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Corruption awareness and ethical decision making in Indonesia

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Abstract: In countries with high susceptibility to corruption, internal government auditors play an important role in combating and mitigating the corruption problem. Since corruption is unethical behavior, government internal auditors must have ethical standards if they are to be effective. Research surrounding the processes of ethical decision making has had mixed outcomes. This article examines the effect of corruption awareness in Indonesian society as a whole, and Indonesian organizations in general. Ethical intensity issues are examined, as are the organizational factors that impact on ethical decision-making. Results are mediated by ethical sensitivity and professional skepticism, with the theoretical framework of ethical decision-making being supported. Additional analysis examining the effect of gender, education level and experience on ethical decision-making process is provided.

JEL Classifications: D73

Keywords: Corruption awareness, ethical decision-making, ethical sensitivity and professional skepticism

Citation: Ashari, A., Nanere, M., & Trebilcock, Ph. (2018). Corruption awareness and ethical decision making in Indonesia. *Business and Economic Horizons*, 14(3), 570-586.
<http://dx.doi.org/10.15208/beh.2018.41>

1. Introduction

Corruption is a major problem that operates and infiltrates through many levels of society. Corruption undermines countries, institutions and communities. Corruption fuels anger, destabilizes communities and often exacerbates violent conflicts. The Corruption Perception Index (CPI) scores countries on a scale from 0 (highly corrupt) to 100 (very clean). Two-thirds of countries score below 50, indicating a serious corruption problem. In 2016 176 countries and territories were covered by the CPI. The average 2016 score was 43, indicating endemic corruption in that country's public sector. In top-scoring countries, citizens face daily the tangible implications of corruption's far reaching influences. Indonesia is ranked equal 90th with a CPI score of 37. This ranking is on par with both Columbia and Liberia. Whilst the Indonesian corruption score has shown slow improvement (2015: 36; 2014: 34; 2013: 32; 2012: 32), it still ranks alarmingly high.

Low-ranked countries in the CPI are inevitably riddled with untrustworthy and poorly functioning public institutions and judiciary. Even where anti-corruption laws exist, in practice these laws are often ignored or readily circumnavigated. In such countries, bribery and extortion are common. Government services are undermined by the misappropriation of funds, officials on the take show indifference to those who seek explanation. Such systemic national corruption violates human rights, prevents sustainable development and fuels social exclusion (Transparency International, 2016).

"Higher-ranked countries tend to have higher degrees of press freedom, access to information about public expenditure, stronger standards of integrity for public officials, and independent judicial systems. While the most obvious forms of corruption may not scar citizens' daily lives in all these places, the higher-ranked countries are not immune to closed-door deals, conflicts of interest, illicit finance, and patchy law enforcement that can distort public policy and exacerbate corruption at home and abroad." (Transparency International, 2016).

The Bribery Index (0-10) is another corruption index where a higher score indicates higher incidences of bribery. For this index, Indonesia also ranks poorly with a score of 7.1 (Kompas, 2011).

These corruption indicators confirm that Indonesia is considered to be a country suffering from rampant corruption. Unfortunately, corruption in Indonesia has had a long history. From the colonial period to the reformation era, corruption has remained an endemic problem. Despite some attempts at mitigation, results remain unfavorable. Poor outcomes to past attempts are a major concern to those still seeking corruption eradication in Indonesia. The dilemma remains - how can corruption in Indonesia be effectively reduced?

Dye (2007) and Corless (2009) indicate that internal government auditors are an important component in corruption mitigation. Indonesian internal auditors work with the brief to examine the effectiveness of government agencies in serving the public need. Internal auditors examine, analyze and evaluate a range of activities, processes, events, and complex situations (Friedberg, 1998). Heaston, Cooper, & Frank (1993) conclude that internal auditors must consider the ethical environment and improve each situation with appropriate ethical decisions.

Because of the high risk of corruption, an Indonesian government auditor needs to possess particular traits. To be an effective government auditor, requires a delicate balance of initiative and restraint; distance and personality; ethics and flexibility; optimism and conservatism; and, above all, an uncompromising commitment to the health of the government organization (Fernandes, 1994). Ethics therefore plays an undeniable part in the duties of the internal auditor. An internal auditor must examine the agency's activities, and in the process, he/she must be free from corruption in both appearance and fact. Moreover, if internal auditors are seen to behave ethically, then the government agencies being investigated are more likely to follow the example.

Research in ethical decision-making can be analyzed from both content and process perspectives. With content, there are numerous variables that need to be understood in order to understand ethical decision-making (McDevitt, Giapponi, & Tromley, 2007). These variables can be divided into two categories - individual and situational variables. The individual variables are divided into age, religion, beliefs and gender. The situation facing individuals cannot be underestimated. Individuals operate in a job context, organizational context and environmental context. It is therefore important to analyze decision making from the stages in which an individual develops cognitive decisions. Hunt & Vitell (1986) have proposed a model of environmental factors that affect ethical perceptions and judgments. In their model, the cultural environment, the professional environment, the organizational environment and the industrial environment are the situational factors that contribute to ethical perceptions (Roxas & Stoneback, 2004). According to Harris & Sutton (1995) most researchers agree that environmental, experiential, and individual attributes have an impact on ethical judgments.

While defining the content variables is necessary, it is insufficient for a complete understanding of how individuals arrive at ethical or unethical decisions (McDevitt et al, 2007). To give a complete picture of ethical decision-making, it is necessary to examine how these variables are used in the decision-making process. There is very little research that examines the relationship among individual variables and situational variables and how these interact with ethical decision-making (McDevitt et al, 2007).

In this research, we attempt to investigate both content and process in ethical decision making by examining the impact of the relationship between corruption awareness in society/organizations, and ethical sensitivity and professional skepticism (as ethical intention and evaluation).

Similar previous studies have had mixed results (Jones, Massey, & Thorne, 2003). Wimbush, Shepard, & Markham (1997) tested the relationship between ethical climate and ethical behavior with only partial relationship support found. Paolillo & Vitell (2002) found no relationship between organizational factors on ethical decisions. James & McManus (2011) showed that there is a positive relationship between organizational climate and ethical decision making amongst female Islamic business graduates, especially when professional bodies act as mentors.

Internal audit agencies and other parties involved with improving internal audit processes are likely to benefit from this research. From a theoretical perspective, this research provides additional content and analysis of ethical decision-making processes. This research also provides a foundation for practical considerations into how process and content of ethical decision-making can be analyzed. Policies and procedures can then be developed that promote ethical behavior, since it is contended that ethical behavior can be learnt (Wright, 1995).

2. Theoretical and empirical foundation

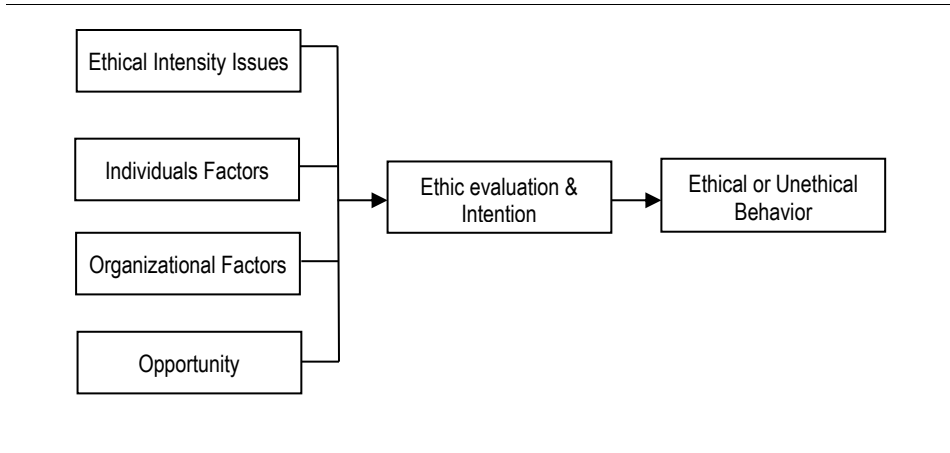
2.1. Ethical decision making

Jones (1991) defines an ethical decision as a decision that is both legally and morally acceptable to the wider community. This definition is aligned to the longstanding model of ethical decision making that supports ethical decisions within a community or organization as being contingent on the personal, organizational and social environment in addition to prevailing ethical-issue factors (Lam & Shi, 2007). Ferrel, Fraedrich, & Ferrell (2011) propose that ethical decision-making can be described as shown in Figure 1.

The first stage in ethical decision-making is that an individual recognizes issues about right or wrong actions, which are subsequently evaluated by various stakeholders inside and outside the firm. Any ethical intensity issues which may be operating at the time will impact on the ethical sensitivity. The veracity of the issues will only be perceived as important in the eyes of individual. When individuals resolve ethical issues in their daily lives, their resultant outcomes are more often based on their own values and principles about what they perceive to be right or wrong. Individuals learn about right or wrong values through interaction with family members, social groups, education, and through their particular religious lenses. Previous research has examined individual factors that affect ethical awareness, intent and behavior. These factors include gender, education, work experience, nationality, age and locus of control. Individuals do not operate within a vacuum in life, nor do they do so within their business situation. Ethical choices in

business are most often formed jointly in work groups and committees, in conversations and discussions with co-workers. Therefore, ethical decisions are not only affected by organization values, but also by an individual's own values. The organizational values that effect ethical decisions include that organization's ethical culture and adherence to authority.

FIGURE 1. FRAMEWORK OF ETHICAL DECISION-MAKING



"Opportunity" also plays an important role in ethical decision making. Opportunity describes the conditions in an organization that limit or permit ethical (or unethical) behavior. Opportunity results from the conditions that either provide rewards (whether internal or external), or fail to erect barriers against unethical behavior (Ferrel et al., 2011).

Ethical evaluation and intention (Figure 1) is the stage in which an individual evaluates and judges an action as either right or wrong. Ethical evaluation and intention is formed from the intensity of ethical issues, from personal values, organizational factors, and opportunity. Ethical evaluation and intention is a critical point for individuals, since based on evaluation and judgment, individuals will perceive whether they have made right or wrong decisions. When the individual's intentions and behavior are inconsistent with his or her ethical judgment, the person may experience resultant feelings such as remorse and/or guilt.

2.2. Corruption

Corruption is defined as the use of public office for private gain, or in other words, the use of official position, rank, or status by an office bearer for his own personal benefit (Myint, 2000). Such behaviors may include bribery, extortion, fraud, embezzlement, nepotism, cronyism, appropriation of public assets and property for private use, and influence peddling. In government activities, corruption can arise under circumstances such as government contracts, government revenue paths, government benefits to be gained, time and regulatory avoidance, and the influencing of legal and regulatory processes. According to Klitgaard (1998), corruption can be determined by the following equation.

$$C = M + D - A$$

Where C is corruption, M is monopoly, D is discretionary power, and A is accountability.

Monopoly can arise when a person has unique or special power to charge more than normal price for something, or where that individual can extract a fee for the exercising of their power. If applied to government officials, power may be held by individuals to grant desired outcomes.

Similarly, the greater the discretionary power (D) granted to an administrator, the more likely will be that corruption will take place. Discretionary power arises when it is not possible to easily devise rules and regulations that are watertight and foolproof; rules that will encapture all contingencies that may arise in controlling activities.

Accountability has to do with the fact that for proper observance of rules and regulations, the one with monopoly and discretionary power must be held responsible and accountable for his/her actions. Corruption can be reduced by accountability. If accountability can be increased at the same rate as monopoly and discretionary power, then corruption can be minimized. Within the government sphere, one of the most important bodies in creating accountability is the government's own internal audit.

2.3. Corruption awareness

Awareness of cognitive behavior is almost at the bottom rung of affective domain (Krathwohl, Bloom, & Masia, 1964). The concept of corruption awareness can be derived from a concept of situational awareness and the organization's ethical climate. Situation awareness is the perception of the elements in the environment within time and space, the comprehension of their meaning, and the projection of their status in the near future (Endsley, 1995). Based on this definition, there are three element of situation awareness: the perception of the elements in the environment and the organization; the comprehension of their meaning; and the projection of their future status.

The perception of elements in the environment involves making distinctions between relevant and irrelevant information. A high-risk corruption environment will likely contain considerable information which is relevant to an internal auditor in completing a fraud assessment. The assessor's role is to comprehend this information. This comprehension however goes beyond perception and includes an in-depth understanding of the significance of each piece of information. After perception and comprehension, the final role is to project a future course of action. If an auditor understands that corruption exists in a situation, he/she will need to invoke higher professional skepticism as required by the audit standard.

Based on the literature review, the following hypotheses are developed.

H1: *Corruption awareness in society is positively related with professional skepticism.*

H2: *Corruption awareness in organization is positively related with professional skepticism.*

The essential behavior to be measured is whether the internal auditor is conscious of the existence of some abnormal person, phenomenon, event or state of affairs (Krathwohl et al., 1964). The tasks undertaken in the internal audit require a set of social skills which may vary across work environments and economies (Siegel & Miller, 2010). In order to act ethically, individuals must be aware of what is considered right and wrong within society (Dickerson, 2009). If ambiguity exists, it will increase the likelihood that individuals will be unaware of the ethics of a given situation. Within the auditing profession, social consensus may reduce ethical ambiguity (Chia & Mee, 2000; Jones, 1991) and therefore heighten ethical awareness, judgment and behavior. Dickerson (2009) reported that an auditor's ethical sensitivity was heightened by the extent of social agreement surrounding the ethical issues. Wimbush & Shepard (1994) reported that the ethical climate within an organization/environment positively affects ethical sensitivity.

H3: *Corruption awareness in the society positively affects ethical decision-making.*

H4: *Corruption awareness in the organization positively affects ethical decision-making.*

2.4. Ethical sensitivity

Ethical sensitivity is the ability to identify the salient aspect of an ethical dilemma. This involves the ability to see the implication of an action outside one's environment, yet within the context of the broader social picture. Moral sensitivity (moral awareness) as described by Rest (1986) is an individual's ability to recognise that a situation contains a moral issue. Recognizing a moral issue requires the individual's awareness that his/her actions have the potential to harm and/or benefit other people. Later research broadens Rest's definition, suggesting that moral sensitivity is the decision maker's recognition that a situation has moral *content*. As a result, a moral perspective is valid (Fritzsche & Oz, 2007). While the auditor is able to identify ethical dilemmas around his own organization, his perception may be impaired.

Jones' (1991) ethical model focuses on ethical issues (magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity and concentration of effect) related to ethical decision-making and behavior. The second component of both Rest's and Jones' model (moral judgment) incorporates the process by which individuals define what ethical/moral means *to them*. This moral judgment component is based on Kohlberg's (1976) model of cognitive moral development. Generally, an individual's ethical decision making schema will not be invoked if he/she does not perceive a situation as involving ethical issues (Rest, 1979). Such situations can lead to potentially unethical outcomes, wherein the individual, for example, may only be considering economic impacts in the decision making process. Yetmar & Eastman (2000) investigated whether five factors affected a model of ethical sensitivity using tax practitioners. Shaub, Finn, & Munter (1993) further found a negative relationship between auditors' ethical orientation and ethical sensitivity using a survey with a single ethical scenario. It was shown that if the auditor worked in highly unethical environment (high risk of corruption), then he/she would incorporate some of these characteristics in their own risk assessment. Within the ethical decision making literature, ethical sensitivity is generally measured as the dependent variable (Dickerson, 2009). The numerous independent variables include: cognitive moral development, ethical orientation, professional commitment, organizational commitment, professional skepticism, the cultural environment, professional code of conduct, and personal characteristics (i.e. age, education, training and experience). From these

perspectives, we propose that ethical sensitivity is positively related to ethical decision making.

H5: *Ethical sensitivity is positively related with ethical decision-making.*

2.5. Professional skepticism

Personality traits have been demonstrated to influence ethical decision-making in the published theoretical literature (Paolillo & Vitell, 2002). Hurtt's Professional Skepticism Scale (Hurtt, 2010) is a measure of traits' skepticism. Skepticism is formed when individuals create cognitive "categories" of incoming information and treat all information according to a set of stereotypes or beliefs in respect to what they feel a particular message is trying to accomplish (Friestad & Wright, 1999). According to this definition, auditors need a healthy skepticism or suspicion when assessing the evidence surrounding an audit (see Kerler & Killouge, 2009; Nelson, 2009; Rose, 2007). The Auditing Standards Body has recognised the importance of professional skepticism. From the beginning of auditing standards (SAS No.1) until today, professional skepticism has been widely recognised as one of the auditor's professional attributes.

These requirements are also supported with other audit statement, (PCAOB, 2007; PCAOB, 2008). According to SAS No. 1 (AICPA, 1997a), "an auditor must have a questioning mind, and critically assess the evidence obtained". Hurtt (2010) has developed a scale to measure professional skepticism comprising six characteristics which can be both a trait and a state. This scale is described as follows:

1. **Questioning mind:** This characteristic is found in the SAS No. 82 (AICPA, 1997b), SAS 99 (AICPA, 2002) and ISA 240 (IFAC, 2009) definition of professional skepticism. SAS 99 defines professional skepticism as requiring an ongoing questioning as to whether the information and evidence obtained suggests that a material misstatement has occurred due to fraud. In ISA No 240, professional skepticism is described as an attitude that includes a questioning mind and a critical assessment of audit evidence.
2. **Suspension of judgment:** Auditing Standards SAS No 1 indicates the importance of suspension of judgment when accepting management assertion until sufficient evidence is collected.
3. **Search for knowledge:** Mautz & Sharaf (1961) set the early standard by highlighting the importance of curiosity when performing an audit. However, the search for knowledge is a different concept from a questioning mind. A questioning mind is related to a sense of disbelief or doubt, while the search for knowledge is more of general curiosity or interest (Hurtt, 2010).
4. **Interpersonal understanding:** Interpersonal understanding is related to evidence evaluation, which deals with the motivation and integrity of the individual providing the evidence. Auditing Standard SAS No 82 (AICPA, 1997b) recognizes that potentially misleading evidence might come from client personnel and thus recommends corroboration. Wilks & Zimbelman (2004) highlighted that fraud occurs when there are any interactions of three causal influences: incentive, attitude, and opportunity. Thus by having interpersonal understanding, it is posited that auditors will recognize potential bias and any inaccurate or misleading information provided by clients.

5. **Autonomy:** Autonomy is an important aspect of an auditor's makeup. The auditor must decide when a sufficient level of information has been obtained. Mautz & Sharaf (1961) noted that the auditor must have professional courage not only to critically examine and perhaps discard some information, but also be able to submit his/her own actions to searching evaluation.
6. **Self esteem:** Self-esteem refers to an individual's overall evaluation of his/her competencies (Rosenberg, 1965). Skepticism has been shown to require a certain level of self-esteem (Hurtt, 2010). Self-esteem then is an important component in a successful inquiry (Hookway, 1990). By having appropriate self-esteem, the auditor is able to accommodate challenges and resist the persuasive attempts of others. Self-esteem also increases an auditor's awareness as to the trustworthiness of assertions and explanations from clients.

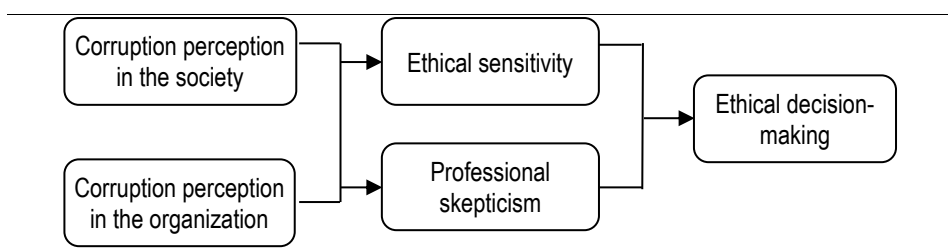
Nelson (2009) defines professional skepticism as auditor judgments and decisions conditional on the information available that indicate a heightened belief of the risk that an assertion is incorrect. SAS No. 109 (AICPA, 2006) states that an auditor performs risk assessment procedures in order to understand an entity and its environment. These procedures may include directing inquiries to management and others within the entity, analyzing procedures, observation and inspection. Two of Hurtt's (Hurtt, 2010) dimensions of professional skepticism are a questioning mind and the suspension of judgment. These two dimensions are consistent with the concept of disbelief, which is actually the opposite of trust.

The concept of professional skepticism proposed by some researchers is consistent with the concept of ethical evaluation and intention, so we propose that professional skepticism positively affects ethical decision-making, that is

H6: *Professional skepticism positively affects ethical decision making.*

The research framework of this paper can thus be summarized in Figure 2.

FIGURE 2. RESEARCH FRAMEWORK



3. Methodology

3.1. Variable measurement

Corruption awareness scales in this research were measured by adopting the scales developed by Bowman & Gilligan (2007) with adjustment for the Indonesian context.

Corruption awareness was divided into two dimensions, namely perception of corruption's existence in society, and the perception of corruption's existence in an organization. Both dimensions consist of 7 questions scaling from 1 to 6.

The professional skepticism scale is measured by Hurtt's 1-6 Scale of Professional Skepticism (Hurtt, 2010). Ethical sensitivity was measured by three cases developed in terms of relationships of ethical sensitivity in the area of public administration (Choi & Perry, 2010). The first indicator was developed in a situation regarding the relationship between administrators and others. The second indicator was made from a situation in which an administrator's behavior is directly relevant to his or her responsibility. The third indicator was developed in a work situation relevant to the hierarchical relationship between boss and subordinates.

As much as possible, all cases were developed in the form of short stories, which help respondents maintain interest while concentrating on the questionnaire. Responses are rated from 1 (not very sensitive) to 5 (very sensitive). The ethical decision component was measured by a 17-item questionnaire developed by Newstrom & Ruch (1975) and as used by Ferrel & Weafer (1978), and Kantor & Weisberg (2002). The Likert scales range from 1-5, where a score of 1 equates to very unethical and a score of 5 equates to very ethical behavior. All instruments were translated into Indonesian and adjusted to Indonesian context.

3.2. Sampling and respondents

Data were collected through a questionnaire sent to government internal auditors across Indonesia. A total of 850 questionnaires were sent to 33 regional government internal audit offices, randomly selected from three provinces. Approximately 250 questionnaires were returned. 24 questionnaires were incomplete, resulting in 226 usable questionnaires. The breakdown of the respondents is shown in Table 1.

TABLE 1. RESPONDENT DESCRIPTION

PROVINCE	NUMBER OF GOV. OFFICES	GOV. OFFICES SELECTED	QUEST SENT	QUEST RETURN	INCOMPLETE	SUFFICIENT TO ANALYSE
Central Java	34	12	315	110	12	98
East Java	37	14	343	86	8	78
West Java	26	7	241	54	4	50
Total	97	33	900	250	24	226

3.3. Data analysis

Because of the complex relationships among variables, Structural Equation Modeling (SEM) analysis was used. SEM explores multiple relationships among one or more dependent and independent variables respectively. SEM also allows analysis of the relationship between observed variables and any latent variables that may exist. AMOS was used in conducting the SEM Analysis.

4. Results

4.1. Descriptive analysis

The respondent demographic is described in Table 2.

TABLE 2. DEMOGRAPHIC OF RESPONDENT

		SUM	PERCENTAGE
Gender	Male	100	44%
	Female	126	56%
Education	Bachelor	137	60%
	Master	89	40%
Experience	1-5	75	33%
	>5 -10	84	37%
	>10-15	20	9%
	>15-20	30	13%
	>20	17	8%

Table 3 presents descriptive statistics from study items.

TABLE 3. SUMMARIZED ITEMS VARIABLES

VARIABLES	MEAN	STD DEV	MIN	MAX
Ethical Decision	65.17	5.29	49	74
Awareness of Corruption in society	30.01	2.74	22	34
Awareness of Corruption in Organization	28.93	3.59	18	35
Professional Skepticism	135.84	13.20	99	166
Ethical Sensitivity	9.97	2.12	6	15

The professional skepticism scale (Hurtt, 2010) for a professional auditor is 75. For an Indonesian government auditor, the transformed average scales is 75.46, indicating only minimal deviation from Hurtt's indicator.

4.2. Reliability

The Cronbach alphas used to assess internal consistency are shown in Table 4.

TABLE 4. CRONBACH'S ALPHA SCORE

VARIABLE	CRONBACH ALPHA
Ethical Decision	0.788
Corruption awareness in Society	0.703
Corruption awareness in Organization	0.846
Professional Skepticism	0.798
Ethical Sensitivity	0.761

It can be seen that all Cronbach alphas are more than 0.7. This indicates that all variables have satisfactory internal consistency (Nunnally, 1978).

4.3. Normality test

One of the critical assumptions in the use of Structural Equation Modeling (SEM) analysis and in the use of AMOS is that data is normal. Based on AMOS output, it can be seen that no question has the standardized kurtosis index more than a value of 3, thus indicating that all items in the questionnaire are normally distributed (Byrne 2010). This normality measurement is used as indicators of univariate normality. Byrne (2010) suggests that although the presence of non-normal distribution observed variables precludes the possibility of a multivariate normal distribution, the converse is not necessarily true. In this study, although univariate normality is present, we also analyzed multivariate normal distribution using the CR of kurtosis value. Here a value greater than 5 will indicate non-normal distribution. From AMOS, a recorded CR value of 10.1 indicates that data is not normally distributed. An alternative method to use when data is not normally distributed, is Asymptotic Distribution Free (ADF) estimation (Byrne, 2010). But it is well known that unless the sample size is extremely large (1000-5000 cases), the ADF method performs poorly and yields severely distorted estimated values. Since this study has a sample size of only 226, analysis with an ADF estimation is not possible. An alternative method was to incorporate a scaling correction for X^2 statistics (Chou, Bentler, & Satora, 1991; Hu, Bentler, & Kano, 1992).

4.4. Model evaluation

As SEM takes a confirmatory approach to the analysis of a structural theory, we must evaluate how adequate the model is with the sample data. Table 5 indicates model fit.

TABLE 5. MODEL FIT EVALUATION

INDICATORS	VALUE	CRITERIA
Chi Square	1049 (0.089)	Probability > 0.05
Comparative Fit Index	0.97	> 0.95
Relative Fit Index (RFI)	0.81	Value close to 0.95
Incremental Fit Index	0.97	Value close to 0.95
Tucker Lewis Index (TLI)	0.97	Value close to 0.95
RMSEA	0.053	< 0.05
PCLOSE	0.8	> 0.5
ECVI	5.61	< ECVI Independent Model (21.74)
Hoelter (0.05)	204	> 200

The chi square value is used as a model fit indicator of the model as a whole. From the table, it can be seen that the model has appropriate fit with the collected data. Therefore, from the aspect of sample adequacy (Hoelter), it can be concluded that the model adequately represents the sample data.

4.5. Regression result

AMOS indicates unstandardized and standardized regression weights, and the probability of each coefficient. Standardized coefficients as presented in Table 6 were used.

TABLE 6. REGRESSION WEIGHT AND PROBABILITY

REGRESSION	HYPOTHESIS	COEFFICIENT	PROBABILITY	HYPOTHESIS	DECISION
CAS → PS	H1	0.330	0.199	H1	Not Supported
CAO → PS	H2	2.446	0.000	H2	Supported
CAS → ES	H3	0.268	0.000	H3	Supported
CAO → ES	H4	0.188	0.000	H4	Supported
ES → ED	H5	0.562	0.000	H5	Supported
PS → ED	H6	0.558	0.000	H6	Supported

Note: CAS - Corruption awareness in Society; CAO - Corruption awareness in Organization; ES - Ethical sensitivity; PS - Professional Skepticism; ED - Ethical Decision.

Table 6 indicates that except for the regression of corruption awareness in society on professional skepticism, all others regression coefficients are significant.

4.6. Discussion

The first hypothesis tests the effect of awareness of corruption in society on professional skepticism. From Table 6, it can be seen that there is no positive influence of corruption (CAS) in society on professional skepticism (PS). Nelson's model of determinants of professional skepticism (Nelson, 2009) suggests that skeptical judgment is affected by evidential input such the high risk of a corrupt environment. From that perspective, an auditor's knowledge of the existence of corruption within an environment should affect professional skepticism. This study does not support the proposition that if an auditor perceives that corruption exists in his/her environment, then auditor professional skepticism will be higher. This study result is consistent with Wimbush et al. (1997), in that knowledge of the ethical climate at a low environmental level does not affect ethical behavior.

The second hypothesis looks at the effect of awareness of corruption in an organization on professional skepticism. Unlike the first hypothesis, this finding supports the recent ethical theory about the effect of perceived ethical issues in an organization on individual ethical decision making. The positive effect of organizational ethics on professional skepticism is in contrast to no significant effect from the general environment ethical climate on professional skepticism. This is perhaps because an individual actively interacts within his/her organization and therefore their intention to act professionally is more influenced by that organization than by society as a whole. In addition, for auditors, professional skepticism is a required professional attribute, so the individual's organizational climate is likely to have more impact on professional skepticism. Dickerson (2009) and James & McManus (2011) have also reported the positive effect of organizational climate on ethical decision making.

The third and fourth hypotheses are consistent with the first and second that examine the effect of the organizational and environmental ethical climate on ethical intention. Here

the dependent variable is ethical sensitivity. The results indicate that awareness of corruption in both the organization and society have a positive effect on ethical sensitivity. This result strengthens the current theory about the effect of organizational and environmental factors on ethical sensitivity. This result is also consistent with previous research (Dickerson, 2009; Al-Kazemi & Zajaz, 1999; Hill, Stevenson, & Clarke, 1998, and Bernardi & Arnold, 1997).

The fifth hypothesis explains the effect of ethical sensitivity on ethical decision making. The results confirm the proposition that if an auditor possesses higher ethical sensitivity, he/she will act ethically. This result supports the theoretical framework that ethical sensitivity involves the ability to identify the salient aspect of an ethical dilemma and to see outside one's environment the implications of action within the context of a broader social picture. This result is consistent with Shaub (1989), Sweeney (1995), Douglas, Davidson, & Schwartz (2001) who researched the effect of ethical sensitivity on decisions.

We have seen that professional skepticism is a trait of professional auditors, especially when conducting an audit within an environment at high risk of corruption. Through professional skepticism, an auditor can evaluate his environment more critically with ethical evaluation. As depicted on Figure 2, ethical intention affects decisions. The regression coefficient for this prediction is 0.558, and therefore significant. This finding is consistent with the previous research of Valentine & Page (2006) that professional skepticism has a positive effect on ethical sensitivity.

4.7. Additional analysis

The effect of demographic on corruption awareness in society, corruption awareness in organizations, ethical sensitivity, professional skepticism, and ethical decisions were also tested. The result is presented in Table 7.

TABLE 7. DEMOGRAPHIC EFFECT ON RESEARCH VARIABLES

	MALE-FEMALE		BACHELOR-MASTER		EXPERIENCE	
	MEAN DIFF	SIG	MEAN DIFF	SIG	F VALUE	SIG
Ethical Decision	-3.47	0.000	-3.22	0.000	3.64	0.007
Aware corruption in society	-1.23	0.000	-1.07	0.004	0.234	0.919
Aware corruption in org.	-2.8	0.000	-2.42	0.000	1.809	0.128
Ethical Sensitivity	-1.63	0.000	-1.22	0.000	2.71	0.031
Professional Skepticism	-7.52	0.000	-12.5	0.000	8.785	0.000

The findings indicate that for gender and education, there are differences about ethical decisions, awareness of corruption around society and organizations, ethical sensitivity, and professional skepticism. This result supports previous research about the effect of gender on ethical decision-making processes (Roxas & Stoneback, 2004). For the education level, the result also supports previous research about the effect of higher education on ethical decision making (Luthar, DiBattista, & Gautschi, 1997).

5. Conclusions

This research has examined the effect of corruption awareness in society and organizations - the effect of ethical decision-making as mediated by ethical sensitivity and professional skepticism. Perception of the existence of corruption is seen to support an anti-corruption program. Ethical sensitivity will aid in the perception of corruption's existence, and professional skepticism will be advantageous to a risk assessment.

The study has several limitations to take into account. Results cannot necessarily be generalized to all Indonesian government internal audit offices. Nor can it be generalized to all levels of experience and expertise. This study only examines Indonesian governmental internal audit offices from three out of 34 provinces. The sample size could be increased both for the number of provinces and the number of respondents from each province. This study did not differentiate between auditor expertise. Future research may want to consider the level of certification acquired by the internal auditors. Finally, this study did not differentiate between the risk of corruption in the work environment and society. Future research may employ experimental procedures that may be effective in identifying high and low risk influences on ethical decision making (Owhoso, 2002).

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