PROFESSIONAL SCEPTICISM OF AUDITORS: A CROSS-CULTURAL EXPERIMENT

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Abstract

Purpose - With the growth in multinational business operations and greater use of international sources of finance, there has been a global trend to increased uniformity in accounting and auditing standards. However, uniformity in auditing also requires uniformity in the application of those standards. This study examines whether there are differences in the application of auditing standards due to the influence of cultural differences influencing decision-making by auditors. This study examines the effect of culture, the risk of fraud and errors, and accountability on auditors’ professional scepticism, which is necessary to assess the risk of material misstatements due to fraud and error.

Design/methodology/approach - Using an experiment, data from a sample of auditors from Big 4 audit firms in Egypt and Australia were collected. The subjects evaluated the risk of fraud and error at the planning stage. The study is a 2 X 2 X 2 between-participants experimental design across two cultures with the following experimental manipulations: accountability (high or low) and the risk of fraud and error (high or low). The third factor is culture, where differences in culture resulted in a quasi-experimental design for this factor by selecting participants in Australia and Egypt.

Findings: The results provide evidence as to whether auditors from different cultural backgrounds react differently to audit evidence. The results show that there are significant differences between the two countries with respect to some audit decisions.

Originality/value – The paper makes an original contribution to the literature by providing evidence about whether auditor judgments, decisions and professional scepticism are consistent across cultures. The results indicate auditor judgments, decisions and professional scepticism differ between cultures. We recommend that international auditing standards should consider these differences.

Keywords professional scepticism, fraud and error risk, accountability and culture.