

RESEARCH ARTICLE

Multifaceted Skepticism: A Comprehensive Approach in Auditing Practice

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This research uses a modified grounded theory approach to understand the behavior of auditors in Indonesia who have an Eastern cultural background in applying professional skepticism. The research results reveal that auditor behavior in practice applies multifaceted skepticism. Multifaceted skepticism refers to the idea that professional skepticism in auditing is not a one-dimensional approach. That recognizes the complexity of the audit environment and the need for auditors to consider various factors when applying their skepticism. Multifaceted skepticism brings us to a less simplistic view of professional skepticism, which until now has only been seen as an on-or-off switch. Instead, this multifaceted skepticism acknowledges the existence of machinations in the audit environment.

Keywords: skepticism professional, multifaceted skepticism, auditing practice, cultural background, audit environment.

JEL Classifications: D83, M41, M42

Professional skepticism is an essential attribute for auditors in ensuring the reliability and credibility of financial statements. This professional skepticism is more than just questioning information; it is a comprehensive mindset that shapes how auditors approach their work (Nolder & Kadous, 2018; Kelly & Larres, 2023). Skeptical auditors are more likely to identify inconsistencies, unusual transactions, or illogical explanations that might indicate errors or deliberate attempts to misrepresent financial information. Closely related to audit quality, skepticism encourages auditors to evaluate financial statements more carefully and sincerely. Auditors dig deeper into areas of potential risk, gather more substantial evidence, and ultimately provide a more reliable opinion on the fairness of the financial statements.

Traditional audit methodologies, which focus more on pre-determined procedures, may need to be revised

to address the complexities of the modern business environment. Future audits require collecting relevant data using online systems and involve paperless audits, known as continuous auditing (Eulerich & Kalinichenko, 2018; Hunton & Rose, 2010). Manual audit procedures already exist and are necessary for automated data entry, but electronic data entry will be an additional burden for auditors (Shaikh et al., 2018). That is recognized by auditors in regions in Indonesia. Traditional audits that most auditors in Indonesia still carry out require a more critical approach. Moreover, the presence of Artificial Intelligence, algorithms, and machines in audits encourages the priority of human algorithms as the future of audits through auditor-governing-the-loop (Tiron-Tudor & Deliu, 2022). Various aspects of professional skepticism covering areas such as questioning assumptions, critically evaluating evidence, and maintaining a high awareness

of potential bias are always in the spotlight in today's audit practice.

Several previous studies have reviewed audit failures associated with traditional audit methods. A new audit approach using techniques analyzed based on their ability to serve the public interest will help maintain skepticism toward audit changes (Fogarty & Rigsby, 2010). Not only that, changes in auditing are now not about business risk and added value, rather than the discourse on audit quality to reject or support specific agendas, whether proposed audit practices, new regulations, market structures, or education and training initiatives (Khalifa et al., 2007).

This study explores the concept of professional skepticism in audit practice through a grounded theory approach. Grounded theory is a qualitative research methodology that allows theories to emerge from the data, providing a rich understanding of complex phenomena. Using grounded theory, this study aims to explore the lived experiences of auditors and discover the various dimensions of skeptical behavior and mindset in the context of their daily work. This study identifies the underlying processes that shape how auditors apply professional skepticism throughout the audit process. Also, this study develops a comprehensive framework that captures the essence of skepticism in auditing that is grounded in the reality of practice.

Through in-depth interviews and analysis, this study explains how external auditors navigate complex situations, overcome challenges, and ultimately contribute to a more robust and reliable financial reporting system. It also uncovers specific strategies auditors employ to maintain a multifaceted skeptical approach throughout the audit. By delving into the lived experiences of external auditors, this study provides valuable insights into auditors' skeptical behaviors that translate into a multifaceted approach to skepticism. That can inform the development of training programs and best practices that equip future generations of auditors with the skills necessary to navigate the complexities of the financial landscape and contribute to a more robust and reliable financial reporting system for all stakeholders. This study argues that a multifaceted approach that includes critical thinking, increased awareness of bias, and questioning is essential for effective auditing.

Methods

Study Design

This study uses an interpretive paradigm that provides an understanding of social reality based on the researcher's subjective interpretation. It studies the practice of professional skepticism in its social context. The interpretive paradigm assumes that researchers must be distinct from the studied subjects, which is based on inductive reasoning, where research generates theories directly contrasting with deductive reasoning.

This research uses a modified grounded theory research method. Cullen and Brennan (2021) conducted a literature review to find the diversity of views from the main initiators of the grounded theory approach. In their literature review, the main principles of grounded theory are maintained through application reflections consisting of seven stages of data analysis. The first stage begins with identifying research problems involving a series of literature reviews and professional experiences. The researcher then chooses a research methodology after identifying the problem.

The Empirical Context: Initial Presumption in Professional Skepticism

This study focuses on the concept of presumption in auditing. The presumption is the initial belief or opinion formed by the auditor based on experience, available information, or intuition. Although skepticism encourages questions, auditors often start with a preliminary assessment before digging deeper.

The presumption requires the auditor to assume the level of client dishonesty a priori unless evidence suggests otherwise. Philosophically, as Immanuel Kant conveys, a priori knowledge starts from presumption without relying on empirical or experience that the senses can capture (Kant et al., 1998). Kant used the term a priori to state that humans already know themselves before encountering experiences in their environment and world. That means that the auditors have been aware of the skeptical attitude they apply in the pre-engagement until they give their opinion on the financial statements.

Exploring the role of initial suspicions in professional skepticism for Indonesian auditors provides a unique opportunity to understand the cultural context that influences audit practice. Indonesia's collectivist culture emphasizes social harmony and respect for

authority. That influences the auditor's approach to initial suspicions. Auditors are less likely to voice initial suspicions directly to clients, especially those in authority. That can lead to investigation delays or reluctance to challenge management's explanations. The emphasis on maintaining good client relationships can cause auditors to downplay initial doubts or suspicions, potentially compromising their skepticism.

Data Collection and Data Analysis

Open and probing questions are often asked to obtain rich data. Allowing the data to guide the research during the interview process is called "theoretical sampling" (Glaser & Strauss, 1967). The purpose of theoretical sampling is to collect data from people who will maximize the opportunity to develop concepts in terms of the nature and dimensions of the data, uncover variations, and identify relationships between concepts. We conducted interviews with 15 auditors who have 5 years or more of practice experience. The interviews were conducted from August 2023 to February 2024.

Table 1 presents the informants' background and audit experience.

This research uses grounded theory, which we modified from the approach of Cullen and Brennan (2021), whose main principles come from the founders of grounded theory (Glaser & Strauss, 2017; Glaser, 1978; Corbin & Strauss, 1990) to form a theory (substantive and normative) resulting from the categorization and comparison of key themes by answering questions about how auditors apply professional skepticism in their daily practice. Modification of grounded theory is done to be a tool for analyzing auditor behavior. The characteristics of grounded theory are that data collection and data analysis are interconnected. Researchers analyze data by managing information through interconnected words, sentences, language, and meanings. Researchers organize and reduce data into themes or essences, which, in turn, become categories for building theory. Researchers have challenges related to large amounts of data in the form of text and spoken language that have several meanings at the individual and social levels.

Table 1. *The Informant's Background and Audit Experience*

No.	Name and Informant code	Auditor experience (in years)	Interview sites	Gender	Duration
1.	AP1 (DHP)	27	Malang	M	03.01
2.	AP2 (PYT)	28	Solo	M	02.42
3.	AP3 (AW)	6	Yogyakarta	M	02.41
4.	AP4 (IGO)	12	Denpasar	M	01.09
5.	AP5 (SDK)	13	Semarang	M	01.55
6.	AP6 (ATS)	5	Semarang	F	01.12
7.	AP7 (EN)	13	Bandung**	F	00.49
8.	AP8 (JLS)	27	Bandung**	M	00.38
9.	AP9 (WDT)	6	Bandung**	M	00.55
10.	AP10 (IM)	6	Bandung**	M	00.46
11.	AP11 (SYT)	5	Bandung**	F	00.37
12.	AP12 (MS)	5	Bandung**	F	00.42
13.	AP13 (IWM)	6	Bandung**	M	00.43
14.	AP14 (YN)	28	Bandung**	M	00.35
15.	AP15 (AD)	10	Malang	M	01.08

Source: Authorial computation based on data collection

Results and Discussion

First Proposition: Auditors' assessment of the effectiveness of professional skepticism in influencing their decisions depends on the specific context of the audit engagement, which is triggered by risk tolerance, authority dynamics, and cultural influences on communication style.

Auditors will always face challenges in measuring their effectiveness when applying professional skepticism. Contextual factors obtained through the phenomena in this study, such as risk tolerance, authority dynamics, and cultural influences on communication styles, become obstacles and opportunities for auditors to use their professional skepticism. Auditors must adjust their approach, overcome communication barriers, or make difficult decisions due to specific contexts.

Auditors are pressured to complete audits quickly because low-risk perceptions make auditors less skeptical. The auditor's body language shows hesitation in accepting engagements with relatively short deadlines. However, in the end, they agree to continue because of pressure from colleagues or clients. The auditor's tone of voice becomes more accepting of management's explanations during interviews, indicating less critical thinking because it is considered low risk. That happened to several auditors, as they conveyed through their respective experiences.

AP7: *"Management often sets very tight deadlines to complete audits. In our region, it is quite difficult to refuse, especially since it is difficult to find clients now. So, of course, there is a framing at that time, especially if it is tight; it will really limit the depth of some of our testing procedures."*

Risk tolerance can also stem from a low-risk assessment, either because the auditor considers internal controls adequate or because of the purpose of the audit. The auditor also pays attention to the company's size and complexity.

AP10 *"Given the clean and safe track records of some of our audit clients and their low-risk assessments, we may not need to perform as many tests of controls as we normally would."*

However, we will maintain an appropriate level of professional skepticism."

Professional auditors should always maintain a healthy level of skepticism regardless of the perceived risk. However, the above statement illustrates how risk tolerance can sometimes create pressure to complete an audit quickly, potentially reducing skepticism and its practice.

Another highlight of this research phenomenon is the variation in levels of authority faced by auditors in the field. Some auditors have experience with dominant company leaders, which makes them reluctant to ask for information. Cultural influences are one reason auditors adjust their communication methods to clients. Auditors revealed that they often use indirect communication during client interactions, especially when dealing with their leaders. Auditors then adjust their questioning techniques to dig up information from company leaders.

AP14: *"I feel reluctant when company leaders seem to understand the audit process very well. Moreover, their background is in accounting. So I often ask about the process of producing this accounting data."*

Auditors often use the above-question model to begin a conversation with a client. However, it seems that the questions conveyed by AP14 have the potential to reveal inconsistencies. Meanwhile, the questions that AP10 always asks his clients do highlight the lack of access and quick assistance but can give the impression of being less assertive in obtaining information that is considered important to support the audit process.

The communication experience practiced daily by several auditors shows body language that appears hesitant or uncomfortable when asking for additional information, especially if the CEO or company leader shows dominant behavior. The auditor's tone becomes more tentative or apologetic when asking questions that indicate a reluctance to challenge the authority of the company leader.

Auditors face important decisions where their professional skepticism is challenged because of the context. Auditors can make various efforts, such as rejecting management pressure and developing creative ways to collect evidence through indirect communication. The auditor's persistence in obtaining

information is essential to complete the audit thoroughly. However, they must face the challenges of varying levels of authority through diplomacy and professionalism. Auditors make various efforts to reduce risk and avoid conflict. For example, through the experience of several auditors whose licenses were once suspended by regulators, they became more careful in obtaining initial information about their clients, even under pressure from company management to accept assignments.

Second Proposition: Auditors can use evidence-based or non-evidence-based intuition simultaneously with professional skepticism to identify potential risks and support initial decisions.

The first step taken by the auditor is to ask the question, “Is there something wrong?” with the prospective client or the client they are dealing with. This question is identical to the perspective of initial suspicion echoed by previous studies as a discourse that researchers and audit practitioners have not resolved. This second type of phenomenon allows the auditor to reject or accept their client. This attitude is related to audit risk, which is the possibility of missing material misstatements in the form of significant errors or omissions in the financial statements. Therefore, the auditor makes a skeptical assessment, which is the basis of the audit, and requires the auditor to maintain a questioning attitude from the pre-engagement or throughout the audit, critically evaluating the information provided by the client. That includes being alert to danger signs that may indicate potential errors.

Auditors with more than 10 years of practice tend to use intuition to understand their clients’ characteristics and detect potential risks, but they need to document these pre-engagement procedures in their working papers. Intuition is a feeling or hunch based on experience and subconscious information processing. In this case, intuition is described as discomfort or suspicion about the client’s financial health or business practices. The following excerpt from the informant’s experience supports this finding.

“If we maintain that caution and are used to it, feelings will come into play. Feeling also plays a role. For example, in a company like that, the people must be like this. Sometimes, it is the same in society. Accountants are like that; we only take civil action if we are accountants. It is

easily carried away. It all depends on sensitivity. If it is done comprehensively, there is sensitivity. If it is done partially, there is no sensitivity.”
(AP1, a public accountant practicing for 28 years).

Auditors using initial assumptions always raise concerns to the clients before and after the audit process reaches its conclusion. In the first conceptual framework, auditors have concerns at the beginning when studying the client’s characteristics, audit risk, and the external environment. Some intervening conditions trigger them to reject clients as a form of skeptical assessment, namely risk avoidance, to increase even more significant concerns if they accept clients that they consider to have high risk and worry if the regulator uses them as a sampling to examine their working papers.

Auditors tend to focus on initial assumptions when evaluating audit risk. They also explain their perception of professional skepticism. Auditors indicate that their role is more about testing the client’s management assertions.

AP2: *“For me, skepticism does not mean assuming all management statements are straight; they have all followed accounting standards; that is an assumption we must avoid. There must be something wrong; there must be something they have misinterpreted.”*

The existence of an initial assumption encourages the auditor and team to pay more attention to unconfirmed evidence as an anticipatory measure that management is vulnerable to misleading public accountants. For example, because judgmental accounting issues contain inherent risks due to their subjectivity and uncertainty, auditors need to demonstrate with evidence that they have sufficiently considered the possibility of management error when auditing this risky area.

AP12: *“As auditors, we must have a skeptical mindset. Otherwise, management will take advantage of this opportunity.”*

AP10: *“I am very skeptical of cash outflows. How do I mitigate it, in what way? We ask. Because sometimes, they record it, in the*

bank book, it is just in and out, without detailing it."

AP8: *"I realize we all use professional skepticism, assuming the client is misrepresenting until proven otherwise."*

In their experience, auditors also highlighted that they considered confirming evidence, although its importance was reduced when the risks associated with the task under consideration were considered significant. Several informants explained that the presumptive doubt perspective should be applied when the risk is very high. Therefore, auditors tend to associate their professional skepticism with the audit risk that triggers concerns. Auditors also see risk as a measure to apply professional skepticism according to the conditions each audit team faces.

AP3: *"The big numbers are suspicious, usually for receivables accounts. There are bad debts; there are large debts. We confirm; if we are not sure, we will visit directly. We are suspicious but also believe."*

AP8: *"I do not want to find trouble with management. However, I am also careful in implementing audit procedures and testing management statements. I apply professional skepticism if necessary."*

AP1: *"If we audit, a personal approach is important. For example, the client has no data. Especially contractors. I do not trust internal data. Because A can shoot B's signature, I must be careful about this. However, do not let him get offended."*

Auditors acknowledged the importance of not simply accepting management's explanations at face value and focusing on audit evidence. Informants should place more emphasis on the type of evidence. Instead, their efforts were focused on gathering sufficient evidence to complete the audit work papers that would protect the auditor and their team from regulatory scrutiny or future legal action. The implication, therefore, is that this presumptive approach can lead to a narrow focus on evidence that supports or confirms management's representations, particularly in accounting policy considerations. However, several informants explained that this perspective mindset does not truly represent the practice of proper professional skepticism and that

the focus should always be on adequate management challenges.

Several informants were cautious about the possibility of disconfirming evidence when describing their focus on gathering audit evidence. Informants faced various challenges in gathering and seeking to substantiate audit evidence.

AP4: *"In this case, it is not our job to prove that the numbers in the financial report are correct. Audits do not recognize right or wrong but are reasonable or unreasonable. So, our job is to audit and critically assess the numbers issued by management. Once again, our job is not to support management. We are independent."*

When auditors face high audit risk, such as a client in a volatile industry with a history of accounting problems, this naturally raises doubts and concerns about their ability to accept the engagement or to form a reliable opinion. These doubts can cause auditors to rely on their intuition when completing formal risk assessment procedures. They may pick up on subtle cues, inconsistent explanations, or an overall feeling that something is "not right" that traditional risk factors may not capture. Based on these intuitive red flags, some auditors dismiss the client altogether. That can reduce the risk of missing errors and protect their skeptical judgment from being easily compromised.

Third Proposition: Auditors maintain rationality in their initial assumptions to ensure that cultural differences in communication style, risk tolerance, and authority dynamics trigger their application of skepticism.

The next finding, namely the third type of phenomenon or conceptual framework related to auditor rationality, shows that auditors do not quickly make decisions but rather dig up more information about prospective clients or clients who come to them. The auditor's rationality in maintaining their professional skepticism in practice uses approaches such as considering culture, risk tolerance, and variations in authority levels.

Auditors maintain rationality when applying their professional skepticism, as seen in the following auditor statements.

AP4: *"Skepticism between nature and process may overlap there, not only absolute as nature or process. I think both."*

AP6: *"How come auditors feel like a profession that thinks negatively? They do not always have to think negatively towards people; what I mean by skepticism is that it's different, right? Negative, what is wrong? That is negative; it is different. We must share data skeptically so we can develop auditing procedures. If it is just straight, how can we be creative? Auditing procedures, okay, straight, you have differences, oh yeah, right, if we do not have skepticism, we cannot be public accountants. We must indeed be skeptical, but not negative thinking."*

AP2: *"I understand skepticism as an attitude. How do we respond to information that has just come in related to the audit? Who am I dealing with? What is this for? We must study the motivation first. This is what often was a problem in the past; asking for an audit was just a formality."*

Several informants' professional skepticism is interpreted as an attitude that does not easily accept information from clients, an attitude of doubt, and questioning various things that aim to strengthen information that will convince the auditor in carrying out his audit procedures.

AP17: *"Professional skepticism is not simply accepting information from or about a client until we believe it ourselves."*

AP10: *"Okay. Like this. In fact, I must have been skeptical at first. Because of the nature of the doubt about the misstatement, when analyzing it, we must see who owns this and who is behind this company. So, that is what comes first. Because the characteristic of skepticism is who this company is and who the shareholders are, so it must be implemented from the start."*

In addition to seeking information about the credibility of potential clients, auditors consider using alternative explanations to test the sincerity of their clients. These alternative explanations are to support

the auditor's decision to accept or reject the client. Auditors often ask detailed questions about matters related to the audit being questioned to clients and test them with the fees offered.

Auditors obtain information about clients and their companies by accessing the Google site, which is a practical reality in the field. At the pre-engagement stage, this is done in writing; the auditor documents the entire series of processes they carry out in obtaining information from the profiling. The following auditor experiences strengthen the findings.

AP15: *"Then what is done before the agreement is there are many treatments, well that can be told before the agreement if now it is the digital era, just type the company name in Google, then you will see what information, who knows if a legal case has ever emerged."*

AP9: *"Alhamdulillah, we have implemented it since then. Starting from the proposal, we implement PMPJ. Then, the agreement must have a PMPJ clause. We will examine it until we screen and trace the company's digital footprint. Are there any legal problems? And including the leadership. However, I ask for permission first. Madam or Sir, can I ask for their social media accounts? I will tell you this. The point is to assess the integrity of the management. Management, how is the track record of this company, this integrity? Are there any legal problems?"*

AP9's statement regarding skepticism and its relation to rationality is interesting. For him, professional skepticism is also an attitude of questioning something until evidence that is acceptable to common sense can be accepted.

AP9: *"... always question something and will stop questioning something if you have received an answer and evidence acceptable to common sense."*

He shared his experience with accepting evidence as an answer to questions during an audit. AP9 explained that rational evidence aims to provide adequate assurance, such as his experience in carrying out alternative procedures for confirming receivables in a trading company.

AP9: *“There is a client of a trading and service company (PT. X). There are accounts receivable for one debtor (PT. Z); the receivables’ value is material and cannot be confirmed because of PT. Z is bankrupt. To ensure reasonable assurance regarding the existence of receivables, an alternative audit procedure involves obtaining a copy of the invoice or a contract agreement.”*

Auditors who have implemented and documented pre-engagement procedures can more easily determine the audit risk in the engagement by choosing to accept the client. Acceptance of this client still considers risk mitigation and the application of alternative procedures to evidence to convince the auditor’s assessment. This approach is then referred to as risk tolerance. With rationality, auditors carry out this risk tolerance when looking at the type of company. The type of company will make the auditor adjust his level of skepticism, as the experience conveyed by AP5 and AP6.

AP5: *“For example, my client is a new and innovative company, and the owner is still relatively young, showing a higher risk tolerance than some of my previous clients. That means adjusting the level of skepticism. While remaining vigilant, we try not to get caught up in small details and instead focus on areas with a higher potential for material misstatement.”*

AP6: *“...Then that is true, the pre-engagement procedure is essential, at that time we determine the risk, it automatically goes to the testing class, the team that we put together, oh this seems like the transaction volume is like this, the load is like this, what is the risk like, well it seems like this PIC is right, this PIC is right, how many people are right. So besides determining the team, the extent of the test, and the findings, too, are right.”*

In addition to the risk tolerance approach, auditors perform alternative procedures to mitigate risk when entering substantive testing. AP9 has experience with a material receivables balance, but it was not confirmed because the debtor went bankrupt. He performed alternative procedures by requesting proof of a copy of

the invoice and a contract letter to confirm the existence of the receivables. Although he said there were no objections from the client, AP9 did the following things to protect himself and the audit team.

AP9: *“It is just that sometimes, what is often found in the field is usually related to Directors’ or Shareholders’ Receivables (related party transactions) and related to the PS; I usually ask the auditor to ask for a copy of the document (at least): Directors’ Statement Letter (as confirmation evidence) that the Directors have debts to the Company; Copy of cash or bank receipts; and Copy of the Annual Tax Return of the Directors’ OP (to ensure that debts to the company have been recorded in their Tax Return; and if they have not been recorded in the Annual Tax Return of the OP, I suggest that the Tax Return be corrected).”*

Adjustment to the auditor’s professional skepticism cannot be separated from the role of authority dynamics. Some auditors’ experiences in this authority dynamic include respecting senior figures as a cultural norm. The auditor’s experience related to this is described in the following statement.

AP7: *“I often approach junior team members to ask for clarification or supporting documentation rather than directly questioning senior managers’ decisions.”*

The auditor took an indirect approach driven by his initial cultural assessment, helping him gather the necessary information without undermining anyone’s authority. Throughout the audit assignment, the auditor maintained a balance in practice. The attachment to an Eastern culture that practices indirect communication enabled the auditor to apply skepticism effectively. The auditor used open-ended questions, adjusted his approach based on risk tolerance, and navigated varying levels of authority while maintaining a rational and objective mindset.

The auditor’s most important goal was to build trust and collaboration with the client. These auditors’ experiences underscore the importance of cultural sensitivity in applying professional skepticism. This does not mean abandoning rationality but rather using

it to build the foundation for a more nuanced and effective audit approach.

Fourth Proposition: Auditors adjust their communication style using open-ended questions and indirect approaches to navigate authority dynamics and gather necessary information. They also consider client input and risk factors when applying professional skepticism.

Professional skepticism has become a core principle in auditing that requires a critical and questioning approach to assessing evidence. The next finding is that auditors use various communication styles in implementing their professional skepticism to convey their skeptical attitude to clients. The auditors who were informants in this study came from Indonesia and had backgrounds that adhered to Eastern culture. The informants came from several tribes in Indonesia who had diverse regional languages. This diversity does not mean differentiating the auditor's communication style towards their clients because, as a nation with Eastern culture, indirect communication is often used.

Auditors who use indirect communication pay more attention to non-verbal cues by asking more open questions to explore potential problems clients face. AP4's experience monitoring audit procedures in one of his clients is worth listening to.

AP4: *"In our experience with several clients, we see differences between physical counts and system records for certain product lines during the review of inventory procedures. So, I always ask the question, 'Can you walk me through the process of reconciling these differences?'"*

This statement from AP4 directly addresses the potential problem but does so in a way that invites explanation and collaboration with the client. AP3 also similarly applies professional skepticism by always involving the client in calculating deferred taxes.

AP3: *"I have a banking client who always compares my performance with the previous auditor from another firm. That happens in calculating deferred taxes. They should calculate it; we are the ones who review it. Instead, we are the ones who are told to do everything. Yes, I said slowly that we would*

do it together. Later, our team will review it. After a while, they agreed too."

AP6 also often communicates openly and indirectly with its clients. As an auditor, AP6 is open to the client's perspective and actively seeks client input to gain a more complete understanding of the business environment. This attitude shows that the auditor, in his assignment, is not the most knowledgeable professional but is aware of the limitations of knowledge regarding the business environment.

AP6: *"I have a client engaged in the retail sector. As auditors, we understand that the client's company operates in a competitive industry. To better understand the risks involved, my team and I value the client's insight into how they manage these competitive pressures and how they can impact the financial statements."*

Although auditors always use indirect communication to try to involve clients, this can also potentially cause clients to misinterpret the auditor's behavior. AP4 once experienced a dilemma when the client he had helped asked for more than they should have.

AP4: *"I often experience this in the private sector and government. In government, we contract an audit, but they always ask for consultation outside the audit. For example, if there is a finding of an accounting policy in a government, they ask us to do it. If they do it, I will correct it. We are the ones who are told to draft from A to Z. This is often helped, but often asks for various bonuses. However, if we do not give it, we will not be used again next year. We give the big picture."*

Auditors, in their assignments, encounter various clients from various ethnicities and cultures. That is because there are no restrictions on the auditor's work area. Auditors can carry out their assignments even if the client comes from outside the domicile of their public accounting firm. The various clients encountered certainly have different cultures, and the audit risk tolerance faced by the auditor will also be different.

Auditors need to adjust their level of skepticism based on whether the client prioritizes avoiding errors in low-risk tolerance or taking calculated risks (higher risk tolerance).

AP13: *“We understand from our discussions with management that the client company prioritizes growth and innovation. That essentially involves taking calculated risks. Our audit approach will consider these risks and ensure we focus on areas with the highest potential for material misstatement.”*

AP7: *“Based on our risk assessment procedures, we identified several areas with moderate inherent risk. However, through our understanding of the client’s internal control, we believe these risks have been mitigated to an acceptable level. We will discuss these findings in more detail later and welcome your feedback.”*

AP14: *“Due to the large volume of transactions, we typically use a sampling approach for clients to test internal controls. While this method has limitations, we have designed the sample size to provide a reasonable level of assurance given the assessed risk.”*

Related to the practice of professional skepticism, auditors are inseparable from the existence of varying levels of authority when dealing with their clients. Cultural norms around authority figures can affect how easily information is shared. Auditors may need to adjust their approach to questions and discussions depending on the level of respect shown to authority figures in the client organization.

AP9: *“Maintaining professional skepticism requires careful navigation when dealing with levels in the client organization.”*

AP15: *“Through our experience in conducting audits in various organizations, we have learned that levels of authority can significantly impact the application of professional skepticism.”*

By considering cultural factors, auditors can be more effective in identifying and addressing potential risks of material misstatement. A culturally sensitive

approach promotes better client communication and a more collaborative audit environment. When adopting skepticism, auditors should maintain professional skepticism and not be unduly influenced by cultural norms that may underestimate potential risks. By considering cultural differences in communication, risk tolerance, and variations in levels of authority, auditors can be more effective in applying professional skepticism and conducting high-quality audits.

Synthesis of Four Propositions: Multifaceted Skepticism

The long journey to understand how auditors apply professional skepticism in this complex environment ends in a framework called *multifaceted skepticism*. Multifaceted skepticism is derived from synthesizing four propositions resulting from various phenomena in practice encountered by researchers in the field. Multifaceted emphasizes that professional skepticism is not a one-dimensional approach. It involves considering various aspects of the audit engagement. Skepticism refers to the attitude of critical questioning auditors maintain during the audit process.

Synthesis shows that this framework combines various ideas or propositions related to skepticism from this study’s findings. Multifaceted skepticism outlines a comprehensive approach to professional skepticism in auditing. The various dimensions of skepticism obtained from synthesizing the four propositions consist of cognitive skepticism, investigative skepticism, relational skepticism, and contextual skepticism.

The first dimension of multifaceted skepticism is cognitive skepticism. Cognitive skepticism is the foundation of professional skepticism in auditing. Cognitive skepticism questions the information, assumptions, and explanations provided by management. The implementation of cognitive skepticism is reflected when the auditor uses a critical thinking approach to analyze evidence. Cognitive skepticism is critical thinking auditors use when evaluating the information management provides. Research on cognitive in professional skepticism is found more in experimental research (Gong et al., 2014; Popova, 2013). A deeper analysis is needed to enrich the understanding of the implementation of professional skepticism through everyday practice, highlighting the cognitive nature at the individual level and how auditors enact and construct skepticism collectively (Xu et al., 2023).

The main aspects of cognitive skepticism focus on perceptions, assumptions, and explanations. Auditors do not take information at face value. They question the underlying perceptions that produced the information, the assumptions made during the process, and the explanations provided by management to justify the figures found during the audit. In practice, auditors often encounter unusual fluctuations in sales increases or sudden decreases in costs that require further investigation to understand the underlying causes. In addition, auditors often question underlying assumptions, such as when management justifies low inventory valuations by assuming a stable market. The auditor will assess market trends to verify these assumptions.

Management's explanations for unusual transactions should be critically analyzed for consistency and plausibility. Cognitive skepticism is more than just asking questions; it involves a structured approach to analyzing evidence. Analysis of evidence can be done by understanding its context; that is, placing information in the context of the industry, company history, and economic conditions is essential. To identify inconsistencies, the auditor can also compare the information with other sources, such as industry benchmarks, previous audits, or internal control procedures. Finally, to evaluate the persuasiveness of the evidence, the auditor can assess whether the evidence provided by management is sufficient to support their claims.

The second dimension is investigative skepticism, which involves seeking evidence to support or refute audit assertions. Auditors need evidence to assess the financial statement propositions rationally. This process is more than just reviewing documents provided by management. The term investigative skepticism emerged when all informants in this study admitted to being very careful in tracing documents owned by their clients. For auditors, management documents are the starting point in the audit process and not the finish line. Although auditors review documents provided by management, they do not rely solely on them. They actively seek additional evidence to corroborate information or identify discrepancies.

The auditor takes a proactive approach in this dimension of investigative skepticism. By anticipating potential risks and identifying evidence, the auditor can validate or challenge those risks. The auditor does not

wait for inconsistencies but actively seeks them out. To obtain better evidence, the auditor must understand the nature of the evidence to be used. Understanding the nature of the evidence used by the auditor will help classify the types of audit evidence, such as from the testimony of others (authoritarianism), intuitive scanning of evidence (mysticism), recalculation (rationalism), and subsequent actions taken by the company (pragmatism). The techniques used by auditors are conducting investigations and discussions with management, third-party verification, analytical procedures, physical observation, and computer-assisted audit techniques.

However, auditors need help in implementing overall audit procedures. Time constraints must make auditors balance investigative efforts with overall audit efficiency. In addition, auditors recognize limited resources as a challenge in conducting investigative techniques, primarily when assigned to audit small companies. The reality in this study is that auditors in small areas work with new staff whose accounting and auditing knowledge is considered lacking. In addition, they also need help obtaining staff who are willing to work in public accounting firms. Another thing that auditors often face is fair value measurement audits. Auditors have limitations in auditing fair value measurements because specific assessment knowledge of fair value measurements is difficult to obtain and maintain (Martin et al., 2006).

Another challenge is that client rejection is common; namely, management is reluctant to provide access to certain information or personnel, thus creating obstacles to investigation efforts. That makes auditors use non-radical strategies, which, of course, will impact decreasing audit quality. The way out, according to Rasso (2015), by using the construal-level theory (CLT) perspective, high-level interpretations drive better processing of the collected evidence. Overall, investigative skepticism is a powerful tool that complements the critical thinking approach of cognitive skepticism. By actively seeking evidence and not just relying on documents, auditors can significantly improve the quality and reliability of the audit process.

The third dimension is relational skepticism. This relational skepticism means maintaining a healthy distance from the client and being aware of the potential bias that can cloud judgment. Auditors maintain professional objectivity in this dimension.

This study shows that some auditor relationships with clients have been built over the years because the client does not want to move to another public accounting firm. Although there is potential for bias, the auditor's efforts to maintain relationships with their clients still prioritize healthy relationships, namely maintaining their professional attitude. So far, auditors can avoid social activities or gifts that create a sense of obligation to the client. Auditors can also refuse to accept undue pressure from management to change their audit procedures or conclusions. However, it takes a long time for them to be able to do this. Other efforts made by auditors are to rotate team leaders periodically and have open discussions with the audit team about potential bias and mitigation strategies.

Preferences between the audiologist and the client can be seen by studying various theories. First, Goldman and Barlev (1974) argued that clients have power over auditors and consider audits commodities, so they are unpleasant. Clients then prefer to use a transactional rather than a relational approach (Pels et al., 2000). Goldman and Barlev (1974) and Eilifsen et al. (2001) stated that auditors provide added value to clients through business risk analysis, management letters, and feedback on their services. This added value is referred to as a new audit approach. This statement is reinforced by Beattie et al. (2000), who stated that clients want more from audit services, namely assistance in creating accounting principles guidance, advice on internal control, and general business advice, which is referred to as value-added audit. When associated with skepticism, auditors can use a critical thinking and decision-making approach that recognizes human communication's complexity and context's importance in evaluating information. Relational skepticism provides a framework for interacting with different information and viewpoints thoughtfully, respectfully, and culturally sensitively.

The final dimension is contextual skepticism, which involves considering the specific context of the audit engagement, including factors such as risk tolerance, authority level, and cultural influences. This dimension means that auditors adapt their skepticism based on the situation. Based on the context or situation, auditors can adjust their audit procedures. For example, more extensive testing or corroborating evidence may be required in situations with high tolerance or complex authority levels.

Auditors use indirect communication strategies in cultures that emphasize hierarchy while ensuring clarity and avoiding ambiguity, as did most auditors in this study. By considering the context, auditors are more likely to identify potential risks that might be missed with a rigid approach. Auditors can adjust their skepticism to the specific context, allowing them to focus on high-risk areas and avoid unnecessary procedures in low-risk areas. Thus, contextual skepticism results in more informed judgments because auditors consider the unique circumstances of each audit engagement. Overall, contextual skepticism highlights the dynamic nature of professional skepticism in auditing. By considering the specific context of each audit, auditors can adjust their approach and ensure that their skepticism is appropriate and effective. That ultimately leads to a more comprehensive and reliable audit process.

Multifaceted skepticism can help auditors consider various aspects of skepticism by uncovering potential issues that may be missed with a more limited approach. In relation to audit quality, a more comprehensive and critical approach to evaluating evidence can improve the overall quality and reliability of the audit. This dimension of skepticism can reduce the risk of bias by acknowledging its potential and being aware of contextual factors. Thus, auditors can make more objective judgments.

Behind the benefits of multifaceted skepticism, it does not mean that this dimension is without challenges. The first challenge is time constraints, especially for complex audits; this multifaceted approach can be time-consuming. The next challenge is limited human resources. Public accounting firms may need more resources or expertise to implement all aspects of multifaceted skepticism fully. Communication can also be challenging for auditors, where navigating authority dynamics and adapting communication styles can be difficult, especially in a cultural context.

Overall, multifaceted skepticism represents a best-practice approach for auditors. It acknowledges the complexity of the audit environment and provides a framework for auditors to evaluate information and make informed decisions critically. Figure 2 shows multifaceted skepticism in more detail.

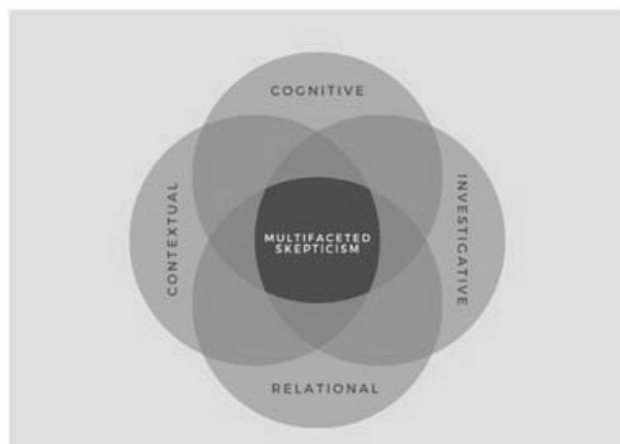


Figure 2
Multifaceted Skepticism

Limitations

This study has conceptual limitations. It needs to establish a clear and operational definition of multifaceted skepticism. Specific aspects and facets that need to be included are essential to complete the explanation of multifaceted skepticism. This study does not explore how this approach differs from existing concepts of professional skepticism. In addition, methodologically, the study findings may not be generalizable to all audit contexts. For example, the effectiveness of multifaceted skepticism may differ in multinational companies compared to small businesses.

Auditors often face significant time pressures during engagements. Applying a multifaceted approach may be difficult if it requires additional time-consuming procedures. Clients may resist overly skeptical auditors questioning their management decisions or internal controls. This study could explore strategies for auditors to deal with such situations.

The overall culture within the audit firm may influence the application of skepticism. Cultures that emphasize meeting deadlines or prioritizing client relationships may hinder the effectiveness of a multifaceted approach. In addition, future research could consider specific limitations to potential integration with relational skepticism and cultural biases. Research on relational skepticism is limited because this view is still relatively new. As for cultural bias, researching skepticism in a particular cultural context such as Indonesia requires careful consideration to avoid cultural bias in research design and interpretation of findings.

Implications

By combining various aspects of skepticism, auditors can conduct a more comprehensive and insightful evaluation, thereby more accurately detecting potential errors and fraud. This research can also provide a framework for auditors to develop their critical thinking skills and make informed decisions during the audit process. A multifaceted approach can equip auditors with the tools necessary to navigate complex situations and maintain a sense of professional curiosity, resulting in greater job satisfaction.

Other implications of this study include reducing the risk of audit failure by developing a stronger skeptical approach. This study can contribute to reducing audit failure and strengthening public confidence in the audit profession. The findings of this study provide input for the development of training programs that equip future generations of auditors with the skills necessary to apply multifaceted skepticism effectively. This study can also contribute to refining existing audit methodologies to incorporate a more comprehensive and nuanced skeptical approach.

Public accounting firms can build stronger relationships with clients and increase trust in their services by demonstrating a commitment to high-quality audits through multifaceted skepticism. For stakeholders, a more skeptical approach to auditing will result in more reliable financial statements, which are critical to investors, creditors, and other stakeholders who rely on the information for decision-making. By strengthening audit quality, multifaceted skepticism can contribute to greater confidence in financial markets and promote stability in the investment environment.

Conclusion

Overall, research on multifaceted skepticism has the potential to significantly impact the auditing profession by promoting a more comprehensive and practical approach to skepticism. That, in turn, may improve audit quality, enhance public trust, and provide more reliable financial information to all stakeholders. In addition, this research contributes to the ongoing development of relational skepticism by exploring how cultural context and relationship-building influence the application of multifaceted skepticism in their work, particularly in Indonesia and other collectivistic cultures.

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