

THE DYNAMICS OF PROFESSIONAL SKEPTICISM IN MODERN AUDITING PRACTICE

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Abstract

This study carried out an investigation of professional's scepticism as the armoured tank of an auditor. Specifically, the study aimed to; investigate the effect of auditors' professional scepticism on fraud detection in the prepared financial statement, examine the relationship between auditors' professional scepticism and quality of the audited financial statement and evaluate the impact of auditors' professional scepticism on shareholders confidence in the ability of management to continue to run their businesses profitably. To achieve the objectives a survey research design was adopted to gather data for the study through the administration of questionnaire to 40 internal auditors and 10 external auditors purposefully selected and the instrument used was distributed accordingly. Both descriptive and inferential statistics of t- test were adopted for the study. The result of the study showed that auditor's professional skepticism had significant effect on fraud detection. It was discovered that there was a significant relationship between professional skepticism and quality of prepared financial statement. The result obtained further showed that auditor professional skepticism had improved the shareholders confidence in management. The study concluded that professional skepticism was truly the armoured tank of an auditor. It was recommended that auditors must continue to apply their professional skepticism in order to enhance the quality of their works.

Keywords: Professional Skepticism, Quality of Financial Statement, Shareholders confidence

1. Introduction

The desire of an auditor to see his/her audited financial statement free from the incidence of possible materials mis-statement that may be incorporated in the financial statement due to activities of unscrupulous directors, managers and officials of an organization may be exposed adequately through auditor professional scepticism. Auditor Professional Skepticism is seen by Aliyu (2012) as the ability of an external auditor to be able to show a questioning mind about the state of the financial statement presented to him/her for auditing. This questioning mind allows the auditors to be able to probe effectively the conditions that enhance or bring about the elements of transactions in the prepared financial statement. With this scenario in mind the external auditors will be able to generate data and evidence that may confirm or justify the authenticity or otherwise of each transaction (Ogunmakinwa, 2020). Adenigbagbe (2019) argued that external auditors created professional scepticism with

the belief that the prepared financial statement presented to him could be further enhanced. Thus, professional skepticism of an auditor improves the quality, functionality and repose the confidence of the shareholders in the ability of the management of an organization to be able to stir the affairs of the company very well. Okeowo and Ashiru (2019) further explained that despite the ability of the external auditors to be professionally scepticism during the course of her statutory duty, the degree of skepticism they could show still continue to generate controversy among accountants , shareholders and prospective investors in organizations due to exploitive nature of the present of fraud, failure of audited financial statement to meet acceptable quality and lack of shareholders confidence in management leadership.

In case of fraud, the ability of the external auditors to be able to use his professional scepticism to detect the incidence of fraud in the prepared financial statement will depend on her capacity to be able to raise questions that may lead to evidence that can bring to light that transactional element in the prepared accounts has been compromised. This according to Adeniyi and Omonijo (2017) may take him years to discover when officials of the organization are not in the mood to cooperate. In this situation, it is the responsibility of the auditor to use his/her professional scepticism to carry out in-depth analysis of how the directors of the company come about each transactional element displays in the prepared account. But, the problem is can the auditor professional scepticism reveals the extent the transactions in the book have been compromised in order to enhance the quality of the audited financial statement.

Akintayo, Aliyu and Omonijo (2018) argued that auditor professional skepticism may give a measure of quality to the prepared financial statement of a company or an organization. This is because with auditor professional scepticism a measure of reassurance that an organization, a corporate company and a firm prepared account has been prepared, presented and reported in line with laid down accounting standards and principles and that to his knowledge the accounts are freed of the incidence of materials mis-statement base on the evidences obtain and use in carrying out the audit. This according to Ashiru (2019) adds credence and quality to the financial statement prepared by the directors and enhances shareholders confidence in the capacity of the management to be able to assure return on their investment.

External auditors' professional skepticism can give a measure of assurance to the shareholdersthat their investments are being managed effectively. This is because external auditors professional scepticism adds value and confidence to the prepared financial statement by the directors and reaffirm the belief that the business of the owners are being run with utmost diligence and possibility of making a return for the shareholders (Omonijo, 2019). Ogunyomi (2016) explained further that external auditor's professional scepticism helped in assuring the shareholders that their businesses had been run profitably and that the prepared financial accounts showed the true state of the company. Thus, the state of mind of an auditor together with his/her ability to seek for evidences that may reassure the true position of transactions reveal in the financial statement may help a great deal in

reaffirm the confidence of the shareholders in the capacity of the management of companies to run the affair of the company's profitably.

The works of Ashiru (2017), Ojo (2017), Ogunyomi and Emmanuel (2019) revealed that auditors professional scepticism enhanced the quality of prepared financial statement and facilitated the detection of financial fraud perpetrated in the books quickly. Ojo (2017), Ariyibi (2018), Ogunmayo and Alawode (2019) indicated that auditors professional scepticism reassured the confidence of the shareholders in the ability of the management to run their affairs of their companies profitably and improved the quality of financial statement prepared by the directors. Thus, this recent study intends to fill the gap in existing works by examining the controversy bothering on whether or not auditor's professional skepticism is the armoured tank of an auditor.

On this basis, therefore, the broad objective of the study is to examine whether or not auditors professional skepticism is the armoured tank of an auditor. The specified objectives are to; investigate the effect of auditors professional skepticism on fraud detection in the prepared financial statement, examine the relationship between auditors professional skepticism and quality of the audited financial statement and

Evaluate the impact of auditor's professional skepticism on shareholders confidence in the ability of management to continue to run their businesses profitably.

In order to achieve the objectives, the study is divided into five parts, namely, introduction, literature review, methodology, empirical results and discussion and conclusion and recommendation.

2. Literature Review

This section focuses on the review of literature that are related to the study. Specifically, the section deals with the conceptual, theoretical, and empirical review of literature.

Conceptual Review

Meaning and Definition of Auditors Professional Skepticism

Ariyibi (2017) defined professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. This indicates that in exercising a professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest. Omonijo (2016) shows that professional skepticism is an attitude that enhances the auditor's ability to identify and respond to conditions that may indicate possible misstatement. It includes a critical assessment of audit evidence. This critical assessment according to the author is necessary in order for the auditor to draw appropriate conclusions. Moreover, the ISAs defined professional skepticism as an attitude that includes a questioning mind, being altered to condition which may indicate possible misstatement due to error or fraud and a critical assessment of audit evidence. The standards explicitly require the auditor to plan and perform an audit with professional skepticism recognizing that circumstance may exist that cause the financial statements to be materially misstated. It must be observed there is no single acceptable definition of professional skepticism but the definition given by ISAs in

line with this study will be taken as the definition adopted by this paper. This is because the definition shows important components of auditor professional skepticism.

For instance, as an attitude, professional skepticism is fundamentally a mind-set. A skeptical mind-set drives auditor behaviour to adopt a questioning approach when considering information and in forming conclusions (Ogunlade, 2017). In this regard, professional skepticism is inseparably linked to the fundamental ethical principles of objectivity and auditor independence.

Professional skepticism also includes being alert, for example, audit evidence that contradicts other evidence obtained, or information that brings into question the reliability of documents or responses to inquiries to be used as audit evidence (Ojo, 2017). Also, it includes being alert to conditions that may indicate possible fraud and circumstances that suggest the need for audit procedures in addition to those required by the ISAs.

How does the auditor apply professional skepticism?

Ariyo (2017) argued that the auditor is likely to apply professional skepticism at various stages from client acceptance and at various points during the audit process, and some typical examples are given below:

- When assessing engagement acceptance – at this stage the auditor should consider whether the management of the intended audit client acts with integrity and whether there are any matters that may impact on the auditor being able to act with professional skepticism if they accept the engagement, such as ethical threats to objectivity.
- When performing risk assessment procedures – an auditor should be sceptical when performing risk assessment procedures at the planning stage of the audit. For example, when discussing the results of analytical procedures with management, the auditor should not accept management's explanations at face value, and should obtain corroboratory evidence for the explanations offered.
- When obtaining audit evidence – the auditor should be ready to challenge management, especially on complex and subjective matters and matters that have required a degree of judgement to be exercised by management. The reliability and sufficiency of evidence should be considered, especially where there are risks of fraud. There may also be specific issues arising during an audit which impacts on professional skepticism – for example, if management refuses the auditor's request to obtain evidence from a third party. The auditor will have to consider how much trust can be placed on evidence obtained from management – for example, evidence in the form of enquiry with management or written representations obtained from management. ISA 200 states that 'a belief that management and those charged with governance are honest and have integrity does not relieve the auditor of the need to maintain professional skepticism or allow the auditor to be satisfied with less than persuasive audit evidence when obtaining reasonable assurance'.
- When evaluating evidence – the auditor should critically assess audit evidence and be alert for contradictory evidence that may undermine the sufficiency and appropriateness of evidence obtained.

The auditor should also apply professional scepticism when forming the auditor's opinion, by considering the overall sufficiency of evidence to support the audit opinion, and by evaluating whether the financial statements overall are a fair presentation of underlying transactions and events (Richardson, 2018).

Ultimately, the application of professional scepticism should reduce detection risk because it enhances the effectiveness of applied audit procedures and reduces the possibility that the auditor will reach an inappropriate conclusion when evaluating the results of audit procedures.

Specific applications of professional scepticism

Fraud

ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, specifically refers to professional scepticism stating that 'when obtaining reasonable assurance, the auditor is responsible for maintaining professional scepticism throughout the audit, considering the potential for management override of controls and recognising the fact that audit procedures that are effective for detecting error may not be effective in detecting fraud' (ISA 240.8).

ISA 240 goes on to state a specific requirement for the auditor: 'The auditor shall maintain professional scepticism throughout the audit, recognising the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance' (ISA240.12).

The application paragraphs of ISA 240 according to Ashiru (2017) emphasise the importance of assessing the reliability of the information to be used as audit evidence and the controls over its preparation and maintenance. In addition, ISA 240 states that 'management is often in the best position to perpetrate fraud. Accordingly, when evaluating management's responses to inquiries with an attitude of professional scepticism, the auditor may judge it necessary to corroborate responses to inquiries with other information' (ISA 240.A17). This is significant in that ISA 240 reminds the auditor that when management provides the auditor with audit evidence – be that in the form of answers to enquiries, written representations or other forms of documentary evidence – the auditor should carefully consider the integrity of that evidence and whether additional corroboratory evidence should be obtained from a more reliable source.

Other aspects of an audit where professional scepticism may be important

The IAASB has issued a Staff Questions and Answers document entitled Professional Scepticism in an Audit of Financial Statements, which outlines some of the areas of the audit where the use of professional scepticism may be important. These are outlined below and largely relate to areas of the audit that are complex, subjective or highly judgmental.

- Accounting estimates – this can include fair value accounting estimates, the use of significant assumptions by management in developing accounting estimates, and reviewing the judgements and decisions used by management for management bias in developing accounting estimates.

- Going concern – the auditor should review management’s assessment of going concern and whether management’s plans are feasible, this being particularly important where there is a significant doubt over the entity’s ability to continue as a going concern.
- Related party relationships and disclosures – it can be difficult to obtain information on related parties, as knowledge may be confined to management meaning that the auditor may have to rely on management to identify all related parties. The auditor should also be sceptical when assessing the business rationale behind related party transactions.
- Consideration of laws and regulations – the auditor should be alert throughout the audit for indications that there may have been a suspected noncompliance with laws and regulations.

The increasing importance of professional scepticism

The IAASB Staff Questions and Answers document contains a foreword by Arnold Schilder, IAASB chairman, which emphasises the increasing need for auditors to apply professional scepticism. One reason for this is the increased use of judgment and subjectivity in management’s financial reporting decisions. This is due to the application of International Financial Reporting Standards (IFRS), which are largely principle-based, and often require the preparers of financial statements to exercise significant judgment when making decisions on accounting treatments.

The global financial crisis of 2008–2009 also focused attention on professional scepticism. Auditors in many jurisdictions were criticised for not applying sufficient professional scepticism at that time, particularly in relation to the audit of fair values, related party transactions and going concern assessments. One of the reasons for the IAASB issuing the Staff Questions and Answers document was to re-emphasise the importance of professional scepticism especially in the audit of financial statements where there is a high risk of material misstatement due to financial distress.

The UK’s Financial Reporting Council (FRC) has issued a Briefing Paper on professional scepticism which suggests that professional scepticism is the cornerstone of audit quality. It proposes that the auditor should actively look for risks of material misstatement, and that this is only possible when a high degree of knowledge of the audited entity’s business and the environment in which it operates is obtained. The document contains proposals for how audit firms can encourage audit teams to approach audits with a sceptical mind-set, and it considers that some audit firms may need to change their culture to allow this to happen.

Adenigbagbe (2020) argued that the IAASB’s Work Plan for 2015–16, Enhancing Audit Quality and Preparing for the Future – issued in December 2014 – prioritises the issues that impact on audit quality, including group audits, quality control, and professional scepticism. It is clear the professional scepticism is to stay on the agenda of the regulatory authorities for some time to come, as it is so intrinsically linked to other key audit issues such as audit quality, ethics and independence and, ultimately, the confidence that the public has in the auditing profession.

Theoretical Review

The theories that are used in this paper are mindset theory and attitude theory.

Mindset theory and professional skepticism

A mind-set is a state of mind, or cognitive orientation that facilitates performance of a particular task (Achtziger&Gollwitzer, 2010; Gollwitzer, 1990). These cognitive orientations are made up of particular judgment criteria and cognitive processes and procedures (Gollwitzer, 1990).⁹ Researchers have identified several distinct sets of mind-sets that are characteristic of systematic patterns of cognitive processing (Wyer&Xu, 2010). For example, holistic mind-sets engage processes that facilitate big picture thinking, while piecemeal mind-sets facilitate solving problems that require reorganization of “parts” of a whole (Higgins &Chaires, 1980). Abstract mindsets facilitate making and evaluating decisions in line with one's principles, while concrete mindsets facilitate attending to immediate problems (Freitas, Gollwitzer, & Trope, 2004; Freitas, Salovey, &Liberman, 2001). Deliberative mind-sets facilitate identification of the best course of action while implemental mindsets facilitate efficient completion of a chosen course of action (Gollwitzer, 1990). A key finding of the mindset literature is that decision quality is higher when there is a good match between the decision maker's mindset and the demands of the decision task at hand (Griffith, Kadous, & Young, 2016).

Attitude theory and professional skepticism

An attitude is “an evaluative integration of cognitions and affects experienced in relation to an object” (Crano&Prislin, 2006). People hold attitudes about political candidates, foods, and many other targets in their daily lives. Eagly and Chaiken (2005) assert that understanding the nature of attitudes is a first step to understanding human behavior and addressing social problems. Attitudes towards these objects, people, prevents are not observable, but can be inferred from expressions of beliefs (i.e., cognitions) and feelings (i.e., affects) associated with them. Attitudes, in turn, have potential to explain and predict behavior.

Theoretical Framework

The theoretical framework on which this study is hinged is the Mindset theory indicates that mindsets can be activated by contextual factors (Gollwitzer, 1990). Moreover, once activated, mindsets persist and can influence subsequent tasks until they are changed (Griffith et al., 2015b; Wyer&Xu, 2010). This implies that mindsets associated with inappropriately skeptical processing can be generated by contextual conditions such as the wording of accounting or auditing standards and the way that audit work is assigned and conducted (e.g., by assigning each auditor a list of procedures to check off) (Griffith et al., 2015a). Similarly, other contextual conditions can increase or decrease the likelihood that auditors engage in appropriately skeptical processing.

3. Methodology

Insurance and Financial Risk Journal

Research Article

This study used survey research design to gather data for the study through the administration of questionnaire to 40 internal auditors in 10 purposeful selected multi-national companies in Lagos State Nigeria. Moreover, 10 external auditors that were selected in two big external auditors firms in Lagos State. The source of data for the study was primary. Furthermore, the instrument used to collect data for the study was designed in such a way that the objectives were adequately covered. Also, the questionnaire used was subjected to both validity and reliability test in order to measure that the instrument measured what was supposed to measure. This procedure was achieved by subjecting the questionnaire to both internal and external validity. The internal valid was realised from the correction and amend carried out by my supervisor while the external valid was achieved through the 10 draft copies of the questionnaire that were administered to the auditor. Their comments and opinion formed

Demographic variable	Frequency	% Percentage
Age in years		
Less than 40	8	19.05
40-44	6	14.29
45-49	20	47.62
50-54	4	9.52
55 and above	4	9.52
Gender		
Male	30	71.43
Female	12	28.57
Highest Academic Qualification		
HND	12	28.57
B.Sc.	20	47.62
Post-graduate Degree	8	19.05
Others	2	4.76
Professional Qualification		
ANAN	12	28.57
ICAN	16	38.10
ACCA	8	19.05
Professional Certificate in Forensic Auditing	2	4.76
Others	4	9.52

the final draft of the questionnaire that was taken to the field. More so, the cronabach coefficient alpha was used to compute the result of the draft copies of the questionnaire retrieved from the ten external auditors and it gave

0.983. This value confirmed that the instrument used was reliable. Both descriptive and inferential statistics of T-test were used to analysis the data collected for the study. It must be observed that from the 50 copies of questionnaire distributed to the respondents only 42 copies of questionnaire were actually returned and used for the study.

4. Empirical Results

Table 4.1 presented the demographic characteristics of respondents.

Source: Researcher's Field work, 2022 Table 4.1 presented the distribution of respondents' demographic characteristics. Looking critically at the result in the table, it might be affirmed that the respondents used for the study were in a better position to understand what auditors' profession skepticism was all about. For instance, the distribution of the respondents according to professional qualification indicated that 28.57% had ANAN while 38.10% had ICAN. In addition,

S/N	AUDITOR	PROFESSIONAL	N	MEAN	STD	Rank	Remark
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19.05% , 4.76% and 9.52% had ACCA, professional certificate in Forensic Auditing and others such as professional certificates in auditing competencies . This variable confirmed the fact that the respondents used for the study understood what the paper was all about and hence, they were in a better position to provide the information and data needed by the researcher.

SKEPTICISM							
A	Auditor Mindset						
1	Auditors mindsets are usually altered to any incidence of materials mis-statement in the prepared financial statement	42	3.78	0.87	5th	Essential	
2	The external auditors engages are objective and unbiased in their assessment of the prepared financial statement	42	4.34	0.12	1st	Highly Essential to the test	
3	External auditors understand the issue before procedure to gather evidences	42	4.04	0.45	4th	Essential	
B	ATTITUDES						
4	External auditors in their statutory duties usually show skeptical attitudes to issue.	42	4.13	0.56	3rd	Essential	

5	Auditors' belief that the audited financial statements are not free from the incidence of mis-statement.	42	3.89	1.04	6th	Fairly essential
6	Auditors in your organization show affective response to issue.	42	4.63	0.33	2nd	Highly Essential
7	External auditors' intention in your organization is to add value to the prepared financial statement by the Directors through the detection of mis-statement that may create doubt in the ability of the Directors to be able to run the affair of the company adequately.	42	3.66	1.12	7th	Fairly essential

Table 4.2 Mean and Standard Deviation computed for the variables of Auditors Professional Skepticism

Source: Researcher's Field work, 2022

Table 4.2 presented the mean and standard deviation obtained for the variables of auditor's professional skepticism. Looking at the result in the table, it must be asserted that all the variables were related to auditor professional skepticism. This inferred was premised on the fact that the mean value computed for the test items were all greater than the acceptable mean of 3.00 with standard deviations that were within the acceptable limit. For instance, in term of mindsets, it was found that auditor's mind-set were usually altered to any incidence of materials mis-statement in the prepared financial statement. This inferred was based on the fact that the mean value computed for the test item of 3.78 was greater than the acceptable mean of 3.00 with a standard deviation of 0.87 that showed a slight dispersion from the mean. Aliyu (2018) explained that the imperative of auditor mindsets in a matter of skepticism could not be underestimated. This was because auditors were disposed as a rule to belief that the financial statement presented to him might not in any way reflect the true position of the state of the organization, hence, his decision in gathering adequate evidences on how the prepares of the accounts got the figure they presented was very vital.

Insurance and Financial Risk Journal

Research Article

A	FRAUD DETECTION	N	MEAN	STD	RANK	REMARK
1	Auditor's assertive mindsets has led to the discovery of financial frauds in the book that may not be detected in common audit.	42	3.78	0.32	1st	Effective
2	The ability of the auditors to show clear alertness of mind has exposed the activities of unscrupulous management secretly conceives in the books.	42	4.12	1.02	3rd	Fairly Effective
3	The unbiased assessment of each element of transactions in the books by the auditors has led to the detection of material misstatement.	42	4.09	0.98	2nd	Effective
B	QUALITY OF FS					
1	Auditors' professional skepticism has added quality to the audited accounts.	42	3.87	1.08	3rd	Fairly Effective
2	The intention of the auditors to carry out a serious scrutinizes of every element/transaction in the book has aid the quality of the prepared financial statement.	42	3.90	0.78	2nd	Effective
3	Zero financial statement mis-statement has been recorded due to auditor's professional skepticism.	42	4.56	0.23	1st	Effective
C	Shareholders Confidence in Management					

1	Improved auditor professional skepticism has added to confidence of the shareholders in Management.	42	4.12	0.45	3rd	Effective
2	Management accountability and transparency value have increased due to auditor's professional skepticism.	42	4.89	0.13	1st	Effective
3	Management of our organizations are not afraid when auditors deploy his professional skepticism to adjudged the truefulness or otherwise of each material element in the prepared financial statement	42	4.67	0.19	2nd	Effective

Furthermore, auditors attitudes might dictate the level of professional skepticism he/she might prepare to exhibit when carrying out his/her work. Therefore, looking at the result in the table once again, it was discovered that auditors usually showed affective response to issue pertaining the auditing of the financial statement. This response allowed the auditors to continue to show high level of professional knowledge and experiences as its relate to audited financial statement. Omonijo (2017) argued that auditors attitudes in a matter of professional skepticism allowed auditors to continue to doubt the state of accounts presented to him by believing that something somewhere was missed and without his judgement as regard fairness of the financial position might be void if this was not discovered.

Table 4.3 Mean and Standard deviation computed for the variables of Professional Skepticism as Armoured Tank of Auditors

Source: Researcher's Field work, 2022

** Acceptable mean is 3.00 on a five pointlikert scale

** Ranking is done on the basis of STD

** The lower the STD the better the Ranking

** A test item is effective if $STD < 1$ or otherwise it is not Effective

Table 4.3 presented the mean and standard deviation computed for the variables of professional skepticism as an armoured tank of auditors measured on the basis of fraud detection, quality of financial statement and shareholders confidence in management of the selected organizations. Looking carefully at the result in the table, it was discovered that really professional skepticism was actually armoured tank of auditors. This assertion was premised on the fact that the mean values of all the test items indicated a significant effective effect of professional skepticism on; fraud detection, quality of financial audited financial statement and shareholders confidence in the ability of management. For instance, it was found that the intention of the auditors to carry out a serious scrutinized of every element/transaction in the book had aided the quality of the prepared financial statement. This inferred was premised on the fact that the mean value obtained for the test item of 4.12 was better than the acceptable mean of 3.00. Also, in term of shareholders confidence in management, auditor professional skepticism had improved management accountability and transparency orientation as it related to the prepared financial accounts. On this basis, therefore, one might infer that auditors professional skepticism was truly an armoured tank of auditors in detecting frauds, increase the quality of financial statement and enhancing the confidence of the shareholders in management to run the affairs of the organization profitably.

Testing Statistical Significance

Objective One: investigate the effect of auditors' professional skepticism on fraud detection in the prepared financial statement.

H_{01} : There is no significant effect of auditor professional skepticism on fraud detection in the prepared financial statement.

Table 4 T-test Statistics computed for the effect of Auditors PS on Fraud Detection

Variable	N	Mean	STD	Tcalculated	DF	P-value	Remark
Auditors Professional Skepticism	42	28.90	1.34	31.47	82	0.0000	Sign
Fraud Detection	42	4.67	4.78				

Source: Researcher's computation, 2022 (SPSS version 20)

Adenigbagbe and Ojo (2018) argued that auditor's professional skepticism was effective in revealing any incidence of fraud in the prepared financial statement if adequately deployed by the auditors. Thus, auditors by reasoning of their statutory duties must ensure that they did not have any invested interest in the company they were auditing in order to enable them display a high level of professional skepticism that might enhance the

quality of their jobs and improve organizational effectiveness. HO2: There is no significant relationship between auditors' professional skepticism and quality of financial statement.

Objective Two: Examine the relationship between auditors professional skepticism and quality of the audited financial statement

Table 5 T-calculated on the relationship between auditors' professional skepticism and quality of financial statement

Table 4 presented the result of the t-statistics computed for the objective one. Looking at the result in the table, it was found that the p-value of the to-statistics computed for the test variables of 0.0000 was less than the critical value of 5% with significant t-value of 31.47. This indicated that the null hypothesis which stated that auditor's professional skepticism had no significant effect on fraud detection was rejected. It was reasonable to infer that auditor's professional skepticism had significant effect on fraud detection. The ability of the auditors to critically analysis and expose his mindset with the belief that the financial statement presented to him was not freed from the incidence of material mis-statement might reveal financial fraud and activities of unscrupulous officials secretly and intelligently conceived in the prepared financial accounts by the management.

Test of Hypothesis Two

Variable	N	Mean	STD	Tcalculated	DF	P-value	Remark
Auditors Professional Skepticism	42	65.89	0.78	87.14	82	0.0000	Sign
Quality of Financial Statement	42	17.09	13.56				

Source: Researcher's computation, 2022 (SPSS version 20)

**** Test is carried out at 5% level of significant** Table 5 presented the result of the t-statistics computed for the relationship between auditor's professional skepticism and quality of prepared financial statement. Looking at the result in the table, it was found that the p-value of the t-statistics calculated for the test of 0.0000 was less than the critical value of 5% with significant t-statistics of 87.14. This showed that the null hypothesis which stated that there was no significant relationship between auditors professional skepticism and quality of financial statement. On this premised, it was saved to assert that there was significant relationship between auditors professional skepticism and quality of financial statement. Auditor's professional skepticism might influence greatly the quality of financial statement. With the desire of the external auditors to apply his/her professional skepticism to investigate, gather evidence and

Variable	N	Mean	STD	T-	DF	P-value	Remark
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Critically securitize each element of transaction in the prepared account, the quality financial statement could be enhanced. Auditors' professional skepticism reaffirmed the believed that the audited financial statement had been thoroughly looked and assured that it was prepared with accordance with the laid down standards and incidence related to mis-statement had been assured to be absent. **Test of Hypothesis Three**

				calculated			
Auditors Professional Skepticism	42	40.45	0.53	28.3119	82	0.0000	Sign
Shareholders Confidence	42	9.77	7.04	-			

H₀₃: The auditors' professional skepticism had no significant impact on shareholders confidence in the ability of the management to continue to run their businesses profitably.

Objective Three: Evaluate the impact of auditors' professional skepticism on shareholders confidence in the ability of management to continue to run their businesses profitably

Table 6 T-calculated for the impact of Auditors Professional Skepticism on Shareholders 'Confidence

Source: Researcher's computation, 2022 (SPSS Version 20)

**** Test is carried out at 5% critical level of significant.**

Table 6 presented the result of the t-statistics computed on the impact of auditor's professional skepticism on shareholders confidence in the ability of the management of the selected multi-national companies. From the result in the table, it was found that the pvalue of the t-statistics computed for the test of 0.0000 was less than the critical value of 5% with significant tstatistics value of 28.31. This indicated that the null hypothesis which stated that the auditor's professional skepticism had no significant impact on shareholders confidence in the ability of the management to continue to run their businesses profitably was rejected. This implied that there was significant impact of auditor's professional skepticism in the ability of the management to continue to run their businesses profitably. The desire of the shareholders of companies to see their businesses run profitably might be realised through auditor's professional skepticism. This was because external auditors by virtue of their engagement added value to the prepared accounts. They gave a sense of confidence to the shareholders that their investments in a company were being protected and returns on these investments were assured. Ojo (2019) argued that auditor's professional skepticism gave adequacy and assurance to the shareholders that their investments were

adequately covered and protected from unscrupulous activities of management through alliance with the internal auditors.

5. Conclusions and Recommendations

Conclusions

This study had revealed that auditor's professional skepticism was an essential tool in improving the quality and detection power of an auditor. Thus, on the basis of the result obtained for the study, it could be concluded that there was a significant effect of auditor professional skepticism on fraud detection in the prepared financial statement in the selected multinational companies. It might be reassured that there was a significant relationship between auditors' professional skepticism and quality of financial statement and that auditors professional skepticism improved shareholders confidence in the ability of the management of the selected companies to continue to manage their investments profitably.

Recommendations

Base on the result of the study, the following recommendations are made.

- There is need for external auditors to continue to show high level of professional skepticism when auditing the financial statements of companies and corporations. This is necessary due to the fact that fraudulent activities have now advanced through the deployment of IT to steal large volume of money which may be difficult for ordinary audit work and check to detect.
- Moreover, external auditors must ensure that they do not have any invested interest in companies they are auditing in order not to compromise the quality of the audited accounts. Therefore, with absent of no invested interest in a company the persistent and thoroughness the auditors may deploy his professional skepticism may increase.
- Furthermore, the management of the selected companies must continue to engage the service of independent auditors to audit the accounts of their companies in order to continue to gain the confidence of the shareholders in the ability of the management to run these companies profitably.

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