THE IMPACT OF AUDITOR CHARACTERISTICS ON PROFESSIONAL SKEPTICISM: THE CASE OF LEBANON

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When deciding to purchase an entity's stock or debt instruments, economic factors must have access to reliable information. Without reliable and up-to-date financial information, provided by the firm in the form of financial statements, these choices are unlikely to be successful. It is the responsibility of the auditor, as an independent party to the financial statements, to detect fraud on the financial statements; auditors are tasked with ensuring that the financial statements are true, fair, presented honestly in accordance with the actual situation of the company, and free from material misstatements caused by fraud or error in order to obtain reliable financial statements. The research implemented a quantitative methodology for data collection. The survey was based on the variables of this research and distributed using Google forms for data collection. The data were analyzed using the SPSS statistical tool to test hypotheses. The research covered the workforce engaged in accounting and auditing practices in Lebanese accounting firms. The population of the research includes around 1,000 employees. When setting the research constraints, which include a 95% confidence interval, a 5% margin of error, and a 50% population proportion, after making the desired calculations the approximate number of respondents that should be addressed through the means of a survey is 201 respondents.

These research findings suggest that male and female auditors share a high degree of ethical awareness, suggesting that auditors of all sexes should be cautious in their approach to every audit. Researchers found that female auditors were less likely than their male peers to do a compulsory joint audit that included an examination of partner and earnings management. Auditors tend to have an inflated sense of their own talents, and it's often held that female engagement partners are less certain than their male counterparts. Female auditors may be more skeptical in their work lives than their male counterparts because of their tendency toward overconfidence and risk-taking.

Keywords: auditor gender; education; experience; independence and professional skepticism

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Research Background

When deciding whether to purchase an entity's stock or debt instruments or not, economic agents must have access to reliable information. Without reliable and up-to-date financial information provided by the firm in the form of financial statements, these choices are unlikely to be successful. Thus, it is the responsibility of the auditor, as an independent party to the financial statements, to detect fraud on the financial statements; auditors are tasked with ensuring that the financial statements are true, fair, presented honestly in accordance with the actual situation of the company, and free from material misstatements caused by fraud or error in order to obtain reliable financial statements free of doubt for stakeholders in making decisions.

As there are evident disparities between male and female in the ways in which individuals solve issues, perform, and behave, it is possible that these factors also affect auditors' professional skepticism (Ratna & Anisykirlillah, 2020). Therefore, the purpose of this study is to fill the literature gap by conducting this study in a developing country named Lebanon.

The aim of this research is to examine the relationships among auditor characteristics (gender, educational level, experience, independence) and professional skepticism and its impact on fraud detection.

Research Problem

Since auditors are largely dependent on providing assurance about a firm’s reporting activities, the society has always trusted auditors to maintain their professional skepticism about identifying false reports. Therefore, it is vital to research the features of professional skepticism as a crucial role in enhancing fraud detection. Aside from the environmental factors of the audit scenario, individual traits may impact the amount of skepticism expressed.

Therefore, this research is carried out to fill the gap in audit literature by examining the relationships among auditor’s characteristics (gender, educational level, experience and independence) and professional skepticism and its impact on the auditors’ fraud detection through focusing on one of the developing countries, namely Lebanon.

Hypothesis development

The following subsections examine the influence of gender, education, auditor experience, regardless of professional skepticism, and consider the impact of professional skepticism on fraud minimization.

Auditor gender and professional skepticism

Hassan (2019) conducted a study to determine whether gender influences the skepticism of a professional auditor or not. The findings of this research show that both male and female auditors have a high level of ethical awareness, which means they should approach every audit with a skeptical mindset.

According to Harber & Marx (2020), female auditors are less likely than their male counterparts to examine partners and earnings management as part of a mandated joint audit. Matlala & Uwizeyimana (2020), provide research suggesting that auditors are overconfident
in their abilities; in addition, female engagement partners are seen to be less confident than their male counterparts (Puspitasari et al., 2021).

Overconfidence and a willingness to take risks suggest that female auditors will have a higher level of professional skepticism than their male counterparts. Compared to their male colleagues, female auditors have been shown to be more ethical and less prone to engage in professional skepticism.

Kartika et al. (2021) found that male French statutory auditors engage in behavior that harms their professional image, whereas female statutory auditors primarily engage in professional skepticism-related misconduct. In analysis of disciplinary violations by French statutory auditors men are more accurate in less complicated audit tasks, but women are more accurate in the more complex audit tasks, according to a study by (Stevens et al., 2019) on professional skepticism. Male and female auditors are found to be more efficient in a variety of tasks when compared to each other, according the study that examines the impact of the complexity of analytical partners and earnings management in mandatory joint audit setting procedures on their efficiency. Referring to the above literature, the following hypothesis can be validated:

*H1: There is a direct relationship between audit gender and professional skepticism.*

**Auditor educational level and professional skepticism**

For at least three reasons, it is critical to study the impact of accounting education on auditors' professional skepticism and judgments. The first is that research on the impact of education and training on professional skepticism is limited (Lamba et al., 2020). For auditors with a low level of skepticism, this research offers actual data and helps fill in the gaps in the literature. Our findings show that the more formal education a person has, the more skeptical they are likely to be. For the second half of our study, we found that participants with higher levels of education, and hence more trait skepticism, are more likely to exercise audit judgment correctly independent of their past experience with the client, which reduces audit failure chances. Our findings show that individuals with less skepticism about clients were more influenced than those with more skepticism. Individuals with greater degrees of trait skepticism are more resilient in the face of past audit exposure.

Conclusions from this study support Puspitasari et al. (2021) findings about the distinct phases of trait and situational skepticism that impact the participants' audit judgments. For standards makers and practitioners, our findings shed light on the role of accounting education in raising auditors' suspicion. CPA companies may choose to hire professional program graduates with greater degrees of professional skepticism as junior auditors in order to save money on training to strengthen their skepticism and audit judgments. A unique research environment means that the continuous accounting education program should be preserved and applied in comparable growing economies, such as those of the ASEAN area. Referring to the above studies, the following hypothesis can be validated:

*H2: There is a positive direct relationship between auditor education and professional skepticism.*

**Auditors’ experience and professional skepticism**

Auditor expertise is necessary to back up the attitudes that auditors should have when confronting difficulties that they find while performing their job. The rise of auditor failure
and auditor incompetence situations in dealing with difficulties while practicing their profession necessitates the acquisition of auditor experience. Fraud identification and fraud symptoms are two areas where auditor failure and incompetence often occur.

According to Kusumawati & Syamsuddin (2018), one of the causes of auditors' inability to identify fraud is a low degree of professional skepticism among auditors throughout 11 periods.

Due to the lack of skepticism, many auditors are involved in widespread cases of fraud. This may affect public opinion about the ability of auditors to detect fraud. The lack of fraud detection by auditors leads to a decrease in public confidence in the reputation of accountants. The auditor's assessment of fraud risk will be less severe if irrelevant material, called non-diagnostic evidence, is mixed with relevant information, such as diagnostic evidence or red flags. Inaccurate information due to evidence that is not rigorously assessed because auditors lack an attitude of professional skepticism.

Auditors who are more suspicious will be able to better evaluate the presence of fraud during audit preparation, which should eventually lead auditors to enhance their ability to identify fraud in the latter phases of the audit.

Ratna & Anisykurlillah (2020) conducted a replication research in which they examined the independence, audit experience and personality toward professional skepticism and auditor's expertise in fraud detection. Auditor's experience and professional ethics were included as variables by the researchers because they were seen as having the ability to explore elements that impact an auditor's progress in their professional skepticism as well as their knowledge of fraud signs and phenomena.

Considering the increasing number of instances involving Indonesian auditors, this study was based on research on auditors' experiences with fraud detection and the necessity for further research into fraud in Indonesia. Because Indonesian character and culture are more different than in other countries, the research on auditor's experience on fraud detection is an adaptation of a study performed outside of Indonesia that was changed and adapted to the Indonesian context. Referring to the above studies, the following hypothesis can be validated:

H3: There is a positive relationship between auditors' experience and professional skepticism

Auditors independence and professional skepticism

To be independent, according to Matlala & Uwizeyimana (2020), implies not being influenced by others, not being reliant on others, and being truthful when forming and expressing an opinion based on facts and the presence of objective factors. It is one of the most essential criteria for determining whether audit services are of high quality that public accountants be independent. One of the most crucial aspects of a great audit is the independence of the auditor.

According to Hassan (2019), if an auditor's independence is compromised, the resultant audit report will not accurately reflect the facts and so cannot be utilized as a foundation for decision-making. Having a more independent auditor will result in a better audit.

Professional skepticism, on the other hand, is difficult to define and quantify. According to Agustina et al., (2021b), 'the professional skepticism construct remains ill-defined, and metrics employed in research do not transfer well into practice,' and a more comprehensive conceptualization of professional skepticism is required to benefit
researchers. It is important to maintain auditor skepticism throughout the engagement in order to create high-quality audits that increase the trust of users in audited financial statements, according to professional standards.

As a result, the operation of capital markets is aided by this trust, which lowers the risk inherent in financial decisions (Razak et al., 2018). Skepticism is typically connected with the ability to suspend belief and ask probing questions in the face of overwhelming evidence or evidence to the contrary. In the context of a professional environment, skepticism is defined as needing thorough investigation and a high degree of care (Agustina et al., 2021a).

According to International Standards on Auditing, skepticism is defined as “an inquiring mind, awareness of situations that may suggest possible misstatement due to error or fraud, and a critical appraisal of audit evidence.” A skeptical approach to auditing may lessen the danger of missing exceptional conditions, forming conclusions based on audit observations that are too generalized, and utilizing incorrect assumptions in defining the kind of, when, or how much audit processes should be carried out or evaluated. The following hypothesis may be proven based on the findings of this study:

\[ H4: \text{A strong link exists between auditor independence and professional skepticism.} \]

**Data Collection and Sample Size**

The research implemented a quantitative methodology for data collection. The survey relied on the variables of this research and was distributed using Google forms for data collection. The data was analyzed using the SPSS statistical tool for hypothesis validation. The research covered the workforce engaged in accounting and auditing practices in Lebanese accounting firms. The population of the research includes around 1000 employee. Throughout setting the research constraints which include a confidence interval of 95%, a margin error of 5% and a population proportion of 50%, after making the desired calculations the approximate number of respondents that should be addressed through the means of a survey are 201 respondents.

**Demographic variables**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>125</td>
<td>61.7</td>
<td>61.7</td>
<td>61.7</td>
</tr>
<tr>
<td>Male</td>
<td>76</td>
<td>37.8</td>
<td>37.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

In this study, there were a total of 201 respondents who were included in the sample. 124 of these respondents were female, which is equal to 61.7% of the complete sample, and 76 of these respondents were male, which is comparable to 37.8% of the sample.
The sample addressed in this research consisted of 201 respondents, 21 respondents constituting of 10.4% falls in the age range of 15 years to 20 years old, 74 respondents constituting of 36.8% falls in the age range of 20 years old to 30 years old, and 63 respondents falling in the age range of 30 years to 40 years old constituting 31.3% of the sample addressed. In addition, 30 respondents constituting 14.9% fall in the age range of 40 years to 50 years old, 5 respondents constituting 2.5% fall in the range of age between 50 and 60 years old, and 8 respondents are of age above 60 years old.

### Table 2 – Age of population
(Source: author’s calculation)

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-20 year</td>
<td>21</td>
<td>10.4</td>
<td>10.4</td>
<td>10.4</td>
</tr>
<tr>
<td>20-30 year</td>
<td>74</td>
<td>36.8</td>
<td>36.8</td>
<td>47.3</td>
</tr>
<tr>
<td>30-40 year</td>
<td>63</td>
<td>31.3</td>
<td>31.3</td>
<td>78.6</td>
</tr>
<tr>
<td>40-50 year</td>
<td>30</td>
<td>14.9</td>
<td>14.9</td>
<td>93.5</td>
</tr>
<tr>
<td>50-60 year</td>
<td>5</td>
<td>2.5</td>
<td>2.5</td>
<td>96.0</td>
</tr>
<tr>
<td>Over 60</td>
<td>8</td>
<td>4.0</td>
<td>4.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The educational level distribution showed that 92 respondents constituting of 45.8% have a bachelor’s degree, 48 respondents constituting 23.9% have a master’s degree, 13 respondents constituting 6.5% have a PhD, and 48 respondents constituting 23.9% are undergraduates.

### Table 3 - Educational level of population
(Source: author’s calculation)

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>92</td>
<td>45.8</td>
<td>45.8</td>
<td>45.8</td>
</tr>
<tr>
<td>Master's degree</td>
<td>48</td>
<td>23.9</td>
<td>23.9</td>
<td>69.7</td>
</tr>
<tr>
<td>PHD</td>
<td>13</td>
<td>6.5</td>
<td>6.5</td>
<td>76.1</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>48</td>
<td>23.9</td>
<td>23.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
THE IMPACT OF AUDITOR CHARACTERISTICS ON

Reliability Analysis

Table 4 - Reliability Analysis
(Source: author’s calculation)

<table>
<thead>
<tr>
<th>Auditor Gender</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor Education</td>
<td>.752</td>
</tr>
<tr>
<td>Auditor Experience</td>
<td>.757</td>
</tr>
<tr>
<td>Auditor Independence</td>
<td>.739</td>
</tr>
<tr>
<td>Professional skepticism</td>
<td>.789</td>
</tr>
</tbody>
</table>

Cronbach's alpha for "Auditor Gender" was 0.717, for "Auditor Education" it was 0.752, for "Auditor Experience" it was 0.757, for "Auditor Independence" it was 0.739, and for "Professional skepticism" it was 0.789, as shown by the findings. If the Cronbach Alpha for a given variable is more than 0.7, then it may be considered statistically valid.

Regression Analysis

Table 5 - Regression Analysis
(Source: author’s calculation)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.653</td>
<td>.426</td>
<td>.411</td>
<td>.990</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Auditor Gender, Education, Experience, Independence, Professional Skepticism

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.387</td>
<td>.196</td>
<td>1.977</td>
</tr>
<tr>
<td></td>
<td>Gender</td>
<td>-.248</td>
<td>.070</td>
<td>.243</td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>-.132</td>
<td>.075</td>
<td>.134</td>
</tr>
<tr>
<td></td>
<td>Experience</td>
<td>-.079</td>
<td>.080</td>
<td>.276</td>
</tr>
<tr>
<td></td>
<td>Independence</td>
<td>-.081</td>
<td>.073</td>
<td>.283</td>
</tr>
</tbody>
</table>

| Model | | | | | |
|-------|-------|-------------------|----|-------|
|       | a. Dependent Variable: Professional Skepticism |

Gender, Education, Experience, and Independence are all addressed independent variables in the aforementioned model, and their combined R value of 0.653 indicates a 65.3% correlation with Professional Skepticism.

That is to say, the independent factors tend to affect Professional Skepticism by 65.3%, whereas the remaining 34.7% are not accounted for in the model. However, the model's R2 value of 42.6% indicates that only 42.6% of the variance in the dependent variable, here professional skepticism, is explained by the variation in the independent variables.
The preceding regression examines the connection between the dependent variable of professional skepticism and the independent variables of gender, education, experience, and independence. Each of the independent characteristics is associated with a higher propensity to professional skepticism, and the significance threshold for each of these factors is less than 0.05.

The null hypothesis, which claims that there is no relationship between the independent variable presented and the dependent variable, has been rejected since all the variables obtained a margin of error that was smaller than 0.05. In this case, we'll go with the alternative hypothesis, which claims that a link exists between the dependent variable and the independent variables. Thus, the following equation can be formulated

\[ Y = B_0 + B_{X1} + B_{X2} + B_{X3} + B_{X4} \]

Professional Skepticism = 0.387 - 0.248 Auditors Gender - 0.132 Auditors Education - 0.079 Auditors Experience - 0.081 Auditors Independence

This implies that:
- For every 1% increase in auditors’ gender, professional skepticism decreased by 24.8%.
- For every 1% increase in auditors’ education, professional skepticism decreased by 13.2%.
- For every 1% increase in auditors’ experience, professional skepticism decreased by 7.9%.
- For every 1% increase in auditors’ independence, professional skepticism decreased by 8.1%.

**Discussion of Findings**

**Auditor gender and professional skepticism**

This research finding suggests that male and female auditors share a high degree of ethical awareness, suggesting that auditors of all sexes should be cautious in their approach to every audit.

Researchers found that female auditors were less likely than their male peers to do a compulsory joint audit that included an examination of partner and earnings management. Auditors tend to have an inflated sense of their own talents, and it's often held that female engagement partners are less certain than their male counterparts. Female auditors may be more skeptical in their work lives than their male counterparts because of their tendency toward overconfidence and risk-taking.

The tasks of auditing professional skepticism are more difficult for men, but women do better. An analysis of the effect of analytical partner complexity and earnings management in mandated joint audit establishing processes on the productivity of male and female auditors reveals that each is superior at different jobs. When comparing audit quality, companies with a higher percentage of female auditors tend to do better. Referring to the above findings, the following hypothesis can be validated:

\[ H1: There is a direct relationship between audit gender and professional skepticism. \]
The Impact of Auditor Characteristics on Auditor Educational Level and Professional Skepticism

At least three factors highlight the importance of investigating how auditors' educational experiences shape their level of professional skepticism and the quality of their decisions. This study provides empirical evidence and helps fill in the gaps in the literature, making it useful for auditors with a moderate degree of skepticism.

According to our research, skepticism increases with level of education. According to our results, those who were more trusting in their customers were easier to persuade than those who were more skeptical. People who already have a high level of inherent skepticism may better bounce back from audit experiences. Our results provide insight on the function of accounting education in increasing auditors' skepticism, which is useful for both standard-setters and practitioners.

Companies in the accounting field may hire recent graduates of professional programs who have higher levels of professional skepticism to save money on training to improve their skepticism and audit judgment.

Given the unique nature of the research environment, it is critical that the current accounting education program be supported and used in countries that are developing in a similar way. Referring to the above studies, the following hypothesis can be validated:

\[ H2: \text{There is a positive direct relationship between auditor education and professional skepticism.} \]

Auditors' Experience and Professional Skepticism

The attitudes auditors should have while meeting problems in completing their jobs are useless without the skills of auditors to back them up. There is a growing need for auditors to get expertise due to the prevalence of auditor failure and ineptitude in handling challenging scenarios in the field. Many auditors are complicit in systemic fraud because they lack a healthy dose of suspicion.

This might affect how the general public views auditors' ability to detect fraud. As a consequence of auditors' failure to detect fraud, public accountants are losing credibility.

If non-diagnostic evidence, also known as "noise," is combined with diagnostic evidence, sometimes known as a "red flag," the auditor's risk assessment of fraud will be reduced.

False data because auditors lack a healthy dose of professional skepticism and fail to carefully evaluate all available evidence.

To be skeptical in the auditing profession is to have a watchful and wary attitude to one's work. That is why people think an auditor who raises red flags is better at spotting fraud. Due to the unsystematic nature of fraud detection, auditors are often required to devise novel approaches and collect supplemental data from a wide range of resources.

Referring to the above studies, the following hypothesis can be validated:

\[ H3: \text{There is a positive relationship between auditors' experience and professional skepticism} \]

Auditors' Independence and Professional Skepticism

A public accountant's independence is a crucial quality indicator for audit services. The auditor's ability to maintain objectivity is a key component of a successful audit. If an auditor's impartiality is in question, the resulting audit report cannot be relied upon as a reliable basis for making important business decisions.
A more objective auditor leads to a more reliable audit. A more all-encompassing conception of professional skepticism is needed to help researchers, since the construct of professional skepticism is still not well defined, and the measures used in research do not translate well to practice. To provide high-quality audits that boost consumers' faith in audited financial statements, it is critical for auditors to maintain their skepticism throughout the engagement.

Those auditors who lack professional skepticism or who are not really independent of their clients run the risk of not collecting enough or high-quality enough audit evidence on which to make their decisions. It is conceivable that accounting, fraud, or financial reporting errors might occur as a result of this limitation. The following hypothesis may be proven based on the findings of this study:

*H4: A strong link exists between auditor independence and professional skepticism*

**Future Research**

This research was conducted to examine the relationship between auditor characteristics and their professional skepticism and the auditor’s ability to detect fraud, and whether the professional skepticism of the auditor matters in this detection taking the Lebanese external auditors as the population for this research study. In this context, the significance of this research is divided into two parts, the first part is the research significance from the theoretical perspective, and the second part is the research significance from the practical perspective.

This study contributed to the growing body of literature on auditor’s fraud detection ability through focusing on one of the developing countries, namely Lebanon.

This research will focus on the fraud detection and how it is affected by the professional skepticism that is related to the characteristics of the auditor. On the other side, this study was beneficial for accounting and audit scholars by using the results and evidence that will be conducted in this research. It will fill the gap stated in prior studies, whereas to the best of my knowledge, there are no research papers for examining the relationships among auditor’s characteristics (gender, educational level, experience, and independence) and professional skepticism and its impact on fraud detection in developing countries especially in Lebanon.

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