

Effect of Professional Skepticism Characteristics on Auditors' Fraud Detection Ability in the Context of Listed Firms in Sri Lanka

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Abstract

The study aims to examine the effect of professional skepticism on an auditor's ability to detect fraud. The importance of professional skepticism has drawn the attention of public and audit regulatory bodies such as the American Institute of Certified Public Accountants and the Public Company Accounting Oversight Board in recent years due to the rising incidence of fraud. Also raised questions about whether a lack of professional skepticism has a negative impact on auditors' fraud identification and, as a result, the accuracy of financial statements. The impact of professional skepticism on auditors' fraud detection was investigated in this study using Hurr's Professional Skepticism Model. Questioning the mind, search for knowledge, suspension of judgment, interpersonal understanding, self-confidence, and self-determination are the independent variables have used by the researcher under Hurr's Professional Skepticism model. A structured questionnaire was used to collect data. The target population of this research is the external auditors with CA Sri Lanka membership. The sample has determined by the convenience sampling method. Respondents in this study are 100 individual auditors who have obtained CA Sri Lanka membership. The results of regression analysis revealed that there is a significant effect of questioning mind, self-confidence, and self-determination on auditors' fraud detection capacity in the Sri Lankan context, but there was no significant effect of interpersonal awareness, search for information, and suspension of judgment on auditors' fraud detection ability in Sri Lankan context. Thus, the finding of this study indicated that auditors can improve their fraud detection ability by improving their questioning mind, self-confidence, and self-determination characteristics. Thus it can recommend to auditors to improve their professional skepticism characteristics and increase their fraud detection ability.

Keywords: Fraud detection, professional skepticism, questioning mind, self-confidence, self-determination