



Prediction of the Auditor's Professional Skepticism Based on the Ethical Climate of the Organization and Demographic Characteristics of the Auditor

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Abstract

Introduction: Professional skepticism is an important and effective element on auditors' judgment and overshadows audit quality. Therefore, the main goal of the current research is to predict the auditor's professional skepticism based on the ethical climate of the organization and demographic characteristics such as gender, education and experience.

Material & Methods: The research method in this research is descriptive-correlation research. The statistical population includes auditors working in the auditing profession and the statistical sample of the present study is auditors working in auditing institutions. Sampling method, sampling is available. About 70% of the sample are men and the rest are women. The instrument for measuring research variables is a standard questionnaire. The reliability of the questionnaire is determined based on Cronbach's alpha. Multivariate regression test using SPSS software was used to analyze the collected data.

Results: The results of the research confirm the positive and significant relationship between the ethical climate and the auditor's professional skepticism. In other words, the growth of the moral atmosphere leads to the improvement of the professional skepticism of auditors. Also, the results showed that gender, level of education and experience have no significant relationship on the professional skepticism of auditors.

Conclusion: The moral atmosphere of the organization is an important factor in the exercise of professional skepticism. Therefore, the development of ethical atmosphere in audit firms can improve audit quality.

Keywords: *Judgment, Professional skepticism, Moral atmosphere of the organization*

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INTRODUCTION

The separation of ownership from management has led to the responsibility of monitoring the performance of managers of commercial units from the owners of those units to persons other than financial information providers, i.e. auditors, in order to solve the ambiguity and concern of users regarding misleading information [1, 2]. Therefore, auditors, as experts in the field of financial reporting, play an important role in protecting the interests of the public [3]. But trust in the auditing profession has decreased

due to the occurrence of financial frauds in recent years [4]. In the audit process, the auditor must make a decision and judge based on professional skepticism [5-8]. Professional skepticism means critical evaluation of audit evidence [9]. The higher the level of professional skepticism, the higher the audit quality will be [10]. Ethics has a significant impact on auditors' decisions. Studies show that ethics has a positive and significant effect on the auditor's professional skepticism [11-13].

In the auditing profession, in order to comply with ethics, a set of code of ethics has been compiled [15]. This collection includes ethical characteristics necessary for the relationship between auditors and their clients [15]. Compliance with professional ethics increases the quality of auditors' work [16]. Meanwhile, the ethical atmosphere of the organization is important for improving the audit quality [17]. Preservation of moral values is one of the most important phenomena that has been noticed in most organizations. The more managers of organizations are sensitive to moral values, the more the possibility of implementing ethical standards will be [18]. Ethical values in the audit profession strengthen trust in relationships between people and improve audit quality [19].

One of the main factors in shaping organizational relationships among employees is the ethical atmosphere of the organization, which is considered as a part of the organizational culture [20]. Ethical climate includes moral values and expresses the impact of ethics on the decisions of the organization's people [21]. In general, the ethical climate of the organization includes the employees' psychological understanding of the ethical policies and methods governing the organization and its departments [22]. This understanding is expected to affect the decision-making and ethical behavior of each member of the organization [23]. The results of a study showed that the ethical climate of the organization is an important factor on judgment and decision-making [24]. In fact, the ethical climate of the organization is the individual's attitude towards the instructions and ethical behaviors in the organization [25], which in addition to guiding the behavior of employees [26], also determines the ethical criteria for understanding and evaluating ethical issues [27]. The ethical atmosphere of the organization has a direct and significant effect on the accountants' support for ethical standards [28]. Ethical atmosphere significantly increases job attachment of employees [29] and job attachment has a positive correlation with job performance [30]. The confirmation of the direct effect of ethical climate on the performance of human resources in another study [31] shows the importance and impact of this issue. Based on this and according to some of the results of a survey, to improve decision-making, it is necessary to pay attention to the moral

atmosphere of the organization [32]. Because the ethical climate is related to the common understanding of correct ethical behavior [33] and this leads to the improvement of professional ethics, which plays an important role in improving the professional skepticism of auditors [15, 34].

On the other hand, various researches in the field of professional skepticism have shown that factors such as education level, age, etc. can have an effect on auditors' understanding of the concept of professional skepticism [35]. Also, some studies state that professional skepticism may be a skill that is gradually developed since the beginning of professional training and practice [36]. The auditor must have the necessary experience and knowledge to identify potential issues and develop and determine appropriate responses in order to exercise judgment with uncertainty. Therefore, the auditor lacking the desired characteristics is less likely to make a cautious and informed judgment. In this context, the researchers showed that the auditor's experience has a positive and significant effect on the auditor's professional skepticism [34]. On the other hand, other research results indicated that experience has no significant relationship with auditor's professional skepticism [13].

Considering the above and the importance of professional skepticism as an essential element in planning and conducting an audit that can lead to an increase in the quality of the audit; This research investigates whether ethical climate is related to auditors' professional skepticism. And in the meantime, what is the role of the auditor's demographic characteristics (gender, education, experience) in improving the professional skepticism of auditors. As the review of the background of the research shows, despite the numerous researches in the field of professional skepticism, the role of the ethical climate of the organization has not been studied in this field. Therefore, the results of this research can lead to the expansion of the theoretical foundations of past researches related to the professional skepticism of auditors.

MATERIAL AND METHODS

This research is a descriptive-correlation research. The statistical sample was distributed

among the respondents using the available sampling method. 110 questionnaires were distributed among the respondents, of which 90 were usable and were used in the analysis. The tools used in this research are two questionnaires, the ethical atmosphere of the organization and the auditor's professional skepticism. A 26-question questionnaire [37] was used to measure the ethical atmosphere of the organization. This questionnaire is scored based on a five-choice Likert scale, where the number 1 indicates completely disagree and 5 indicates completely agree. The auditor's professional skepticism was also measured through a standard questionnaire [38] and includes 30 questions on a six-point Likert scale. Both questionnaires are standard and have been used in previous researches; Therefore, they have content validity.

Table1: Descriptive statistics

Factors	Ethical climate	Professional skepticism	Work experience
Mean	20.52	129.36	9.86
Median	22	131	7.5
SD	5.946	13.905	7.348
Min.	5	92	2
Max	30	171	32

The results of the research hypothesis test and model estimation are shown in table 2. As can be seen, the significance level of the moral climate variable is equal to 3.5 percent, which means it is less than 5 percent. Therefore, at the confidence level of 95%, it can be said that there is a significant relationship between the moral climate and the auditor's professional skepticism. Since the regression coefficient is (0.490), it can

Confirmatory factor analysis was used to check the construct validity. According to the obtained results, factor loadings of all questionnaire questions are greater than 0.4. Therefore, it can be stated that the questionnaires have the necessary validity. Also, in the reliability measurement, the Cronbach's alpha coefficient of all questionnaires was calculated to be more than 0.7, which indicates the reliability of the research tool.

RESULTS

Descriptive indices of research variables including mean, median, standard deviation, minimum and maximum are presented in table1. This table shows that the average of moral atmosphere is 20.5, professional skepticism is 129, and work experience is about 10 years.

be concluded that the ethical climate has a positive and significant relationship with the auditor's professional skepticism. Also, the results of table 2 indicate that gender, education level and work experience have no significant relationship with the dependent variable, auditor's professional skepticism. Because the significance level of these variables is greater than 5%.

Table 2: Results of regression analysis and hypothesis testing

Factors	Coefficient	t-value	Sig.	variance inflation factor
Constant coefficient	117.72	12.509	0.000	-
Organizational ethical climate	0.490	2.149	0.035	1.028
Gender	1.298	0.714	0.477	1.225
Educational level	-3.801	-1.756	0.083	1.016
Work experience	0.174	0.862	0.391	1.128

F-value: 4.107

Sig. 0.000

R²(Adjusted): 0.113

DW: 1.754

DISCUSSION

The findings of this research showed that ethical climate has a positive and significant relationship with the auditor's professional skepticism. In other words, the growth of the moral atmosphere leads to the improvement of the professional skepticism of auditors. There are studies whose findings are somehow in line with the results of this study [11, 12, 15, 23, 34]. In fact, examining auditors' behavior regarding the use of professional skepticism is an important and vital issue. If auditors are weak in applying professional skepticism, the auditing profession will suffer irreparable damages, examples of which can be seen in the recent financial scandals in the world and the downgrading of the auditing profession. Therefore, improving this feature will improve audit judgment and subsequently improve audit quality. Examining research records shows that compliance with ethical standards in auditors leads to more conservative judgments [11, 12] and with the promotion of professional ethics, the professional skepticism of auditors also improves [15]. This is while many have pointed out the role of the organization's moral climate in following standards and moral judgment [19, 21]. In other words, ethical climate provides a definition of correct behavior and how to deal with ethical issues in the organization and has a direct effect on supporting ethical standards [28]. Ethical atmosphere affects the performance of the organization and creates conditions for people to behave professionally according to regulations and standards. Therefore, based on the results of this research, it is suggested to the legislators of the auditing profession and auditing institutions to consider the role and importance of the ethical climate in order to apply sufficient professional skepticism to the auditors during the investigation process and to institutionalize the principles and values.

Other findings of this research confirm that there is no significant difference between professional skepticism used by experienced and less experienced auditors. Also, these results, like previous surveys, showed that there is no significant relationship between gender and auditors' professional skepticism. Finally, due to the fact that in the present study, data collection was done using a questionnaire tool, the impossibility of

generalizing the results to the statistical population can be considered as one of the main limitations of this study.

CONCLUSION

The auditing standard emphasizes the importance of professional skepticism as an essential element in planning and auditing financial statements, and according to researchers, its lack has led to many audit failures. It is necessary for the legislators to support auditors to exercise more professional skepticism by removing the obstacles of professional skepticism. Therefore, knowing the factors affecting the professional skepticism of auditors can be very important. The significant effect of ethical climate on the professional skepticism of auditors shows that the behavior and judgment of auditors of an auditing institution, which is one of the criteria of audit quality, is influenced by the atmosphere of that institution. In fact, the ethical climate of the organization is positively related to the ethical behavior of people in their organizations, and the improvement of professional ethics leads to the improvement of auditors' professional skepticism. Therefore, managers of audit institutions are always expected to provide grounds for the development of an ethical atmosphere in the organization under their management, so that the quality of audit reports will also increase through the improvement of professional skepticism.

ETHICAL CONSIDERATIONS

Ethical issues (such as plagiarism, conscious satisfaction, misleading, making and or forging data, publishing or sending to two places, redundancy and etc.) have been fully considered by the writers.

CONFLICT OF INTEREST

The authors declare that there is no conflict of interests.

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