Factors that Influence Auditor’s Professional Skepticism
Evidence from Audit Firms in Surabaya

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Keywords: The auditor’s professional scepticism, experience, expertise, audit situation, ethics, gender.

Abstract: The purpose of this study is to examine the factors that influence auditor’s professional scepticism. The independent variables used in this study are experience, expertise, audit situation, ethics, and gender whereas the dependent variable is auditor’s professional scepticism. Data was collected then processed by Partial Least Square (PLS) from the result of developed questionnaire which were disseminated to the Audit Firm-KAP in Surabaya. The number of respondent involved in this study were 59 out of 100 respondents or 50 % response rate. The survey questionnaire was delivered directly to the respondents in 15 Audit Firms in Surabaya by purposive sampling method. After all, the final result shows that expertise, audit situation, and ethics have positive and significant influence on auditor’s professional scepticism. Whereas experience and gender do not have a positive influence on auditor’s professional scepticism, because the majority of respondents’ experience is still low, about 10 to 20 assignments and the response answer of both male or female auditors is the same.

1 INTRODUCTION
Professional scepticism is a vital element in auditing financial statements. The auditor’s professional scepticism includes a critical assessment of audit evidence and is particularly important when considering the risks of material misstatement due to fraud. It also means remaining alert for evidence that contradicts other audit evidence or that brings into question the reliability of information obtained from management and those charged with governance (AUASB, 2012).

In providing appropriate reports on the company's financial statements, the auditor must adhere to professional standards, in which the auditor is required to apply professional scepticism (Glover and Prawitt, 2014). In their assignment, the auditor should always apply professional scepticism during the process of collecting and assessing audit evidence (AICPA, 2001). A sceptical auditor does not easily believe in the existing audit evidence, rather they will always question about the information they got from the client. Research conducted based on Accounting and Auditing Releases (AAERS) stated that one of the causes of audit failure is an inadequate level of professional scepticism applied by the auditor (Beasley et al., 2001). Therefore, it can be said that when the level of auditor's professional scepticism is low, it can lead to failure in detecting fraud. Professional scepticism of an auditor can be influenced by many factors, including experience, expertise, audit situation, ethics, and gender (Kushasyandita, 2012).

In this study professional skepticism was measured through questionnaires given to respondents regarding (1) auditor's level of doubt on audit evidence, (2) number of additional assessments, and (3) direct confirmation.

Both experience and expertise are important elements for the auditor in performing audit procedures because the expertise of an auditor also tends to affect the level of professional scepticism of an auditor (Kushasyandita, 2012). Experience is something that needs to be paid attention in the auditor's sceptic level of judgment, in which experience allows the auditor to develop knowledge of patterns that allow them to determine when evidence does not accumulate (Hurtt, 2013). Auditor with deeper knowledge of a client’s business is better in resisting client’s persuasion attempts (Brewster, 2015). In this case, an experienced auditor will be more likely to provide a reasonable explanation for the mistakes in the financial statements and may classify those errors based on the audit objectives and structures of the underlying accounting system. Therefore, it is suspected that
experience has an influence on auditor's professional scepticism. The experience referred in this study is the experience of an auditor in doing financial statements audit in terms of time duration or the number of assignments that have been done. Experience variable was measured by questionnaire on respondents' demographics on the number of audit assignments completed during the work at the Audit Firms and how long the auditor had their experience as an auditor (Kushasyandita, 2012).

Expertise is an important component an auditor must have in order to work professionally. This is described in the first general standard of SA Section 210 (SPAP, 2011). In addition, expertise is described as a progress of individual knowledge during the development stage from beginner to expert Harteis and Billett, 2013). The audit committee needs to have the expertise and commitment to ask critical questions about management and external auditors. Moreover, the audit committee should promote a culture of professional scepticism by challenging judgments from both management and auditors and encouraging all parties to see all the potential evidence when making a decision (Glover and Prawitt, 2014). Situation factor such as high-risk audit situation also affects an auditor to improve the attitude of Auditor's Professional Scepticism (Winantyadi and Waluyo, 2014). The situation such as the difficulty to communicate between past auditor and new auditor on the information about a company as an auditee will affect Auditor’s Professional Scepticism (Arrens, 2007). Therefore, it is suspected that expertise has an influence on auditor's professional scepticism. In this study, the measurement indicators for the expertise are statements contained in a questionnaire of expertise in which the questionnaire contained three statements (Kushasyandita, 2012). They are intended to determine the ability and knowledge possessed by an auditor.

Audit situation is a situation in an audit assignment, in which the auditor is exposed to a situation with low audit risk (regularities) and a situation with large audit risk (irregularities) (Mulyadi, 2011). Irregularities are often defined as a situation where deliberate or unintentional fraud occurs. Other study found that the audit situation is positively affect the auditor’s professional scepticism (Winantyadi and Waluyo, 2014) (Anisma and Abidin, 2012). Therefore, it is suspected that audit situation has an influence on professional scepticism. In this study, the audit situation variable was measured using questionnaire questions, there are five illustrations contained in scenarios one through five (Kushasyandita, 2012).

Auditor’s ethics has an influence on auditor’s professional scepticism (Winantyadi and Waluyo, 2014). Professional ethics is required by the auditor as it is used to maintain public confidence in the audit. Ethics in this study is a standard or a rule that guides the act of a person to enhance one's dignity and honor. The higher the auditor's ethical awareness in auditing, then it will develop their professional attitude (Winantyadi and Waluyo, 2014). Therefore, it is suspected that auditor’s ethics has an influence on auditor's professional scepticism. In this study, the professional ethics variable was measured by questioning on the questionnaire for professional ethics using three illustrations (Kushasyandita, 2012).

Additionally, gender is also another factor that affects auditor’s professional scepticism. In general, gender is a visible difference in terms of behavior and characteristics that exist in men and women. The female internal auditors are on average more sceptical than male ones (Fullerton and Durtschi, 2005). Therefore, in the presence of differences between male and female characters, it may affect attitudes and actions performed, so it is suspected to be one of the reasons gender has an influence on an auditor's professional scepticism. For the gender variable, measurements for the variable can be seen from the demographic of respondents, with information (1) Male, (2) Female (Kushasyandita, 2012).

Based on the background above, the purpose of this study is to examine the factors that influence auditor’s professional scepticism. The method used is the survey method and the type of data used in this study is quantitative data in the form of score results of each scenario in the questionnaire that have been disseminated. Data analysis techniques in this study are using Descriptive Statistics Analysis and Partial Least Square (PLS) with the program SmartPLS. The result shows that expertise, audit situation, and ethics have positive and significant influence on auditor’s professional scepticism. Whereas experience and gender do not have a positive influence on auditor’s professional scepticism.

2 METHODS

In this study, the method used is the survey method, in which the author comes directly to the 15 Audit Firms (KAP) located in Surabaya. The population in this study was the auditors working on KAPs in Surabaya and all the population were used as the research sample. Sampling was done by purposive sampling method.
The type of data used in this study is quantitative data in the form of score results of each scenario in the 100 questionnaire that have been disseminated. The research data is the answer of respondent questionnaires on auditor scepticism, experience, expertise, audit situation, ethics and gender of the auditors who work at KAPs in Surabaya. Data analysis techniques in this study are using Descriptive Statistics Analysis and Partial Least Square (PLS) with the program SmartPLS.

3 RESULTS AND DISCUSSION

In this research the result of a questionnaire that can be processed is 59 out of 100 or 50\% rate. Hypothesis testing was done by looking at the t-statistic generated structural models (inner models). The hypothesis can be accepted if t-statistic > 1.96.

The following is the Figure. 1 of the t-statistic generated structural models (inner models) and the coefficient of influence (original sample):

Figure 1: The t-statistic of the influence of experience, expertise, audit situation, ethics, and gender on auditor’s professional skepticism.

Table 1: The test result.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>t-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience → Auditor’s Professional Skepticism</td>
<td>0.125</td>
<td>0.855</td>
</tr>
<tr>
<td>Expertise → Auditor’s Professional Skepticism</td>
<td>0.360</td>
<td>2.645</td>
</tr>
<tr>
<td>Audit Situation → Auditor’s Professional Skepticism</td>
<td>0.384</td>
<td>3.675</td>
</tr>
<tr>
<td>Ethics → Auditor’s Professional Skepticism</td>
<td>0.307</td>
<td>2.296</td>
</tr>
<tr>
<td>Gender → Auditor’s Professional Skepticism</td>
<td>0.045</td>
<td>0.457</td>
</tr>
</tbody>
</table>

Table 1 are the coefficient and t-statistic of the influence of experience, expertise, audit situation, ethics, and gender on auditor’s professional skepticism.

From the table 1, the coefficient of the influence of experience on auditor’s professional skepticism is 0.125 with t-statistic of 0.855 < 1.96 showed in Figure. 1. These results conclude that there is no significant positive influence between experience and auditor’s professional skepticism. Basically, an auditor with longer term has generally performed more audit assignments, thus having more experience in detecting potential mistakes and frauds during audits (Larimbi et al., 2017). In addition, experienced senior auditors exhibited more consistency between the selected relevant information and the control risk assessment response, selected fewer cues, and made judgments in less time (Cahan and Sun, 2015). Other research showed that the experience positively affected the Auditor’s Professional Scepticism (Winantyadi and Waluyo, 2014) (Anugerah, 2014). The study also found that more experience reviewers more accurately assess fraud risk (Agoglia et al., 2009). However, in this study there is no significant positive influence between experience and auditor’s professional skepticism. The reason for that is...
suspected because the majority of respondents' experience is still low, about 10 to 20 assignments. Thus, it can be said that when the level of auditor's experience is low, then auditor's professional scepticism is low and it can lead to failure in detecting fraud.

For expertise variable, the coefficient of the influence of expertise on auditor’s professional scepticism is 0.360 showed in Table 1 with t-statistic of 2.645 > 1.96 showed in Figure. 1. These results conclude that there is a significant positive influence between the expertise and auditor’s professional scepticism. The first general standard of SA section 210 explains that an audit should be carried out by a person with sufficient technical skills and training as an auditor (Institut Akuntant Public Indonesia, 2012). The assumption of auditing expertise is that the more knowledge auditors have, the more likely it is that they hold a higher position, and also being better at knowledge transfer due to experience will mean that they make different (better) decisions than someone with less knowledge (Rodgers et al., 2017). In addition, the third general standard of SA section 230 states that in performing audit of the statement preparations, the auditor has to use their professional proficiency meticulously and thoroughly (Institut Akuntant Public Indonesia, 2012). Therefore, each auditor is required to have professional skill and expertise in performing their duties as an auditor. The result in this study shows that the expertise positively affects auditor’s professional scepticism. This means that the higher the auditor's expertise, will increase significantly (real) auditor professional scepticism.

For audit situation variable, the coefficient of the influence of audit situation on auditor’s professional scepticism is 0.384 showed in Table 1 with t-statistic of 3.675 > 1.96 showed in Figure. 1. These results conclude that there is a significant positive influence between audit situation and auditor’s professional scepticism. In this case, an audit situation with high risk (irregularities situation) will affect the auditor to improve the attitude of Auditor’s Professional Scepticism (Winantyadi and Waluyo, 2014). This means that the higher the audit situation, will increase significantly (real) auditor professional scepticism.

For ethics variable, the coefficient of the influence of ethics on auditor’s professional scepticism is 0.307 showed in Table 1 with t-statistic of 2.296 > 1.96 showed in Figure. 1. These results conclude that there is a significant positive influence between ethics and auditor’s professional scepticism. In this case, the characteristics that can describe professional scepticism possessed by an auditor includes a questioning mind. A questioning mind indicates that an auditor is sceptical in terms of finding excuses, evidences, justifications, or proofs (Hurtt, 2010). Professional ethics is required by the auditor to maintain Auditor’s Professional Scepticism attitude (Winantyadi and Waluyo, 2014). This study shows that the auditor ethics affects Auditor’s Professional Scepticism. This means that the higher ethics, will increase significantly (real) auditor professional scepticism.

For gender variable, the coefficient of the influence of gender on auditor’s professional scepticism is 0.045 showed in Table 1 with t-statistic of 0.457 < 1.96 showed in Figure. 1. These results conclude that there is no significant positive influence between gender and auditor’s professional scepticism. Generally, gender is the effect of social definitions and internalizations of the meaning of being a man or a woman (Haynes, 2013). In essence, men and women have equal positions, both of which are created in the same degree, self-worth, and dignity. Characteristics of men and women can influence how they deal with something (Larimbi et al., 2017). Other study showed that the professional scepticism of female management accountant is higher than that of a male management accountant (Charron and Lowe, 2008). In addition, study found that the female auditors are more accurate in performing complex assignments than the male ones (Chung and Monroe, 2001). However, in this study shows that there is no significant positive influence between gender and auditor’s professional scepticism. The reason for that is suspected because the response answer of the respondents in Surabaya both male or female auditors are the same. This means that male and female auditors have the same view on professional scepticism.

4 CONCLUSIONS

This study examined the factors that influence auditor’s professional scepticism. The independent variables used in this study are experience, expertise, audit situation, ethics and gender whereas the dependent variable is auditor’s professional scepticism. In this study, the results showed that expertise, audit situation, and ethics have positive and significant influence on auditor’s professional scepticism. While experience and gender do not have a positive influence on auditor’s professional scepticism. This study provide an explanation that in order to improve the quality of audit, each auditor should always improve the audit experience, audit expertise, consider audit risks in certain audit situations, ethical awareness, as well as improve
auditor’s professional scepticism for both male and female auditors, in order to provide the right opinion, because they will be useful to improve the integrity and credibility of the public accountant profession. This study has a number of limitations. In this study, the method used is only the survey method (i.e. spreading the questionnaire), without conducting interviews. Therefore, the results obtained only based on data collected through written questionnaires. Further research is expected to add data collection methods, such as interviews or observations, to understand more about the actual state of respondents. In addition, future research is expected to not spread the research questionnaire at the time the auditor is performing many audit tasks that are usually done at the end of the year. It is necessary to note in order to get more research samples.

REFERENCES


