

ABSTRACT

This research was carried out to analyze and obtain empirical evidence on whether external auditor's fraud risk assessment was affected by auditor's perception of client narcissism and corporate psychopaths as fraud risk factors and professional skepticism as the external auditor's personal abilities. In addition, this research also determined if professional skepticism as external auditor's personal ability factor intervened the relationship of external auditors' perception regarding client narcissism and corporate psychopaths towards auditor's judgment of risk fraud assessment.

The population of this research included all external auditors. Meanwhile, research samples were 116 external auditors in Semarang selected using purposive sampling technique from 9 Public Accounting Firms (KAP) and government auditors of the State Audit Board (BPK). The data of this research were collected through surveys. The obtained data were then analyzed using multiple regression analysis and path analysis to answer the hypotheses proposed in this research. Path analysis was used to determine the effect of professional skepticism as an intervening variable.

The results of the regression test showed that client narcissism and corporate psychopaths had positive and significant influences on external auditor's fraud risk assessment. This research also proved that auditor's personal ability in the form of professional skepticism positively and significantly affected external auditor's fraud risk assessment and it mediated the relationship between the perception of client narcissism and corporate psychopaths on external auditor's fraud risk assessment as shown in the results of the path analysis that client narcissism and corporate psychopaths as fraud risk factors had a positive and significant effects in increasing auditor awareness through professional skepticism. Besides, those factor also affected auditor's judgment ability on fraud risk assessment.

Key Words : External auditor, client narcissism, corporate psychopath, professional skepticism, and external auditor's assessment on fraud risk

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