

Professional Skepticism Experiment: Effects of Trait & State on Auditors' Judgments and Actions

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ABSTRACT

Professional skepticism is a concept of critical importance to the auditing profession. Under Statements on Auditing Standards (SAS) No. 1, it is cited as being a mandate for an auditor to demonstrate as part of due care (AU 230.07). The importance of professional skepticism is also discussed under SAS No. 99 Consideration of Fraud in a Financial State Audit (AU 316). In addition, the Public Company Accounting Oversight Board (PCAOB) also indicates that professional skepticism is core to the performance of an audit at all levels in its standards and in its "Staff Audit Practice Alert No. 10 Maintaining and Applying Professional Skepticism in Audits" (2012). Despite the central role professional skepticism is called to play in an audit, research has found that this complex concept is often not being implemented in a manner that satisfies the scrutiny of the U.S. Securities and Exchange Commission. In addition, auditors can expect increased levels of scrutiny into the future regarding the existence of professional skepticism in their audits based on concerns and initiatives identified in the recently issued "PCAOB Strategic Plan 2013 – 2017" (November 2013). Current research has not investigated the interaction of trait and state professional skepticism factors on an auditor's judgments and actions. Our study will investigate this topic to gain valuable insights and implications for policy makers and practitioners to consider to better achieve the requirement of demonstrating professional skepticism during the audit process. The study will use a 2 X 2 experiment with 120 audit practitioners as participants.