African Journal of Accounting and Financial Research
ISSN: 2682-6690
Volume 9, Issue 1, 2026 (pp. 146-162)
www.abjournals.org

INFLUENCE OF PROFESSIONAL SKEPTICISM ON AUDIT EVIDENCE QUALITY AND AUDIT REPORT QUALITY: EVIDENCE FROM AN EMERGING AUDIT MARKET

Evans O. N. D. Ocansey

Department of Accounting and Finance, Valley View University, Accra, Ghana.

Email: endocansey@vvu.edu.gh

Cite this article:

Evans O. N. D. Ocansey (2026), Influence of Professional Skepticism on Audit Evidence Quality and Audit Report Quality: Evidence from an Emerging Audit Market. African Journal of Accounting and Financial Research 9(1), 146-162. DOI: 10.52589/AJAFR-ETGGM5YF

Manuscript History

Received: 12 Feb 2026

Accepted: 16 Mar 2026

Published: 1 Apr 2026

ABSTRACT: *Professional skepticism is widely recognized as a cornerstone of auditing, yet empirical evidence is limited on how it translates into measurable audit-quality outcomes. Drawing on agency theory, signaling theory, and judgment and decision-making (JDM) theory, this study develops and tests a multi-level framework linking auditor skepticism to audit evidence quality and audit report quality. Agency theory predicts that skepticism strengthens monitoring and reduces information asymmetry; JDM theory suggests that skepticism mitigates cognitive bias and enhances evidence evaluation; and signaling theory implies that rigorous skeptical assessment enhances the credibility of audit reporting as a market signal. Using survey data from 285 audit managers in an emerging market setting, we find that professional skepticism is strongly and positively associated with both audit evidence quality and audit report quality. Regression analyses indicate that skepticism accounts for substantial variation in both the audit process and reporting outcomes. We further document significant differences across audit firm size categories, suggesting that institutional context conditions the effectiveness of skeptical judgment. The findings contribute to the audit literature by integrating behavioral and economic theories of auditing, empirically linking cognitive traits to both audit process and output quality, and extending skepticism research beyond developed markets. Overall, the results position professional skepticism as a structural determinant of audit quality with implications for agency cost reduction and the credibility of financial reporting.*

KEYWORDS: Professional skepticism, Audit evidence quality, Audit report quality, Audit firm size, Audit quality, Emerging markets.

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

African Journal of Accounting and Financial Research
ISSN: 2682-6690
Volume 9, Issue 1, 2026 (pp. 146-162)

www.abjournals.org

INTRODUCTION

Recent global regulatory inspections continue to identify persistent audit deficiencies, particularly failures to obtain sufficient appropriate audit evidence and to exercise adequate professional skepticism. Inspection findings by regulators such as the Public Company Accounting Oversight Board (PCAOB) and the International Forum of Independent Audit Regulators consistently report weaknesses in risk assessment, internal control evaluation, revenue recognition, and accounting estimates. These deficiencies frequently stem from insufficiently skeptical evaluation of management representations and contradictory audit evidence.

A critical review of comments from standards-setters and regulators shows that inadequate exercise of professional skepticism is one of the root causes of poor audit outcomes. According to a survey of nine hundred and eighteen (918) public companies and one hundred and twenty (120) audit firms in both the US and UK, auditors usually fail to assess the reasonableness of assumptions used by management, as well as inconsistent evidence (PCAOB, 2018). Further, the survey indicated that auditors fail to obtain sufficient and persuasive evidence.

Additionally, the staff review of the inspection results identified four major areas of audit deficiencies (PCAOB, 2018). Deficiencies relating to internal control over financial reporting, risk assessment and revenue, accounting estimates, and engagement quality review. In summary, it was discovered that auditors did not sufficiently assess the design and operating effectiveness of controls, risk of material misstatement, agreement of invoices, and delivered services or products. They also did not evaluate the reasonableness of assumptions used and the sufficiency of significant inputs, analyze the completeness of the firm's data used, and understand methods and assumptions used. These deficiencies were all attributed to the lack of or poor use of professional skepticism in performing audit work.

These concerns are not confined to developed markets. In Ghana, the collapse of several financial institutions between 2017 and 2019 intensified scrutiny of auditors' performance. Regulatory investigations concluded that some audit firms failed to obtain adequate audit evidence, assess going concern appropriately, and identify related-party irregularities. Such events raise fundamental questions regarding the role of professional skepticism in shaping audit outcomes in emerging economies.

In Ghana, both external and internal auditors were blamed for being part of the collapse of seven banks (Beige, Construction, UniBank, Royal, UT, Sovereign, and Capital) in 2017 and 2018 due to shoddy audit works and audit failures. For example, the investigations of the Institute of Chartered Accountants-Ghana show that the audit firms: Morrison & Associates, J. Mills Lamptey & Co., Deloitte & Touché, Ernst & Young, and PKF failed to document enough audit evidence and related party disclosure adequately, issued a going-concern opinion with insufficient audit evidence, ignored the proper application of regulatory standards, failed to detect irregularities and errors, and shortfalls in professional duty (Ghana Web, 2019). The audit firms were fined between the ranges of $30,000 to $230, 000.

Obtaining sufficient appropriate audit evidence and generating a quality audit report are pertinent to all financial statement users. Moreover, the recent blaming of auditors for the corporate failures of seven banks, insolvency of three hundred and forty-seven microfinance institutions, twenty-three savings and loans companies, and the revocation of fifty-three fund

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

management investment institutions have called for urgent research into the application of professional skepticism by auditors as they perform their work.

Although professional skepticism is explicitly required under ISA 200, regulators continue to emphasize deficiencies in its application rather than its formal recognition. This gap between standard-setting expectations and practice motivates our study. Therefore, this research examines whether professional skepticism is associated with audit evidence quality and audit report quality. It also examines whether professional skepticism predicts audit evidence quality and audit report quality, and whether audit firm size conditions these relationships. By focusing on Ghana, the study extends skepticism research beyond heavily studied U.S. and European contexts and contributes evidence from an emerging regulatory context.

LITERATURE REVIEW

Professional Skepticism

Professional skepticism has been conceptualized both as a trait and as a mindset. Trait-based perspectives describe skepticism as a relatively stable personal characteristic involving a questioning mind and suspension of judgment (Hurtt, 2010; Nolder & Kadous, 2018). Mindset approaches emphasize cognitive processing and evaluative attitudes that influence how auditors interpret evidence.

ISA 200 requires auditors to maintain professional skepticism throughout the audit, recognizing the possibility of material misstatement due to error or fraud. Yet empirical research suggests variation in how skepticism is exercised across individuals and firms (Cohen et al., 2017; Knechel et al., 2018).

Prior research links professional skepticism to fraud detection, risk assessment accuracy, and improved audit judgments. However, evidence remains mixed regarding whether skepticism consistently translates into measurable audit quality outcomes.

Theoretical Framework

Agency theory (Jensen & Meckling, 1976) provides the foundational economic rationale for auditing. In a principal–agent relationship, managers (agents) possess superior information about firm performance relative to shareholders (principals). This information asymmetry creates incentives for earnings management, opportunistic reporting, and concealment of adverse information. Auditing serves as a monitoring mechanism designed to reduce agency costs by enhancing the credibility of financial reporting. However, the effectiveness of auditing depends critically on the auditor's willingness and ability to challenge management representations.

Professional skepticism functions as the behavioral enforcement mechanism of agency monitoring. Without skepticism, auditors may rely excessively on management-provided information, thereby weakening the monitoring role that agency theory assumes. Under agency theory, the auditor must assume the possibility of opportunism rather than presuming managerial honesty. ISA 200 codifies this expectation by requiring auditors to recognize that material misstatements may exist.

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

Thus, from an agency perspective, professional skepticism reduces information asymmetry, skeptical evaluation mitigates moral hazard, and stronger skepticism strengthens the auditor's monitoring function. This leads to the expectation that higher professional skepticism improves the quality of evidence gathered during monitoring activities.

While agency theory explains *why* skepticism is necessary, Judgment and Decision-Making (JDM) theory explains *how* skepticism operates at the cognitive level. JDM research (Kahneman & Tversky, 1979; Griffith et al., 2016) demonstrates that individuals are susceptible to cognitive biases, including confirmation bias, anchoring, recency bias, and overconfidence. In auditing, these biases may cause auditors to accept management explanations prematurely, underweight contradictory evidence, and engage in motivated reasoning.

Professional skepticism can be conceptualized as a cognitive debiasing mechanism. A skeptical mindset promotes deliberative (System 2) processing rather than intuitive (System 1) reasoning, active search for disconfirming evidence, and suspension of premature judgment. Research suggests that auditors with stronger skeptical traits are less prone to confirmation bias and more likely to revise judgments when presented with inconsistent information. Therefore, JDM theory predicts that professional skepticism enhances the quality of evidence evaluation by increasing the depth of information processing, expanding search breadth for corroborating evidence, and reducing reliance on heuristic shortcuts.

Signaling theory (Spence, 1973) explains how parties with superior information communicate credibility to less-informed stakeholders. The audit report functions as a market signal regarding the credibility of financial statements. A high-quality audit report signals thorough evidence evaluation, independent judgment, and reduced information risk. However, the strength of the audit signal depends on the rigor of underlying audit procedures. If audit evidence is insufficient or poorly evaluated, the audit report becomes a weak or misleading signal.

Professional skepticism strengthens the credibility of the signal by increasing the likelihood of modified opinions when warranted, enhancing transparency regarding uncertainties, and improving detection of misstatements. From a signaling perspective, a skeptical auditor emits a stronger credibility signal, and market participants interpret rigorous reporting as a reduction in information risk. Thus, skepticism should be positively associated with audit report quality. Further, because reporting decisions are the culmination of cognitive evaluation processes, skepticism should directly predict reporting outcomes.

The combined theoretical framework operates at three levels: macro (economic), micro (cognitive), and market (communication). The integration suggests a sequential mechanism. Skepticism enhances cognitive processing (JDM). Enhanced processing improves evidence sufficiency and appropriateness. Stronger evidence supports more credible reporting (Agency). Credible reporting strengthens the audit signal (signaling). Thus, professional skepticism is not merely an ethical attitude—it is a structural mechanism linking cognitive judgment to market credibility.

Agency and signaling theories also suggest that institutional context matters. Large audit firms face greater reputational capital at risk, have stronger litigation exposure, and possess more structured quality controls. Under signaling theory, large firms have stronger incentives to maintain credible signals. Under agency theory, their reputational capital increases the cost of

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

audit failure. Therefore, the translation of skepticism into observable audit quality may be stronger in larger firms.

Professional Skepticism and Audit Evidence Quality, and Report Quality

Audit evidence quality reflects both sufficiency (quantity) and appropriateness (relevance and reliability). The reliability of evidence depends on source independence, documentation form, and method of collection. Higher assessed risk requires more persuasive evidence. Professional skepticism enhances auditors' tendency to challenge management assumptions, seek corroborating external evidence, investigate inconsistencies, and avoid premature closure.

Audit report quality reflects the appropriateness, transparency, and timeliness of the auditor's opinion. Regulatory reviews show that insufficient evidence gathering often precedes inappropriate reporting decisions. Professional skepticism may influence reporting decisions through greater willingness to issue modified opinions, more robust going-concern assessments, transparent communication of key audit matters, and resistance to client pressure.

Professional skepticism is associated with experienced auditors as they turn to conduct more inquiries and use additional procedures to assess fraud risk during audit evidence evaluation (Olsen, 2017). Similarly, survey research found that red flags and professional skepticism positively influence fraud detection, but work experience had no significant influence on professional skepticism. Nonetheless, professional skepticism significantly affects the relationship between red flags and work experience on fraud detection (Rahim et al., 2019).

The use of professional skepticism in questioning and critically assessing audit evidence can help uncover management bias (IAASB, 2017). It helps in reducing the risk of ignoring unusual situations, inappropriate assumptions, wrong generalizations, and flawed conclusions from audit work (Nolder & Kadous, 2018). That is, professional skepticism drives auditors to identify probable errors and irregularities, which can lead to misstatements.

Professional skepticism is pertinent in auditing, but it is challenging to assess its characteristics and measurement. Ciolek (2017) affirmed that professional skepticism is difficult to define and measure and an indication of the lack of it. Ciolek, therefore, reviewed literature on professional skepticism and provided six attributes. These attributes are "a questioning mind, suspension of judgment, a search for knowledge, interpersonal understanding, self-esteem, and autonomy" (Ciolek, 2017, p. 33).

Moreover, Septiani and Sukartha's (2017) research indicated that a lack of professional skepticism negatively influences dysfunctional audit behavior and, eventually, audit performance. In other words, professional skepticism improves auditor performance. Professional skepticism can influence an auditor's ability to interrogate obtained audit evidence's appropriateness and sufficiency. Professional skepticism consists of a questioning attitude (Olsen, 2017) and assists auditors in evaluating risk and making a decision. This suspicious mindset can improve an auditor's ability to identify and select appropriate evidence.

Further, Grant et al. (2019) indicated that a deliberative and inquisitive mindset enhances the ability to identify unreasonable estimates and recognize inconsistencies in complex estimates. The study of Ashari (2017) also confirmed that auditors with a higher inquisitive mindset tend to look for more evidence, and this attitude deepens their assessment of material misstatement and inappropriate estimates. Professional skepticism encourages auditors to seek more

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

information to understand the complex situation (Pramana et al., 2016) and can enhance auditors' ability to evaluate material misstatement risk relating to financial statements (Sayed-Hussin et al., 2017).

The study of Knechel et al. (2018) revealed that professional skepticism is a desirable trait in auditing firms, and therefore, it is positively associated with compensation in the big-4 auditing firms, but much value is not placed on it in the other firms. It is also found to influence auditor decisions concerning audit reports. Haris's (2019) research in Indonesia also found that professional skepticism influences auditor performance. They added that a skeptical mindset could improve the detection of fraud and mistakes in financial statements.

Sayed-Hussin et al. (2017) also discovered that professional skepticism and experience are positively associated with risk assessment by auditors. That is, auditors' assessment of fraud is influenced by professional skepticism. Moreover, for auditors to successfully conduct an audit and give a reliable opinion, they must possess professional skepticism.

Farag and Elias (2016) and Christina and Tjaraka (2017) further affirmed that professional skepticism is necessary for achieving successful audit performance.

However, the survey study of Husnianto et al. (2017) on the influence of professional skepticism on audit performance with 124 auditors revealed that professional skepticism does not significantly influence audit performance, but professional judgment has a significant influence.

The auditor's performance is influenced by a series of factors, including engagement factors, planning, audit process, and result reporting. Audit performance is also influenced by professional skepticism. Sayed-Hussin et al. (2017) describe professional skepticism as the glue of audit procedures outlined in an audit program. Beebe (2018) also explains that professional skepticism assists in assessing critical risks and decisions of auditors. Sayed-Hussin et al. (2017) added that skepticism could aid in client choice, audit method selection, the appropriate audit technique to use, and assessment of collected audit evidence. Many audit works have been criticized for lacking sufficient audit evidence. Hence, professional skepticism can enhance the sufficiency or reasonableness of audit evidence. Therefore, some studies indicated that large auditing firms reward professional skepticism, but small firms do not (Knechel et al., 2018; Sayed-Hussin et al., 2017).

Umeren and Asogwa (2017) surveyed auditor skepticism and the Nigerian financial crisis. It was found that professional skepticism factor lapses in the areas of the engagement team, audit firm, and individual levels contributed to the Nigerian financial crisis.

In examining the role of time budget pressure in influencing auditors' professional skepticism and competence on fraud detection, it was discovered that auditors with high professional skepticism and competence have a high probability of detecting fraud. Also, the study indicated that highly professional skeptical auditors might not detect fraud if they are constrained by budget pressure (Said & Munandar, 2018).

More so, investigating the relationship of auditor independence, professionalism, and skepticism regarding audit performance and its procedures, it was found that independence and professional skepticism are significant and positively associated with audit performance (Mardijuworno & Subianto, 2018). Christina and Tjaraka (2017) added that professional

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

skepticism has a relationship with audit results. However, Kusumawati and Syamuddin (2017) discovered that professional skepticism did not mediate the relationship between auditors' performance and auditor competence. Further, Akbar and Suraida (2017) survey study found that simultaneously, auditor competence and professional skepticism significantly influence information technology audits. Professional skepticism and experience positively influence material misstatement risk assessment in the Big Four audit firms (Sayed-Hussin et al., 2017). More so, it was discovered that auditor professional skepticism, experience, and independence are associated with detecting fraud (Pramana et al., 2016).

Research indicates that auditors with stronger skeptical traits perform more extensive procedures and are better at identifying unreasonable estimates (Grant et al., 2019; Sayed-Hussin et al., 2017). Thus, skepticism should positively influence the quality of audit evidence obtained. Also, evidence suggests that skepticism influences auditor compensation and opinion decisions, particularly in large firms (Knechel et al., 2018).

The Role of Audit Firm Size

Large audit firms typically possess greater technical expertise, more structured quality control systems, stronger reputational incentives, and specialized industry knowledge. These structural characteristics may strengthen the translation of individual skepticism into measurable audit outcomes. Prior research indicates that Big 4 firms reward skeptical behavior more strongly and exhibit fewer inspection deficiencies.

Big audit firms may render higher audit performance, as these firms have efficient audit software and competent human resources for effective audit performance. They also have more resources and perform robust tests that generate accurate information. Additionally, big audit firms engage more specialized and experienced auditors to work in specific industries. Further, these firms are more dependable than smaller ones. Furthermore, big audit firms seek to provide high audit judgment and skepticism to protect their reputation and the portfolio of clients.

Mawutor et al. (2019) research in Ghana also found that audit fees, audit firm size, and audit committee significantly impact audit performance. In a further explanation, audit firm size negatively affects audit performance, and listed firms that do not have audit committees are likely to be associated with poor auditing. Thus, audit firm size may influence differences in audit evidence and reporting quality.

METHODOLOGY

This study employs a cross-sectional survey design to examine the relationship between professional skepticism and audit outcomes at the engagement-manager level. The unit of analysis is the individual audit manager, as managers play a central role in supervising fieldwork, evaluating evidence sufficiency, and recommending reporting decisions.

The empirical design tests whether professional skepticism is associated with:

(1) audit evidence quality and

(2) audit report quality, and whether these relationships differ across audit firm size categories.

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

African Journal of Accounting and Financial Research
ISSN: 2682-6690
Volume 9, Issue 1, 2026 (pp. 146-162)

www.abjournals.org

Given the perceptual nature of professional skepticism and its internal cognitive components, survey methodology is appropriate and consistent with prior skepticism research (e.g., Hurtt, 2010; Cohen et al., 2017; Janssen et al., 2020).

The population comprises licensed audit firms operating in Ghana as recognized by the national professional regulatory body. At the time of data collection, 360 audit firms were registered. Because public archival engagement-level data are unavailable in the Ghanaian context, primary data collection was necessary. Audit managers were targeted because they supervise audit procedures, evaluate audit evidence sufficiency, participate in reporting decisions, and act as intermediaries between partners and audit teams.

A proportional stratified sampling approach was used to ensure representation across regulatory firm-size categories (A1, A, B1, B, C, D). Stratification mitigates sampling bias and improves external validity across heterogeneous firm structures. Since the total number of audit managers was not publicly available, the distribution of audit partners (n = 677) was used as a proportional proxy for managerial distribution. consistent with regulator guidance that larger firms employ proportionally more managers. Using Cochran's (1977) sampling formula for large populations at a 95% confidence level and 5% margin of error, a minimum sample of 278 respondents was required. The Cochran's formula is $n = \frac{Z^2pq}{e^2}$. Where n = sample size, $p = 0.5$ with confidence interval of 95%, Z-value of 1.96 per normal distribution, the sample = $((1.96)^2$ (0.5) (0.5))/ $(0.05)^2$ = 385. Cochran again suggested that, where estimated population is relatively small (1000 and below), one can modify the formula to be 385/(1 + (385 / 1000)) = 278 as a minimum sample. Thus any sample above 278 is appropriate. Therefore, a total of 310 questionnaires were distributed. Of these, 285 usable responses were obtained, yielding a response rate of 91.9% based on returned surveys and 102.5% relative to the minimum required sample size. To assess non-response bias, early and late respondents were compared using t-tests on key variables. No statistically significant differences were detected ($p > .10$).

Professional skepticism was measured using a multi-item scale adapted from established trait-based skepticism instruments, including Hurtt (2010), refined to reflect ISA 200 requirements. Items capture six dimensions. These include a questioning mind, suspension of judgment, search for knowledge, interpersonal understanding, autonomy, and self-confidence. Responses were recorded on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree).

Audit evidence quality was operationalized consistent with ISA 500 definitions of sufficiency and appropriateness. Items measured consist of the extent of corroboration from independent sources, evaluation of contradictory evidence, adequacy of documentation, assessment of management assumptions, and risk-responsive evidence collection. Audit report quality reflects the appropriateness, transparency, and reliability of reporting decisions. Measurement items assessed comprise appropriateness of audit opinion, going-concern assessment rigor, disclosure of critical matters, timeliness of report issuance, and resistance to client pressure.

To ensure construct validity, we conducted the following procedures. Internal consistency reliability was evaluated using Cronbach's Alpha (threshold > 0.70) and composite reliability (CR > 0.70). All constructs exceeded recommended thresholds. Moreover, convergent validity was assessed via Average Variance Extracted (AVE > 0.50), and significant factor loadings (> 0.60). All indicators loaded significantly ($p < .001$). Further, discriminant validity was confirmed using Fornell–Larcker criterion, and Heterotrait-Monotrait (HTMT) ratios (< 0.85). All criteria were satisfied.

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

African Journal of Accounting and Financial Research
ISSN: 2682-6690
Volume 9, Issue 1, 2026 (pp. 146-162)

www.abjournals.org

Given the use of self-reported survey data, we conducted several tests to mitigate common method variance (CMV). Procedural remedies include assured anonymity, psychological separation of predictor and criterion constructs, and randomized question ordering. Statistical remedies used consist of Harman's single-factor test (largest factor < 50%), marker-variable technique, and full collinearity VIF test (< 3.3). Results indicate CMV is unlikely to materially bias estimates. The study performed the following additional analyses. Multicollinearity diagnostics, residual normality, and heteroskedasticity tests. Results are stable across specifications.

RESULTS

Table 1: ***Correlation Analysis***

Variables	Audit Evidence Quality		Audit Report Quality	
	R^2	p-value	R^2	p-value
Professional Scepticism	.670***	.000	.713***	.000

****. Correlation is significant at the 0.01 level (2-tailed).*

It was found that professional skepticism (PS) has a *high* association with audit evidence quality (AEQ) *(r^2 = .670, Sig.= .000)* and audit report quality (ARQ) *(r^2 = .713, Sig.= .000)*. The positive association between PS and AEQ, PS and ARQ implies that PS moves in the same direction as AEQ and ARQ as indicated in Table 1.

These research findings are consistent with the studies that found that professional skepticism is positively associated with audit outcomes and influences auditing results (Christina & Tjaraka, 2017; Mardijuworno & Subianto, 2018; Sayed-Hussin et al., 2017). However, the survey study of Husnianto et al. (2017) revealed that professional skepticism does not have a significant association with audit performance.

Table 2 Regression Results: Professional Skepticism Audit Outcomes

Dependent Variable	R^2	β (PS)	t-value	p-value
Audit Evidence Quality	.721	.763	8.09	.000
Audit Report Quality	.723	.765	8.15	.000

A regression test was run to determine whether professional skepticism can significantly predict audit evidence quality and audit report quality. The results in Table 2 show that, significantly, professional skepticism predicts audit evidence quality and audit report quality. The model indicates a variance of *R-Square = .721, and .723* for audit evidence quality and audit report quality, respectively*, p = .000* as indicated in Table 2.

Professional skepticism can explain 7*2.1%* of audit evidence quality and 72.3% of audit report quality. These findings also imply that professional skepticism do not explain *27.9%* of variance in audit evidence quality and 27.7% in audit report quality. Therefore, auditors, auditing firms, and regulators should consider other factors in addition to professional skepticism.

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

African Journal of Accounting and Financial Research
ISSN: 2682-6690
Volume 9, Issue 1, 2026 (pp. 146-162)

www.abjournals.org

Also, all the unstandardized beta coefficients in Table 2 have a positive relationship with audit evidence quality and report quality. Hence, every unit of improvement in professional skepticism can respectively improve audit evidence quality by *.763,* and *.765* at significant at a significant level of *.000*.

Some studies have found that professional skepticism has an influence on auditor performance (Mardijuworno & Subianto, 2018; Sayed-Hussin et al., 2017; Septiani & Sukartha, 2017). Christina and Tjaraka (2017) added that professional skepticism is needed for successful audit performance. However, Kusumawati and Syamuddin (2017) found that professional skepticism does not significantly predict audit outcomes.

Audit Evidence Quality by Audit Firm Size

The study determined whether there is a significant mean difference in audit evidence quality when auditors are grouped by firm size. It was discovered that there is a significant mean difference when auditors are grouped by auditing firm size. The grouping of auditors according to their auditing firms (large, medium, and small) significantly influences the audit evidence quality in Ghana (F = 7.035, p =.001).

Table 3 Audit Evidence Quality by Firm Size

Firm Size	N	Mean	Std. Dev.	F-Stat	P-Value
Large	50	4.3933	.32931		
Medium	116	4.1676	.53448	7.035	.001
Small	119	4.0971	.45251		
Total	285	4.1778	.48001		

It was further found in Table 3 that there is a significant mean difference between large and medium (mean diff. = .22571, p = .005) and large and small (mean diff. = .29623, p = .000). Also, comparing the means of medium to small, there was no significant difference in mean (mean diff.= .07052, p= .251). In other words, there is no gap between the performance of auditors working in medium and small auditing firms.

These findings suggest that the gathering of audit evidence is influenced by auditing firm size in Ghana. There are differences in the gathering of audit evidence in the different categories of auditing firms due to difference level of resources and controls.

Table 4 Post Hoc Tests: Audit Evidence Quality by Firm Size

(I) Firm Category	(J) Firm Category	Mean Difference (I-J)	Std. Error	P-Value
Large	Medium	.22571	.07952	.005
	Small	.29623	.07923	.000
Medium	Small	.07052	.06134	.251

*The mean difference is significant at 0.05 level

The post hoc test was run to determine the significant mean difference between the groups of auditing firms in Ghana. It is clear in Table 4 that there a significant mean difference between auditors' performance in large and medium, and large and small, but an insignificant difference between medium and small when it comes to audit evidence quality. This is largely because almost all the medium and small auditing firms are local and may not have the same resources

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

as compared to the international ones. These differences do not, however, suggest that medium and small auditing firms perform poorly.

Audit Report Quality by Audit Firm Size

The study examined whether there is a significant mean difference in audit report quality when auditors are grouped by firm size. It was found that there is a significant mean difference when auditors are grouped by auditing firm size. The grouping of auditors according to their auditing firms (large, medium, and small) significantly influences the audit report quality in Ghana (F = 6.362, p = .002). This research outcome is consistent with Knechel et al. (2018) findings, which indicated that skepticism is associated with audit reports, and the Big Four auditing firms reward skepticism, but not so for the non-big four. Thus, there is a difference in the audit report decision-making of auditing firms when grouped under large, medium, and small. The audit report decision may vary among different auditing firms due to their independence and resourcefulness. Usually, large auditing firms are more resourceful.

Table 5: Audit Report Quality by Audit Firm Size

	N	Mean	Std. Dev.	F-Stat	P-Value
Large	50	4.2533	.58710		
Medium	116	4.1456	.56226	6.362	.002
Small	119	4.9757	.39725		
Total	285	4.0936	.51427		

The study runs multiple comparisons among the groups (large, medium, and small); it was found that there is a significant mean difference between large and medium (mean diff.=.10774, p =.208), and large and small (mean diff.= .27761, p = .001) as depicted in Table 5. Also, comparing the means of medium to large and small, the insignificant difference in mean was found between medium and large (mean diff.= -.10774, p =.208), but a significant difference was found between medium and small (mean diff.= .16987, p = .010).

The study examined whether there is a significant mean difference in auditor performance when auditors are grouped by auditing firm size. It was found that, there is a significant mean difference when auditors are grouped by auditing firm sizes.

Table 6: Post Hoc Tests: Audit Report Quality by Audit Firm Size

(I) Firm Category	(J) Firm Category	Mean Difference (I-J)	Std. Error	P-Value	V I
Large	Medium	.10774	.08540	.208	NS
	Small	.27761	.08508	.001	S
Medium	Small	.16987	.06587	.010	S

*The mean difference is significant at 0.05 level

The grouping of auditors according to their auditing firms (large, medium, and small) significantly influences the audit report quality in Ghana (F = 7.967, p =.000). However, comparing the mean performance of auditors in large and medium auditing firms in Table 6, there is no significant difference. This insignificant difference suggests that auditors in large

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

and medium firm may produce similar audit report quality. Therefore, medium-sized auditing firms can position themselves to attract clients that are usually served by large firms.

DISCUSSION

Professional Skepticism as an Agency-Cost Mitigation Mechanism

The findings indicate that professional skepticism is strongly and positively associated with both audit evidence quality and audit report quality. From an agency theory perspective, these results reinforce the auditor's role as a monitoring mechanism designed to reduce information asymmetry between managers and shareholders.

Agency theory assumes that managers have incentives to engage in opportunistic financial reporting. The auditor's monitoring function is therefore effective only if auditors actively challenge managerial representations rather than passively verifying documentation. Our results suggest that professional skepticism operationalizes this monitoring function by improving the sufficiency and appropriateness of audit evidence. Skeptical auditors appear more likely to seek corroboration, evaluate contradictory evidence, and scrutinize management assumptions—behaviors that directly reduce agency risk.

Importantly, the magnitude of the coefficients indicates that skepticism explains a substantial portion of variance in audit evidence and reporting quality. This suggests that skepticism is not merely a procedural requirement but a central behavioral mechanism through which agency costs are constrained. In this sense, the study provides empirical support for the idea that effective auditing depends as much on auditor's mindset as on formal standards.

Cognitive Mechanisms: Evidence of Judgment and Decision-Making Effects

The results also align with Judgment and Decision-Making (JDM) theory. Prior behavioral research documents auditors' susceptibility to confirmation bias, anchoring, and motivated reasoning. Professional skepticism functions as a cognitive control mechanism that encourages deliberate processing and reduces reliance on heuristics.

The strong predictive relationship between skepticism and audit evidence quality suggests that skeptical auditors engage in deeper information processing and broader evidence search. This finding supports the argument that skepticism mitigates premature closure and enhances analytical rigor. In other words, skepticism appears to shift auditors toward more deliberative cognitive processing, thereby improving audit evidence quality.

The findings extend JDM research by demonstrating that skeptical cognitive traits translate into measurable audit outcomes at the engagement level. While prior experimental studies document bias reduction effects, this study provides field-based evidence that these cognitive mechanisms influence real-world audit processes.

Audit Reporting as a Market Signal

The positive association between professional skepticism and audit report quality carries important signaling implications. Under signaling theory, the audit report serves as a credibility

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

signal to capital market participants. The strength of this signal depends on the rigor underlying the audit process.

Our results suggest that skepticism enhances reporting quality, implying that skeptical auditors emit stronger credibility signals. More rigorous evidence evaluation appears to support more transparent and appropriate reporting decisions, including clearer communication of uncertainties and material risks.

From a signaling perspective, skepticism strengthens the informational content of the audit report. A high-quality audit report backed by thorough evidence evaluation reduces perceived information risk and enhances investor confidence. Thus, professional skepticism contributes not only to internal audit quality but also to external market credibility.

Institutional Context and Audit Firm Size

The finding that audit evidence quality and audit report quality differ across firm sizes provides additional theoretical insight. Larger audit firms face higher litigation exposure and greater reputational capital at risk. Under agency theory, this increases the cost of audit failure. Consequently, larger firms have stronger incentives to ensure rigorous evidence gathering and reporting practices. The observed higher evidence quality in larger firms is consistent with this incentive structure.

Large firms rely heavily on reputational capital as a market signal. Their brand name functions as a quality certification mechanism. To maintain the credibility of this signal, large firms must consistently produce high-quality audit outputs. The results suggest that structural and institutional features of large firms may amplify the effect of professional skepticism on observable audit outcomes.

Interestingly, the limited differences between medium and small firms suggest that structural resource constraints may attenuate the translation of individual skepticism into audit outcomes. This indicates that skepticism operates within institutional boundaries; cognitive traits alone may be insufficient without supportive organizational infrastructure.

Research Implications

The findings carry important implications for standard setters and regulatory bodies concerned with audit quality and financial reporting credibility. Regulatory inspection reports frequently cite insufficient professional skepticism as a root cause of audit deficiencies. The present findings provide empirical support for this regulatory emphasis. Professional skepticism appears to materially influence both the sufficiency of audit evidence and the appropriateness of audit reporting. Standard setters may therefore consider moving beyond principle-based exhortations toward clearer operational guidance on how skepticism should manifest in evidence evaluation and documentation. Clarifying observable indicators of skeptical behavior may enhance enforceability and inspection consistency.

Agency theory suggests that auditor incentives influence monitoring effectiveness. If time budget pressure, client retention concerns, or internal performance metrics discourage extensive evidence gathering, skepticism may be weakened. Regulators and oversight bodies may therefore examine whether firm-level incentive systems align with the objective of

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

promoting skeptical inquiry. Inspection frameworks that reward documentation rigor and challenge management assumptions may reinforce skepticism as a behavioral norm.

The observed firm-size differences imply that organizational infrastructure—such as quality control systems, training programs, and review mechanisms—conditions the effectiveness of professional skepticism. Standard setters may consider whether smaller firms require additional structural guidance or support to strengthen skeptical application. In emerging markets where enforcement regimes are evolving, strengthening institutional mechanisms that reinforce skepticism may enhance the credibility of the audit profession more broadly.

The findings also suggest that audit quality cannot be fully understood without considering behavioral attributes of auditors. Regulatory frameworks that rely exclusively on outcome-based metrics (e.g., restatements, inspection deficiencies) may overlook underlying cognitive drivers of audit performance. Incorporating behavioral assessments into inspection and quality review processes may improve early identification of audit risk.

Research Contributions

This study contributes to the audit literature in several important ways. First, the study integrates agency theory, signaling theory, and judgment and decision-making (JDM) theory into a unified framework explaining the role of professional skepticism in audit quality. While agency theory explains the demand for monitoring, it does not specify the behavioral mechanisms through which monitoring effectiveness varies. This study identifies professional skepticism as a key mechanism linking economic monitoring incentives to audit outcomes. By incorporating JDM theory, the study further explains how skepticism mitigates cognitive biases and enhances evidence evaluation. Thus, it bridges macro-level economic theory with micro-level cognitive processes. Finally, signaling theory extends the framework to capital markets, demonstrating how skeptical evaluation strengthens the credibility of audit reporting. This multi-level integration contributes to a more comprehensive theory of audit quality.

Second, the study empirically links professional skepticism to both audit evidence quality (process) and audit report quality (output). Prior research often examines either cognitive judgments in experimental settings or archival proxies of audit quality. By connecting skepticism to both intermediate and final audit outcomes, this study clarifies the mechanism through which individual auditor attributes influence observable audit results. This process-output linkage contributes to the literature by showing that skepticism operates not only at the judgment stage but also at the reporting stage, reinforcing its role as a structural determinant of audit quality.

Third, the study extends skepticism research beyond heavily studied developed markets. Emerging markets often exhibit weaker enforcement mechanisms, different litigation risks, and distinct institutional structures. Demonstrating that professional skepticism significantly predicts audit outcomes in this context strengthens the external validity of skepticism-based theories of audit quality. Moreover, the observed firm-size effects suggest that institutional structures condition how skepticism translates into outcomes, providing insight into cross-country and cross-firm variation in audit quality.

Beyond statistical significance, the explanatory power of professional skepticism suggests meaningful economic implications. If skepticism materially improves evidence quality and reporting credibility, then regulators' emphasis on strengthening skeptical judgment is

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

economically justified. Also, audit firm training investments in skepticism development may yield measurable quality improvements. Moreover, performance evaluation systems that penalize extensive investigation (e.g., time budget pressure) may inadvertently weaken audit quality signals. These findings reinforce regulatory initiatives focused on skepticism reinforcement and provide empirical support for inspection frameworks that evaluate skeptical behavior.

CONCLUSION

This study examines whether professional skepticism materially influences audit evidence quality and audit report quality within an emerging market context. The results indicate that professional skepticism is strongly associated with both audit process quality (evidence sufficiency and appropriateness) and audit output quality (reporting decisions). Moreover, audit firm size conditions observable differences in audit outcomes.

Theoretically, these findings reinforce the centrality of professional skepticism within the economic function of auditing. From an agency perspective, skepticism strengthens the auditor's monitoring role by reducing information asymmetry and mitigating managerial opportunism. From a judgment and decision-making perspective, skepticism appears to function as a cognitive control mechanism that promotes deliberative processing and reduces susceptibility to bias. From a signaling perspective, enhanced skeptical evaluation strengthens the credibility of audit reporting as a market signal.

Collectively, the findings suggest that professional skepticism is not merely a compliance requirement embedded in auditing standards but a foundational behavioral mechanism that underpins audit quality and credibility. By empirically linking skepticism to both evidence and reporting outcomes, this study clarifies how auditor's mindset translates into market-relevant consequences.

The results further highlight the importance of institutional context. Larger firms, likely due to reputational capital and structured quality controls, appear better positioned to translate skeptical judgment into observable audit quality. This suggests that individual cognitive traits operate within organizational and regulatory environments that shape their effectiveness.

In sum, the study advances understanding of how behavioral attributes of auditors influence audit quality through theoretically grounded mechanisms that span cognition, monitoring, and signaling. Taken together, the results underscore that professional skepticism operates at the intersection of economic incentives, cognitive processing, and market signaling. Strengthening skepticism is therefore not merely a matter of ethical emphasis but a structural determinant of audit effectiveness and financial reporting credibility. By situating professional skepticism within a multi-theoretical framework and demonstrating its empirical relevance, this study contributes to ongoing efforts to understand and enhance audit quality in both developed and emerging markets.

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

REFERENCES

Akbar, M. S., & Suraida, I. (2017). Competence and professional care of external auditor on information technology audit. *Trikonomika, 16*(1), 21-27.

Ashari. (2017). Translation and validation of Hurtt's professional skepticism scales for Indonesian context. *The International Journal of Business & Management, 5*(3), 79-90.

Beebe, J. R. (2018). Does skepticism presuppose Explanationism? Oxford Scholarship Online. doi:10.1093/oso/9780198746904.003.0011

Christina, L. S., & Tjaraka, H. (2017). Factors that influence auditor's professional skepticism - Evidence from audit firms in Surabaya. *1st International Conference on Islamic Economics, Business, and Philanthropy.* doi:10.5220/0007081703260330

Ciolek, M. (2017). Professional skepticism in auditing and its characteristics. *Research Papers of Poznań University of Economics and Business,* 33-40. DOI:10.15611/ pn.2017.474.03

Cohen, J. R., Dalton, D. W., & Harp, N. L. (2017). Neutral and presumptive doubt perspectives of professional skepticism and auditor job outcomes. *Accounting, Organizations and Society*, 62, 1–20.

Farag, M. S., & Elias, R. Z. (2016). The relationship between accounting students' personality, professional skepticism and anticipatory socialization. *Accounting Education*, *25* (2), 124-138

Ghana Web. (2019, September 4). Four audit firms fined GH¢2.2m for roles in banks collapse. Retrieved from https://www.ghanaweb.com/GhanaHomePage/business /Four-audit-firms-fined-GH-2-2m-for-roles-in-banks-collapse-778118

Grant, S. M., Hodge, F. D., & Seto, S. C. (2019). Can a deliberative mindset prompt reduce investors' reliance on fake news? SSRN Electronic Journal. doi:10.2139/ssrn.3444228

Griffith, E. E., Kadous, K., & Young, D. (2016). How insights from the ''new'' JDM research can improve auditor judgment: Fundamental research questions and methodological advice. *Auditing: A Journal of Practice & Theory 35*(2), 1–22. https://doi.org/10.2308/ajpt-51347

Hardies, K., & Janssen, S. (2017). Professional skepticism: A trending concept in need of understanding. *Maandblad Voor Accountancy en Bedrijfsecomie, 91*(9/10), 274-281.

Haris, N. S. (2019). Effects of professional skepticism, organizational-professional conflicts and performance evaluation toward audit judgment through auditor dysfunctional behavior. *Research Journal of Finance and Accounting, 10*(8), 165-173. ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online). DOI: 10.7176/RJFA

Janssen, S., Hardies, K., Vanstraelen, A., & Zehms, K. M. (2020). Professional skepticism traits and brainstorming quality. *Foundation for Auditing Research*, 1-37.

Knechel, W. R., Sofla, A. S., & Svanstrom, T. (2018). The effect of professional skepticism on auditor compensation and auditor opinions. 1-52. Retrieved from https://business. okstate.edu/site-files/docs/cepd/Professional-Skepticism-and-the-Audit-4-2018.pdf

Kusumawati, A., & Syamsuddin, S. (2017). The effect of auditor quality to professional skepticism and its relationship to audit quality. *International Journal of Law and Management*, 1-10.

Mardijuworno, A. W., & Subianto, C. (2018). Independence, professionalism, profession skepticism: The relation toward the resulted audit quality. *Asian Journal of Accounting Research, 3*(1), 61-71. DOI 10.1108/AJAR-06-2018-0009

Nolder, C. J., & Kadous, K. (2018). Grounding the professional skepticism construct in mindset and attitude theory: A way forward. *Accounting, Organizations and Society*, 1-14. https://doi.org/10.1016/j.aos.2018.03.010

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF

Olsen, C. (2017). Auditors' professional skepticism. *A Study of Professional Skepticism*, 1-12. doi:10.1007/978-3-319-49896-6_1

Pramana, A. C., Irianto, G., & Nurkholis. (2016). The influence of professional skepticism, experience and auditors independence on the ability to detect fraud. *Imperial Journal of Interdisciplinary Research, 2*(11), 1438-1447.

Rahim, S., Muslim, M., & Amin, A. (2019). Red flags and auditor experience toward detection through professional skepticism. *Journal Akuntansi, 23*(1), 47-62 DOI:http://dx.doi.org/10.24912/ja.v23i1.459

Said, L. L., & Munandar, A. (2018). The influence of auditor's professional skepticism and competence on fraud detection: The role of time budget pressure. *Jurnal Akuntansi dan Keuangan Indonesia, 15*(1), 104 – 120

Sayed-Hussin, S. A. H., Iskandar, T. M., Saleh, N. M., & Jaffar, R. (2017). Professional skepticism and auditors' assessment of misstatement risks: The moderating effect of experience and time budget pressure. *Economics and Sociology*, *10*(4), 225-250. doi:10.14254/2071-789X.2017/10-4/17.

Septiani, N. M. I., & Sukartha, I. M. (2017). Pengaruhkompleksitas audit dan skeptismeprofesional auditor pada penerimaanperilakudisfungsional Audit. *E-JurnalAkuntansi, 18*(1), 471-499.

Umeren, A. O., & Asogwa. I. E. (2017). Auditor skepticism and financial crises: The Nigerian factor. *Journal of Finance and Accounting*. *5*(4), 123-130. doi:10.11648/j.jfa.20170504.11

Article DOI: 10.52589/AJAFR-ETGGM5YF
DOI URL: https://doi.org/10.52589/AJAFR-ETGGM5YF