public Accounting Firm which states that Independence has a significant and positive effect on the ability of auditors to detect fraud. Where the higher

the independence of the auditor's attitude, the auditor's ability to detect fraud is also increasing. But contrary to research conducted by (Larasati and Windhy, 2019) which states that independence has no effect on the ability of auditors to detect fraud.

The effect of red flags on the auditor's ability to detect fraud which is moderated by moral reasoning.

The third hypothesis based on test results, is accepted. Thus the hypothesis which states that moral reasoning has a positive effect in moderating the relationship between red flags and the ability of auditors to detect fraud can be proven by auditors who work at the Regional Inspectorate of South Sulawesi Province.

Red flags are signs of fraud that are reflected in certain characteristics that are conditions or situations that are an early warning of fraud. As for the auditing process, auditors usually find irregularities or things that do not conform to standards and are not in accordance with facts. This could be an indication of fraud. On these findings the auditor must have moral reasoning to consider what decisions will be taken after finding the findings. According to (Gaffikin and Lindawati, 2012) moral reasoning is the reason that a person takes action or the reasons that underlie someone in justifying or criticizing an act. This is in line with cognitive development theory or moral development theory, where this theory explains the reasons that cause someone to make decisions. An auditor who has high moral reasoning will be more precise in making decisions in the red flags that are found, so as to minimize fraud. In this case, moral reasons are obtained from the learning process and scientific reasoning by a person (auditor).

The results of this study are also supported by research conducted by (Syarhayuti and Faidul, 2016) which concluded that moral reasoning has an influence on the ability of auditors to detect fraud. However, according to research researchers, researchers have not found research on moral reasoning to moderate red flags on the ability of auditors to detect fraud. So this is the reason for researchers to conduct research on the effect of red flags on the ability of auditors to detect fraud moderated by moral reasoning. It turns out that the results obtained by moral reasoning strengthen the influence of red flags on the auditor's ability to detect fraud.

The effect of independence on the ability of auditors to detect fraud which is moderated by moral reasoning.

The fourth hypothesis based on the test results is accepted. Thus the hypothesis stating that moral reasoning has a positive effect in moderating the relationship between independence and the ability of auditors to detect fraud can be proven in auditors working at the South Sulawesi Provincial Inspectorate.

The forms of moral reason can be seen from the behavior shown in working such as honesty and working in accordance with conscience and oath of office. This is also the basis for strengthening auditors to have a high degree of independence. When moral considerations have been carried out properly in making every decision, the quality of work carried out will get better. However, an action can be justified or not depending on the level of development of the auditor's moral reasoning behavior.

These results prove cognitive development theory at the conventional stage which explains that one of the characteristics of auditors has good moral reasoning by obeying rules such as ethical rules and professional code of ethics. When auditors live in a conducive environment, will act in accordance with the applicable code of ethics and when they have a high level of education, the reasoning they have in solving every problem they face will be better. So that it can increase the ability of auditors to detect fraud.

Previously, this study referred to research conducted by (Mindarti et. Al., 2016) which stated that moral reasoning strengthens the effect of independence on audit quality. So that becomes the reason for researchers to examine other dependent variables, namely the variable auditor's ability to detect fraud. It turns out that the results obtained by researchers are also the same, namely moral reasoning strengthens the effect of independence on the ability of auditors to detect fraud.

Conclusion

As for the conclusions in this study are as follows:

1. Red flags has a positive effect on the ability of auditors to detect fraud.
2. Independence has a positive effect on the ability of auditors to detect fraud.
3. Moral reasoning has a positive effect in moderating the relationship between red flags and the ability of auditors to detect fraud.
4. Moral reasoning has a positive effect in moderating the relationship between independence and the ability of auditors to detect fraud.

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