

The ins and outs of professional skepticism

Citation for published version (APA):

Janssen, S. (2020). *The ins and outs of professional skepticism: insights into the effects of professional skepticism traits on the inputs, process and outputs of the audit*. [Doctoral Thesis, Maastricht University]. Maastricht University. <https://doi.org/10.26481/dis.20200925sj>

Document status and date:

Published: 01/01/2020

DOI:

[10.26481/dis.20200925sj](https://doi.org/10.26481/dis.20200925sj)

Document Version:

Publisher's PDF, also known as Version of record

Please check the document version of this publication:

- A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher's website.
- The final author version and the galley proof are versions of the publication after peer review.
- The final published version features the final layout of the paper including the volume, issue and page numbers.

[Link to publication](#)

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal.

If the publication is distributed under the terms of Article 25fa of the Dutch Copyright Act, indicated by the "Taverne" license above, please follow below link for the End User Agreement:

www.umlib.nl/taverne-license

Take down policy

If you believe that this document breaches copyright please contact us at:

repository@maastrichtuniversity.nl

providing details and we will investigate your claim.

VALORIZATION ADDENDUM

The objective of an external audit is to provide assurance to the users of financial statements on the quality of the reported information. A quality audit is therefore essential for the functioning of capital markets. The exercise of professional skepticism is often described as a key input for a quality audit. However, despite its alleged importance, our understanding of professional skepticism remains limited and underdeveloped due to the lack of prior research that simultaneously considers the impact of personal and situational characteristics. Professional skepticism traits, along with personal (e.g., knowledge, experience) and situational characteristics (e.g., tone at the top, time budget pressure, audit firm), affect the auditor's behavior. In order to advance our understanding of professional skepticism, this dissertation investigates professional skepticism traits as input factors, and as drivers of process and output factors of the audit. The focus of this dissertation is thus on the inherent professional skepticism of the auditor (i.e., professional skepticism traits), but personal and situational characteristics are incorporated to be able to make a distinction between the effect of trait and state skepticism.

Results of this dissertation show that professional skepticism traits of auditors are associated with personality traits and other individual differences, and differ significantly across ranks. Further, this dissertation shows that professional skepticism ultimately affects audit quality as professional skepticism traits are significant drivers of certain audit processes and output factors. The findings from this dissertation can inform, amongst others, audit firms, auditors, and standard setters.

Specifically, the findings in Chapter 2 show that professional skepticism traits are affected by personality and individual differences. Finding the right personality fit for the auditing profession, therefore, seems important. These findings are of interest for both (future) auditors and audit firms. People might want to think about the person-job fit before pursuing a career in auditing. Certain personality traits (such as professional skepticism traits) are important in auditing practice (e.g., Cohen et al. (2017) show that people with lower trust are more likely to leave the profession). Hence, audit firms are recommended to assess personality during personnel screening and selection (e.g., by the use of personality tests) to ultimately attract and retain professionals that are able to take skeptical actions as the standards and regulators require. Further, the analyses in Chapter 2 include situational characteristics and the results show that subjective norms (i.e., social pressure) are the strongest predictor of auditors' intentions to act skeptically. Subjective norms relate to how individuals feel about and respond to pressure from others. These findings could assist auditors and audit firms with designing effective interventions to improve auditors' professional skepticism. The exercise of

professional skepticism throughout an audit could be encouraged by engagement team members, with managers and partners leading by example.

The findings in Chapter 3, which investigates professional skepticism traits as a driver of fraud brainstorming quality, are also relevant for practitioners. First, the results provide valuable insights regarding fraud brainstorming quality and the underlying items across professional skepticism traits partitions. Based on these findings, actions to improve fraud brainstorming quality can be recommended. More specifically, engagement team leaders might want to have a high attendance rate of specialists, a high contribution of all team members (especially forensic specialists), and an extensive discussion about how management might perpetrate fraud during the fraud brainstorming session. Furthermore, the results suggest that the effect of professional skepticism traits on fraud brainstorming is positive in audit firms with a positive performance evaluation system (i.e., a system that rewards professional skepticism). Audit firms and engagement leaders might want to take that into account when selecting the evaluation system. A well-designed evaluation and reward system can foster the exercise of professional skepticism.

Finally, Chapter 4 examines how professional skepticism traits influence the auditor's reporting behavior. The findings show that more skeptical auditors are more likely to issue a GCO and that situational characteristics rarely influence the effects of professional skepticism traits on the likelihood of expressing a GCO. These results suggest that situations in auditing provide ample room for personality to play its role. These findings again speak to the importance of finding the right personality fit for the profession.

Overall, the findings of this dissertation can help to enhance the exercise of professional skepticism in audit practice, with the ultimate goal to improve audit quality. In particular, the dissertation provides insights that the inherent professional skepticism of the auditor is an important input to a quality audit, and that situational characteristics (e.g., social pressure, tone at the top, evaluation and reward systems) can enhance the exercise of professional skepticism.