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PROFESSIONAL JUDGMENT AS A BEHAVIORAL DRIVER OF AUDITOR PERFORMANCE: EVIDENCE FROM AN EMERGING ECONOMY

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ABSTRACT: *Audit quality remains a central concern for regulators, practitioners and capital market participants. Therefore, this paper investigates the extent to which structured judgment processes and judgment bias management influence auditor performance within an emerging economy context. A cross-sectional survey design was employed using data collected from 285 audit managers across licensed audit firms in Ghana. Professional judgment was conceptualised as a multidimensional construct comprising structured judgment processes and judgment bias management. Data were analysed using correlation, regression, and group difference (ANOVA) techniques. Robustness checks were conducted to address measurement validity, common method bias, and model stability. The results reveal a strong and statistically significant positive relationship between professional judgment and auditor performance. Professional judgment explains a substantial proportion of variance in performance outcomes and remains robust after controlling for firm size. Both structured judgment processes and bias management independently contribute to performance. Additionally, significant differences in auditor performance are observed across firm size categories, with larger firms reporting higher performance levels. The findings suggest that strengthening professional judgment capabilities through structured methodologies, bias-awareness training, and enhanced review mechanisms may significantly improve audit performance. Regulators and professional bodies should emphasise judgment-intensive areas in inspection and continuing professional development programmes. This study advances behavioral auditing research by conceptualising professional judgment as a multidimensional construct and empirically demonstrating its explanatory power for auditor performance in a Sub-Saharan African context and a contextually enriched account of how professional judgment shapes audit effectiveness.*

KEYWORDS: Professional judgment, Auditor performance, Audit quality, Behavioral auditing, Cognitive bias, Emerging economies, Agency theory, Attribution theory.

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INTRODUCTION

Audit quality remains a central concern for regulators, practitioners and capital market participants, particularly in the aftermath of high-profile corporate collapses such as Enron and WorldCom. These failures exposed weaknesses in auditors' evaluation of complex accounting estimates, internal controls and fraud risks, prompting intensified regulatory oversight and standard-setting reforms. Inspection reports from oversight bodies, including the Public Company Accounting Oversight Board (PCAOB, 2018, 2019) and the International Forum of Independent Audit Regulators (IFIAR, 2022), consistently identify deficiencies in areas requiring robust professional judgment. These findings underscore a persistent concern: while auditing standards provide structured guidance, audit quality ultimately depends on how auditors interpret evidence and exercise judgment under uncertainty.

Professional judgment occupies a foundational position in auditing practice. The International Standards on Auditing require auditors to apply professional judgment throughout the audit process, including in risk assessment, materiality determination, evaluation of accounting estimates and formulation of audit opinions. However, judgment is not merely a technical application of rules; it is a cognitive and behavioral process shaped by experience, ethical orientation, incentives and contextual pressures (Gao & Zhang, 2019; Nolder & Kadous, 2018). Consequently, variations in auditor performance may reflect differences in how judgment is formed, applied and documented.

Despite extensive research on audit quality determinants, three important gaps remain. First, much of the extant literature focuses on archival proxies of audit quality (e.g. abnormal accruals, restatements or going-concern opinions) rather than direct behavioral assessments of professional judgment and its link to performance outcomes. Second, empirical evidence from developing and emerging economies remains limited, even though institutional environments in such contexts may intensify judgment challenges due to regulatory capacity constraints, evolving governance structures and resource limitations. Third, while behavioral auditing research recognizes cognitive biases and skepticism as important factors, fewer studies examine professional judgment as a multidimensional construct encompassing both structured processes and susceptibility to bias.

These gaps are particularly salient in Ghana, where recent financial sector reforms and the collapse of several banks and non-bank financial institutions have heightened scrutiny of audit effectiveness. Public discourse increasingly questions whether auditors exercised adequate professional judgment in evaluating risk exposures, internal controls and management estimates. Yet systematic empirical evidence on the role of professional judgment in shaping auditor performance within this context remains scarce.

This study addresses these gaps by examining the influence of professional judgment on auditor performance in Ghana. Specifically, it investigates (1) the extent to which auditors apply structured judgment processes and manage judgment biases, (2) the relationship between professional judgment and auditor performance and (3) the predictive power of professional judgment in explaining variations in performance outcomes. Additionally, the study explores whether auditor performance differs across audit firm size categories, given differences in resources, expertise and quality control mechanisms.

The study contributes to the behavioral auditing literature in several ways. First, it conceptualizes professional judgment as comprising both procedural (judgment process) and

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cognitive (judgment bias) dimensions, thereby extending prior work that treats judgment as a unidimensional construct. Second, by providing empirical evidence from a Sub-Saharan African context, it responds to calls for greater geographical diversity in auditing research. Third, it offers practical insights for regulators and audit firms seeking to strengthen judgment quality as a mechanism for enhancing audit performance.

The remainder of the paper proceeds as follows. The next section develops the theoretical framework and hypotheses. Subsequent sections describe the methodology, present the empirical results, and discuss the implications for theory, practice, and policy.

LITERATURE REVIEW

Professional Judgment in Auditing

Professional judgment is widely acknowledged as central to audit quality, yet its conceptualisation remains fragmented in the literature. Auditing standards require auditors to apply professional judgment in planning and performing audits, particularly in areas involving materiality, risk assessment, and accounting estimates (IAASB, 2018). However, standards-based definitions tend to frame judgment as a technical application of expertise within regulatory boundaries, offering limited insight into the behavioral and cognitive processes underlying decision-making.

Academic research moves beyond prescriptive definitions by characterising professional judgment as a complex interaction between knowledge, experience, ethical orientation, and situational context (Gao & Zhang, 2019). Mactavish et al. (2018) conceptualise judgment as embedded within audit tasks that require iterative evaluation of evidence under uncertainty. Yet, while these studies recognise judgment complexity, much of the literature remains descriptive, with insufficient theoretical integration across cognitive, motivational, and institutional dimensions.

Importantly, existing studies often conflate professional judgment with professional skepticism, independence, or competence. Although related, these constructs are conceptually distinct. Professional skepticism reflects a questioning mindset (Nolder & Kadous, 2018), whereas professional judgment concerns the evaluative and decision-making processes that translate skepticism and expertise into conclusions. The lack of conceptual clarity has resulted in measurement inconsistency across empirical studies, limiting comparability and theoretical development.

This study responds to this gap by conceptualising professional judgment as a multidimensional construct encompassing (1) the structured judgment process and (2) susceptibility to judgment biases. This distinction aligns with cognitive decision-making theory and provides a more granular understanding of how judgment quality influences audit performance.

The Judgment Process: Structure Versus Reality

Normative models of audit judgment typically describe a structured, sequential process: problem identification, information gathering, evaluation of alternatives, decision-making, and

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documentation (Nolder & Kadous, 2018). Such frameworks promote consistency and accountability, particularly in complex engagements involving subjective estimates.

However, behavioral research suggests that actual auditor decision-making often deviates from rational, stepwise models. Time pressure, client influence, and performance incentives may truncate information search processes or bias alternative evaluation (Sayed-Hussin et al., 2017). Moreover, the iterative nature of auditing means that judgments evolve dynamically rather than linearly. Thus, while structured frameworks enhance audit defensibility, they may not fully capture how judgments are formed in practice.

Empirical evidence linking adherence to structured judgment processes with measurable improvements in audit performance remains limited. Much prior research relies on experimental designs examining isolated decision tasks, which may not reflect real-world audit complexity. Consequently, there is a need for field-based evidence examining whether disciplined judgment processes translate into higher performance outcomes—particularly in emerging market contexts.

Judgment Biases and Cognitive Constraints

Behavioral decision theory demonstrates that individuals rely on heuristics when making judgments under uncertainty (Tversky & Kahneman, 1974). In auditing, such heuristics may manifest as overconfidence, confirmation bias, anchoring, and availability bias (Supramono & Wandita, 2017).

Overconfidence may lead auditors to overestimate their ability to detect misstatements, thereby reducing evidence-seeking behavior. Confirmation bias may cause disproportionate weighting of evidence consistent with prior expectations. Anchoring can result in excessive reliance on management-provided estimates, particularly in valuation contexts. These biases are further exacerbated by time budget pressure and accountability incentives (Sayed-Hussin et al., 2017).

While numerous experimental studies document bias effects in controlled settings, two limitations are notable. First, many studies focus on isolated cognitive biases without integrating them into broader professional judgment frameworks. Second, limited evidence exists regarding the cumulative impact of bias management on overall auditor performance. The literature largely assumes that mitigating bias enhances audit quality, yet empirical field evidence quantifying this relationship remains underdeveloped—especially in developing economies.

Thus, a more integrative approach that links bias susceptibility to measurable performance outcomes is required.

Professional Judgment and Auditor Performance

Audit performance has traditionally been proxied using archival measures such as discretionary accruals, restatements, going-concern opinions, or inspection findings (Rajgopal et al., 2018). While useful, these proxies capture outputs rather than the behavioral processes generating them.

Behavioral auditing research suggests that professional judgment quality directly influences the sufficiency and appropriateness of audit evidence (Rodgers et al., 2017; Pittmand & Yang, 2023; Ocansey, 2025). Nugrahanti and Jahja (2018) report that performance incentives and

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obedience pressure significantly affect audit judgment performance. Similarly, Sjam et al. (2020) find that competence and task complexity interact with judgment in determining audit quality.

However, prior studies exhibit several shortcomings. First, many focus on determinants of audit quality broadly, without isolating professional judgment as a central explanatory variable. Second, empirical findings are sometimes inconsistent due to differences in measurement approaches and contextual factors. Third, much of the evidence originates from developed or Asian emerging economies, leaving African contexts underexplored.

Moreover, few studies explicitly quantify the predictive power of professional judgment on auditor performance. Existing research frequently identifies significant associations but does not assess the extent to which judgment explains variance in performance outcomes. Addressing this gap is crucial for understanding whether professional judgment is merely correlated with, or fundamentally determinative of, audit effectiveness.

Audit Firm Size and Institutional Context

Audit firm size has long been used as a proxy for audit quality, with larger firms presumed to provide superior assurance due to greater resources, expertise and reputational capital. Larger firms often benefit from structured methodologies, industry specialisation and global technical support networks, which may enhance judgment consistency.

Empirical findings, however, are mixed. Some studies find positive associations between firm size and audit quality, suggesting that larger firms maintain stronger internal quality controls and are less economically dependent on individual clients (Al-Sabti, Muhammad, & Madhi, 2023; Ocansey, 2026). Others report insignificant or even negative relationships in emerging economies, where institutional environments differ (Thuy, 2017).

These inconsistencies indicate that firm size may influence auditor performance indirectly through structural supports for professional judgment—such as training systems, review mechanisms and technological tools—rather than through size per se. Therefore, examining firm size alongside professional judgment provides a more nuanced understanding of audit performance differences.

In contexts such as Ghana, where audit firms vary significantly in resources and international affiliation, institutional differences may shape judgment environments and, by extension, performance outcomes. Yet empirical investigation of these dynamics remains limited.

Synthesis and Research Gap

The reviewed literature reveals three central tensions. First, although professional judgment is universally recognised as critical to auditing, its measurement and conceptual boundaries remain inconsistent. Many studies treat judgment as implicit within competence or skepticism, limiting construct clarity. Second, while behavioral research extensively documents cognitive biases, integration of bias management within broader performance frameworks remains underdeveloped. Third, empirical evidence linking professional judgment directly to auditor performance—particularly in Sub-Saharan Africa—is sparse.

Accordingly, this study advances the literature by conceptualising professional judgment as a multidimensional construct (process and bias dimensions) and empirically examining its

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explanatory power for auditor performance. The study also provides context-specific evidence from Ghana and assesses firm-size differences within a unified behavioral framework. By addressing these gaps, the study contributes to a more theoretically integrated and empirically grounded understanding of how professional judgment shapes audit effectiveness in emerging economies.

Hypotheses Development

Drawing on the preceding critical synthesis of the literature, this section develops theoretically grounded hypotheses linking professional judgment to auditor performance. The hypotheses are anchored in agency theory, attribution theory, and behavioral decision-making research, while reflecting the multidimensional conceptualisation of professional judgment adopted in this study.

Professional Judgment and Auditor Performance

Agency theory conceptualises auditing as a governance mechanism designed to mitigate information asymmetry between principals and agents (Jensen & Meckling, 1976). However, the effectiveness of this monitoring function depends not merely on compliance with auditing standards but on the auditor's ability to interpret complex financial information and evaluate management assertions critically. Professional judgment operationalises this monitoring role by guiding decisions relating to risk assessment, materiality, audit procedures and opinion formation.

Behavioral auditing research further suggests that judgment quality influences the sufficiency and appropriateness of audit evidence (Gao & Zhang, 2019). Auditors frequently confront ambiguous evidence, conflicting explanations and time constraints. Under such conditions, structured and disciplined judgment processes enhance consistency, defensibility and evidence integration (Mactavish et al., 2018). Empirical studies report positive associations between professional judgment-related constructs (e.g. due professional care, competence and skepticism) and audit quality indicators (Nugrahanti & Jahja, 2018; Rodgers et al., 2017).

However, prior studies often treat professional judgment as embedded within broader constructs rather than examining it directly as a performance driver. Moreover, limited field-based evidence exists linking professional judgment explicitly to auditor performance outcomes in emerging markets.

Given its central role in evaluating evidence, managing uncertainty and forming audit conclusions, professional judgment is expected to exert a positive and substantive influence on auditor performance.

H1: Professional judgment is positively associated with auditor performance.

Beyond association, theory suggests that professional judgment should possess explanatory power. If professional judgment constitutes the behavioral mechanism through which monitoring effectiveness is realised, then variations in judgment quality should explain variations in auditor performance outcomes.

H2: Professional judgment positively predicts auditor performance.

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The Judgment Process Dimension

Normative models of audit judgment describe a structured process comprising problem identification, information gathering, evaluation of alternatives, decision selection and documentation (Nolder & Kadous, 2018). Such frameworks promote systematic reasoning and reduce arbitrary decision-making.

From an attribution perspective (Heider, 1958; Kelley, 1973), disciplined judgment processes facilitate more accurate causal assessments by encouraging consideration of alternative explanations and contradictory evidence. This reduces premature closure and enhances evidence integration. Structured documentation further enhances accountability and transparency, reinforcing decision quality.

Although structured processes do not eliminate uncertainty, they provide cognitive scaffolding that improves the consistency and defensibility of audit conclusions. Therefore, auditors who more consistently apply structured judgment processes are expected to exhibit higher levels of performance.

H3: The structured judgment process dimension of professional judgment is positively associated with auditor performance.

Judgment Bias Management

Behavioral decision theory demonstrates that individuals rely on heuristics when making judgments under uncertainty (Tversky & Kahneman, 1974). In auditing contexts, cognitive biases such as overconfidence, confirmation bias and anchoring may distort evidence evaluation and impair risk assessment (Supramono & Wandita, 2017).

Attribution theory suggests that biased causal interpretations may reduce the auditor's ability to detect opportunistic managerial behavior. For example, confirmation bias may lead auditors to overweight evidence consistent with initial risk assessments, while anchoring may result in excessive reliance on management estimates.

Effective management of judgment biases—through skepticism, reflection and consultation—should therefore enhance the objectivity and accuracy of audit conclusions. Auditors who recognise and mitigate cognitive biases are more likely to obtain sufficient appropriate evidence and issue reliable audit opinions. Accordingly, bias management is expected to be positively related to auditor performance.

H4: The judgment bias management dimension of professional judgment is positively associated with auditor performance.

Audit Firm Size and Auditor Performance

Institutional theory and prior audit quality research suggest that organisational structures influence decision-making environments. Larger audit firms typically possess more formalised methodologies, industry specialisation, consultation mechanisms and quality control systems. These institutional supports may strengthen the consistent application of professional judgment and reduce variability in audit outcomes.

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Empirical findings regarding firm size and audit quality are mixed; however, structural differences in resources and review mechanisms may translate into performance differences across firm categories. In the Ghanaian context, audit firms are formally classified by revenue and staffing levels, providing a structured basis for comparison.

Given the resource-based and institutional advantages associated with larger firms, auditor performance is expected to vary across firm size categories.

H5: Auditor performance differs significantly across audit firm size categories.

METHODOLOGY

This study adopts a quantitative, explanatory research design to examine the relationship between professional judgment and auditor performance. Consistent with prior behavioral auditing research, a cross-sectional survey approach was employed to capture perceptual and practice-based evidence from audit practitioners operating within real-world institutional environments (e.g. Sayed-Hussin et al., 2017). The design is appropriate for testing theoretically derived relationships and assessing predictive effects among latent constructs.

The study focuses on Ghana, an emerging economy undergoing significant financial sector reforms, thereby providing an institutional setting in which professional judgment demands are heightened. The empirical strategy is aligned with calls in auditing research for greater contextual diversity beyond North American and European settings.

The study population comprised licensed audit firms registered with the Institute of Chartered Accountants Ghana (ICAG). At the time of data collection, 342 audit firms (excluding branches) were licensed to operate in Ghana. Because the exact number of audit managers across firms was not publicly available, the number of audit partners (677) reported by ICAG was used as a benchmark to approximate managerial distribution across firm categories. Audit firms in Ghana are classified into six categories (A1, A, B1, B, C, and D) based on revenue levels, staffing capacity, and licensing structure. To ensure representation across firm types, proportionate stratified sampling was applied based on these categories.

To ensure statistical reliability and efficiency of the unknown large population, 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. Using Cochran's (1977) sampling formula of $n = \frac{Z^2pq}{e^2}$, where n = sample size, $p = 0.5$ with a confidence interval of 95%, and a Z-value of 1.96 per normal distribution, the sample = $((1.96)^2 (0.5) (0.5))/(0.05)^2 = 385$. For a relatively small (below 1000) population, a modified formula will be 385/(1 + (385/1000)) = 278 as a minimum sample. Hence, a minimum sample size of 278 audit managers was determined. Questionnaires were distributed to 310 potential respondents to account for non-response. A total of 285 usable responses were received, yielding a response rate of approximately 92%, which exceeds typical response rates reported in management accounting and auditing survey research (Hiebl & Richter, 2018). This response rate mitigates concerns regarding non-response bias.

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Data were collected using a structured questionnaire comprising validated and adapted measurement scales from prior auditing literature. The instrument was divided into three sections: professional judgment, auditor performance, and audit firm size.

Professional judgment was operationalised as a multidimensional construct consisting of judgment process (structured decision-making steps such as problem identification, evidence evaluation, and documentation) and judgment bias management (susceptibility to and mitigation of cognitive biases such as anchoring, confirmation bias, and overconfidence). Items were adapted from established behavioral auditing studies (e.g., Nolder & Kadous, 2018; Mactavish et al., 2018). Responses were measured on a five-point Likert scale ranging from 1 (never) to 5 (always), capturing the frequency of application in audit engagements.

Auditor performance was measured through self-reported assessments of audit evidence quality, compliance with auditing standards, and effectiveness in detecting material misstatements. Performance items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). While perceptual measures may introduce subjectivity, prior research indicates that self-assessed performance can provide meaningful insights when anonymity is ensured and when objective archival data are unavailable.

To ensure content validity, the questionnaire was reviewed by seven subject-matter experts with academic and professional auditing experience. Additionally, three practitioners reviewed the instrument for clarity and contextual relevance. Feedback resulted in minor revisions to wording and sequencing.

A pilot study was conducted prior to full-scale data collection. Internal consistency reliability was assessed using Cronbach's alpha. All constructs exceeded the recommended threshold of 0.70, indicating acceptable reliability for research purposes (George & Mallery, 2019).

Ethical approval was obtained from an institutional review board prior to data collection. Participation was voluntary, and respondents were assured of confidentiality and anonymity. No identifying firm-level data were collected, and responses were coded numerically to prevent traceability.

Questionnaires were distributed electronically and in person where feasible. Follow-up reminders were issued to enhance participation rates. Completed questionnaires were screened for completeness and consistency before analysis.

Data were analysed using both descriptive and inferential statistical techniques. The analytical procedure proceeded in three stages: descriptive statistics, correlation analysis, and regression analysis. Means and standard deviations were computed to assess the level of professional judgment application and auditor performance. Pearson Product-Moment Correlation was employed to examine the strength and direction of associations between professional judgment dimensions and auditor performance. Correlation magnitudes were interpreted using Cohen's (1988) benchmarks. Linear regression analysis was performed to assess the predictive power of professional judgment on auditor performance. Model fit was evaluated using R, R^2, F-statistics and significance levels. One-way ANOVA was conducted to examine mean differences in auditor performance across firm size categories (large, medium and small). Post hoc multiple comparison tests were performed to identify specific group differences. The use of regression analysis enables assessment of explanatory power beyond simple association, thereby strengthening causal inference within the constraints of cross-sectional design.

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Several limitations should be acknowledged. First, the cross-sectional design limits causal inference. Second, the reliance on self-reported data may introduce social desirability bias, although anonymity was intended to reduce this risk. Third, the use of perceptual performance measures rather than archival proxies may affect generalisability. Despite these limitations, the study provides robust field-based evidence linking professional judgment to auditor performance in an under-researched institutional context.

To strengthen the credibility of the findings and align with methodological expectations commonly observed in managerial auditing, several additional diagnostic and robustness procedures were undertaken. These analyses address concerns relating to measurement validity, common method bias, multicollinearity, model specification and alternative explanations.

Given that the key constructs (professional judgment and auditor performance) were measured using multi-item Likert scales, construct reliability and validity were further assessed beyond Cronbach's alpha. Composite reliability (CR) values exceeded the recommended threshold of 0.70 for all constructs, confirming internal consistency. This complements the Cronbach's alpha results and provides a more robust reliability estimate suitable for latent constructs. Average variance extracted (AVE) values exceeded 0.50, indicating that the constructs explain more than half of the variance of their indicators. Factor loadings were statistically significant and above the recommended 0.60 threshold, supporting convergent validity. Discriminant validity was assessed using the Fornell–Larcker criterion and cross-loading examination. The square root of AVE for each construct exceeded its correlations with other constructs, indicating that professional judgment and auditor performance are empirically distinct constructs. These procedures mitigate concerns that the strong correlation observed between professional judgment and auditor performance reflects construct overlap.

Several procedural and statistical remedies were implemented to address common method bias concerns. Anonymity and confidentiality were assured to reduce evaluation apprehension. Questionnaire items were structured to minimise socially desirable responding. Predictor and outcome variables were placed in separate sections of the instrument.

Harman's single-factor test was conducted. The first unrotated factor accounted for less than 50% of total variance, suggesting that common method variance does not dominate the dataset. Additionally, variance inflation factor (VIF) values were examined within the SmartPLS structural model. All VIF values were below the conservative threshold of 3.3, further indicating that common method bias is unlikely to materially distort the results.

To ensure that regression estimates were not inflated by multicollinearity, tolerance values and VIF statistics were examined. All VIF values were below 5.0 and tolerance values exceeded 0.20. These results indicate that multicollinearity does not pose a significant threat to the stability of coefficient estimates.

To assess the robustness of the predictive relationship between professional judgment and auditor performance, alternative regression specifications were estimated. Firm size (large, medium, small) was introduced as a control variable in the regression model. The inclusion of firm size did not materially reduce the magnitude or statistical significance of the professional judgment coefficient. Professional judgment remained a strong and significant predictor of auditor performance. This suggests that the observed relationship is not merely a function of structural firm-level differences.

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The two sub-dimensions of professional judgment (judgment process and judgment bias management) were entered separately into the regression model. Both dimensions remained statistically significant predictors of auditor performance, although the structured judgment process exhibited a stronger standardized coefficient. This finding reinforces the multidimensional conceptualisation adopted in this study and indicates that both procedural rigor and bias mitigation independently contribute to audit performance.

Beyond statistical significance, effect sizes were examined to evaluate practical relevance. The R^2 value of .771 indicates substantial explanatory power. The standardized beta coefficient (β = .728) reflects a strong predictive effect. According to Cohen's (1988) benchmarks, these values represent large effects, suggesting that professional judgment is not merely statistically associated with performance but substantively influential in practice.

To assess potential non-response bias, early and late respondents were compared using independent sample t-tests on key variables. No statistically significant differences were observed, suggesting that non-response bias is unlikely to materially affect the findings. Given the high response rate (approximately 92%), the risk of systematic non-response bias is further reduced.

Although the cross-sectional design limits causal inference, several steps were taken to mitigate endogeneity concerns. Theoretical grounding was clearly established prior to hypothesis testing. Predictor and outcome constructs were conceptually distinct and measured using separate item sets. Alternative model specifications were tested to examine coefficient stability. Nevertheless, the possibility of reverse causality (e.g., high-performing auditors perceiving themselves as stronger in professional judgment) cannot be entirely ruled out. Longitudinal or experimental designs would further strengthen causal claims in future research.

These robustness checks enhance confidence that the documented relationship between professional judgment and auditor performance is both statistically reliable and substantively meaningful within the Ghanaian audit context.

RESULTS

This section presents the empirical findings in line with reporting standards commonly adopted in managerial auditing, including clear model specification, effect size interpretation, and structured hypothesis testing.

Descriptive Statistics

Table 1 presents descriptive statistics for the main study variables. In all, respondents reported relatively high levels of professional judgment application (M = 4.13, SD = 0.24) and auditor performance (M = 4.14, SD = 0.23). Among the dimensions of professional judgment, the judgment process dimension recorded higher mean scores than judgment bias management, suggesting that while structured procedures are frequently applied, vulnerability to cognitive bias remains a potential concern.

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Table 1: Descriptive Statistics

Variable	N	Min	Max	Mean	Std Dev.
Professional Judgment	285	1	5	4.13	0.24
Auditor Performance	285	1	5	4.14	0.23

The relatively low standard deviations in Table 1 indicate limited dispersion in responses, suggesting convergence in perceptions across audit managers.

Correlation Analysis

To examine the association between professional judgment and auditor performance, Pearson's product–moment correlation analysis was conducted. Results in Table 2 indicate a strong and positive correlation between overall professional judgment and auditor performance ($r = .741$, $p < .000$).

Table 2: Correlation Results

Variable	Auditor Performance	
	R	p-value
Judgment Process	.710	.000
Judgment Bias Management	.637	.001
Professional Judgment	.741	.000

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

The R of .741 represents a high correlation, indicating a substantial linear relationship between the constructs. The sub-dimensions also demonstrated statistically significant positive associations with auditor performance (Judgment process: $r = .710$, $p < .000$, Judgment bias management: $r = .637$, $p < .001$).

The study therefore accepts the hypotheses that professional judgment is positively associated with auditor performance (H1), the structured judgment process dimension of professional judgment is positively associated with auditor performance (H3), and the judgment bias management dimension of professional judgment is positively associated with auditor performance (H4) as indicated in Table 2).

These findings provide preliminary support for the proposition that both structured judgment procedures and effective bias management are positively associated with enhanced audit outcomes. Importantly, the strength of the correlation between professional judgment and auditor performance suggests practical as well as statistical significance.

Regression Analysis: Predictive Power of Professional Judgment

To assess whether professional judgment predicts auditor performance beyond simple association, a linear regression analysis was conducted. The regression model was statistically significant. Professional judgment significantly predicted auditor performance ($\beta = .728$, $t = 2.705$, $p < .001$). The model explained approximately 77.1% of the variance in auditor performance ($R^2 = .771$), indicating substantial explanatory power. This study therefore accepts that hypothesis that professional judgment predicts auditor performance (H2).

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Table 3: Regression Analysis

Variable	Auditor Performance			
	R^2	B	t	p-value
Professional Judgment	.771	.728	2.705	.000

The R^2 value in Table 3 suggests that professional judgment is not merely correlated with performance but is a dominant predictor within this sample. In practical terms, a one-unit increase in professional judgment is associated with a .728 increase in auditor performance scores, holding other factors constant. The magnitude of the explained variance exceeds levels commonly reported in behavioral auditing research, underscoring the centrality of professional judgment in shaping audit effectiveness in this context. This finding confirms the findings of Pittman and Yang (2023; Ocansey, 2025).

Differences in Auditor Performance by Firm Size

To determine whether auditor performance varies across audit firm size categories, a one-way analysis of variance (ANOVA) was performed. The ANOVA results revealed a statistically significant difference in auditor performance across firm size groups ($F = 5.967$, $p < .000$).

Mean performance scores were: Large firms: M = 4.3233, SD = 0.24843; Medium firms: M = 4.1566, SD = 0.31943; Small firms: M = 4.0364, SD = 0.16634 as indicated in Table 4.

Table 4: Differences in Auditor Performance by Firm Size

Variable	N	Mean	Std. Dev.	F-Stat	p-value
Large	50	4.3233	0.24843		
Medium	116	4.1566	0.31943	5.967	.000
Small	119	4.0364	0.16634		
Total	285	4.1357	024325		

Post hoc comparisons using multiple comparison tests in Table 5 indicated a significant difference between large and medium firms (mean difference = .16672, p = .024), a significant difference between large and small firms (mean difference = .28692, p < .000), and a significant difference between medium and small firms (mean difference = .12019, p = .034). This study therefore accepts the hypothesis that auditor performance differs significantly across audit firm size categories (H5).

Table 5: Post Hoc Tests: Difference in Auditor Performance by Firm Size

(I) Firm Category	(J) Firm Category	Mean Difference (I-J)	Std. Error	P-Value
Large	Medium	.16672	.07321	.024
	Small	.28692	.07293	.000
Medium	Small	.12019	.05646	.034

**The mean difference is significant at 0.05 level*

These findings in Tables 4 and 5 indicate that auditors in larger firms report higher performance levels than those in medium and small firms. The effect is incremental, with performance declining consistently across firm size categories. The observed differences may reflect

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variations in institutional support mechanisms, including training systems, quality control procedures, technological infrastructure, and access to specialised expertise. The research findings corroborate the study of Al-Sabti, Muhammad, and Madhi (2023; Ocansey, 2026).

Collectively, the results indicate that professional judgment is both statistically and practically significant in explaining auditor performance variations within the Ghanaian audit environment.

DISCUSSION

This study set out to examine whether and how professional judgment influences auditor performance within the Ghanaian audit environment. The findings indicate that professional judgment is both strongly associated with and highly predictive of auditor performance. In this section, the results are interpreted through the theoretical lenses outlined earlier, and boundary conditions are articulated to clarify the scope and generalisability of the findings.

Professional Judgment and Agency Theory

From an agency theory perspective (Jensen & Meckling, 1976), auditing serves as a monitoring mechanism to reduce information asymmetry between principals and agents. The strong explanatory power of professional judgment ($R^2 = .771$) suggests that monitoring effectiveness depends less on formal compliance with standards and more on how auditors interpret and apply those standards in practice.

The findings reinforce the view that auditing standards alone cannot ensure audit quality. Rather, it is the auditor's evaluative capacity especially in areas involving accounting estimates, internal controls, and fraud risk that operationalises the monitoring function. In contexts characterised by weaker enforcement mechanisms or evolving governance systems, such as emerging markets, the auditor's individual and organisational judgment capability may play an even more central role in mitigating agency risks. Thus, the results extend agency theory by empirically demonstrating that the effectiveness of monitoring is behaviorally mediated through professional judgment quality.

Attribution Processes and Judgment Formation

Attribution theory (Heider, 1958; Kelley, 1973) provides additional explanatory depth. Audit engagements require auditors to interpret management actions, assess intent and determine whether anomalies arise from error, bias or opportunistic manipulation. The significant association between judgment bias management and auditor performance suggests that auditors who are better able to regulate cognitive biases may make more balanced causal attributions when evaluating evidence.

This finding supports the argument that audit effectiveness depends not only on technical competence but also on the cognitive processes through which auditors assign meaning to evidence. Misattribution, for example, attributing aggressive accounting to complexity rather than managerial opportunism may reduce misstatement detection. By contrast, disciplined judgment processes may enhance causal accuracy and decision quality. The study therefore

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contributes to behavioral auditing research by linking attribution dynamics to measurable performance outcomes in a field setting.

Mindset Theory and the Behavioural Foundations of Performance

The mindset perspective advanced by Nolder and Kadous (2018) conceptualises professional skepticism and judgment as grounded in enduring cognitive orientations. The results indicate that structured judgment processes exert a stronger predictive effect than bias management alone, suggesting that institutionalised decision frameworks may partially compensate for individual cognitive limitations.

This finding has two theoretical implications. First, it suggests that professional judgment is not purely dispositional but can be reinforced through structured methodologies and quality control mechanisms. Second, it highlights the interaction between individual cognition and organisational systems in shaping audit outcomes.

In this regard, professional judgment emerges as a hybrid construct—simultaneously behavioral and institutional. Audit firms that embed structured review processes, documentation protocols and consultation systems may create environments that strengthen judgment reliability even in the presence of inherent cognitive biases.

Firm Size as an Institutional Moderator

The observed performance differences across firm size categories offer insight into how institutional structures shape judgment environments. Auditors in larger firms reported higher performance levels than those in medium and small firms. While prior literature often uses firm size as a proxy for audit quality, the present findings suggest that size may function as a contextual moderator of judgment effectiveness rather than as a direct determinant of performance.

Large firms typically possess formalised audit methodologies, access to specialist expertise, advanced audit technologies, and multi-layered review structures. These institutional supports may reduce variability in judgment application and mitigate bias effects. Smaller firms, by contrast, may rely more heavily on individual auditor discretion, increasing exposure to cognitive constraints and resource limitations.

However, firm size does not eliminate the importance of professional judgment. Even within larger firms, performance remains strongly linked to judgment quality. Thus, institutional capacity appears to enhance—but not substitute for—individual and team-level judgment competence.

Boundary Conditions

While the findings provide strong evidence of the importance of professional judgment, several boundary conditions should be acknowledged. The study is situated within Ghana's audit environment, characterised by evolving regulatory oversight and recent financial sector reforms. In jurisdictions with stronger enforcement regimes or more mature audit markets, the magnitude of the relationship between professional judgment and performance may differ. Conversely, in environments with weaker institutional frameworks, judgment quality may exert an even stronger influence. Thus, the results are most directly generalisable to emerging or developing economies with similar regulatory and institutional characteristics.

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Auditor performance was measured using self-reported perceptual indicators rather than archival proxies such as restatements or discretionary accruals. Although perceptual measures capture practitioner insight into audit processes, they may reflect subjective evaluations. Future research employing multi-source or archival data could test whether the strength of the relationship persists using objective audit quality measures.

The cross-sectional design limits causal inference. While theory supports a directional relationship from professional judgment to performance, reverse causality cannot be entirely excluded. High-performing auditors may develop stronger judgment capabilities over time. Longitudinal research would clarify dynamic interactions between judgment development and performance outcomes.

The study focuses on audit managers, who typically supervise engagements and review work. Findings may not generalise to junior staff or partners, whose roles and judgment responsibilities differ. The influence of hierarchical review structures on judgment transmission across engagement teams warrants further investigation.

IMPLICATIONS FOR THEORY DEVELOPMENT

The study advances auditing theory in three important ways. These include reframing professional judgment as a core performance driver, integrating behavioral and institutional perspectives, and extending behavioral auditing research to under-studied contexts. Thus, rather than treating judgment as an implicit component of competence or skepticism, the findings position it as a central explanatory construct in audit performance models. Also, the results suggest that professional judgment operates at the intersection of individual cognition and organisational design, encouraging future research to examine multilevel influences. Moreover, by providing empirical evidence from Sub-Saharan Africa, the study broadens the geographical scope of behavioral auditing theory and responds to calls for contextual diversification in accounting research.

Overall, the findings demonstrate that professional judgment is not a peripheral skill but a foundational capability shaping audit effectiveness. In environments characterised by complexity, uncertainty and evolving regulatory landscapes, strengthening judgment processes and bias mitigation mechanisms may represent one of the most impactful pathways to enhancing audit quality.

Future research should explore longitudinal judgment development, cross-country comparisons and multilevel modeling approaches to further refine understanding of how professional judgment translates into sustained audit performance across institutional contexts.

CONCLUSION

This study set out to examine whether professional judgment constitutes a central determinant of auditor performance within an emerging market context. The findings provide strong empirical support for this proposition. Professional judgment is not merely associated with auditor performance; it explains a substantial proportion of performance variation and remains robust across alternative specifications and firm-size categories. These results position

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professional judgment as a foundational driver of audit effectiveness rather than a peripheral professional attribute.

From a theoretical standpoint, the study advances auditing research in three important respects. First, it extends agency theory by demonstrating that the effectiveness of the audit function as a monitoring mechanism is behaviorally mediated. Standards and regulatory oversight alone are insufficient; it is the auditor's capacity to interpret, evaluate, and synthesise evidence through disciplined professional judgment that operationalises the monitoring role. In this sense, professional judgment functions as the mechanism through which agency costs are reduced in practice.

Second, by integrating attribution theory, the study highlights the cognitive underpinnings of audit outcomes. The findings suggest that auditor performance is shaped not only by technical expertise but also by how auditors interpret management behavior and evaluate competing explanations for financial anomalies. The ability to manage cognitive biases and apply structured judgment processes enhances the quality of these interpretive decisions. This reinforces the argument that audit quality is inherently behavioral, rooted in how individuals construct and evaluate meaning under uncertainty.

Third, the study contributes to mindset-based perspectives on professional skepticism and judgment. The results indicate that structured judgment processes exert particularly strong effects on performance, suggesting that institutionalised decision frameworks can reinforce individual cognitive discipline. Professional judgment, therefore, emerges as a hybrid construct, shaped by both individual cognition and organisational systems. This duality underscores the need for multilevel theoretical approaches to understanding audit performance.

Importantly, the study provides context-specific evidence from Ghana, addressing a persistent geographical imbalance in auditing research. In emerging economies where institutional infrastructures may be evolving and enforcement intensity varies, professional judgment may play an even more pronounced role in safeguarding financial reporting credibility. By empirically documenting this relationship, the study broadens the applicability of behavioral auditing theory beyond traditionally studied jurisdictions.

The findings also carry normative implications. If professional judgment explains a substantial proportion of auditor performance, then investments in judgment-enhancing mechanisms—such as structured methodologies, bias-awareness training, and strengthened review processes—are likely to yield meaningful improvements in audit quality. Regulatory focus on documentation and inspection of judgment-intensive areas appears theoretically justified.

In conclusion, this study reaffirms that audit quality is not solely a function of compliance with standards, firm size, or reputational incentives. Rather, it is fundamentally contingent upon the disciplined exercise of professional judgment. By empirically demonstrating its explanatory power within a developing economy, the study contributes to a more behaviorally grounded and institutionally sensitive understanding of auditor performance. Future research should continue to refine and test this theoretical integration across jurisdictions and methodological designs to further advance the behavioral foundations of auditing scholarship.

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