

Can we teach professional scepticism?

by Dr Margaret Healy, Dr Brid Murphy, Dr Claire O'Sullivan Rochford & Professor Ray Donnelly

A high level of professional scepticism (PS) is demanded of professional auditors. But can it be taught? And if so, by whom? The findings of a recent research study carried out by Dr Margaret Healy, Dr Brid Murphy, Dr Claire O'Sullivan Rochford and Professor Ray Donnelly report links between PS and critical thinking, suggesting how third-level educators can prepare students for the more focused on-the-job training provided by professional firms.

In recent years, public confidence in auditors has been eroded following high-profile failures in the audit process, nationally and internationally, and many stakeholders have highlighted concerns in relation to audit quality. Professional scepticism (PS) is an acknowledged cornerstone of the profession. Sitting alongside objectivity, integrity and independence, PS is an essential part of forming auditing judgements.

The International Accounting Education Standards Board (IAESB, 2019) has identified the development of PS as a key priority in responding to criticisms of the profession resulting from continued accounting scandals and asserts the application of PS helps maintain the standing of the profession. Preparing the next generation of auditors for professional practice also lies at the heart of the recommendations of the Brydon Report (2019), a UK review commissioned against a backdrop of a perceived widening of the audit expectations gap.

Brydon stresses that auditors need 'the right balance between scepticism and suspicion' and argues for focused and formal education and development to help achieve this.

PS may be described as both an inherent personal characteristic (trait scepticism) and as a temporary condition, influenced by situational factors (state scepticism). While trait scepticism dictates the fundamental approach to the collection and interpretation of evidence, state scepticism is situational, reflecting the specific context in which that

evidence is located. This in turn raises questions for educators as to whether PS is capable of 'being taught' (for example, based on context) or essentially remains an innate characteristic.

It has been argued that reflection is a tacit skill in auditing and a central element of professional judgement. Research has found that an ability to reflect is a driver of development in professional competence as well as being a key component of learning from experience. The International Federation of Accountants argue that reflection precedes the professional development of the auditing professional and the IAESB recently incorporated the ability to reflect as a core competence of an auditor in the exercise of PS and auditor judgement. Hence, researchers describe reflection as a type of cognitive processing and critical thinking, which in turn are important parts of PS.

In a study conducted in early 2021, a team of researchers from three third-level institutions investigate the extent to which the PS levels of two postgraduate accounting student cohorts are impacted by the completion of an audit module. One group of students was taught and assessed using a traditional lecture-based approach. A second group, experienced both traditional lectures as well as a video case study focused on behaviour and judgement, rather than technical auditing subject matter. Students' PS scores are measured using a validated scale before and after completion of the audit modules. In addition, students'

PS levels were compared with those of professional auditors in Ireland.

Key findings

Respondent profiles

Sixty students participate in the first survey (before the module begins) and fifty-three participate in the second survey (when the module is complete). The initial survey comprises 53% males and 47% female and this breakdown remains unchanged for the second survey. Fifty-six percent of respondents indicate that they have prior practical audit experience (for example, through internships and summer work). Thirty-nine useable matched pair observations (students who had completed both surveys) are obtained, of which 53% are female and 55% have prior practical audit experience.

Impact of audit module completion on PS scores

Findings indicate students' PS scores remain stable before and after completion of the audit module. This result is supported across both research sites. Thus, there is no evidence that completion of a third-level audit module enhances a student's level of PS and no evidence that an educational intervention designed to enhance a student's audit judgement influences a student's PS score. There are also no differences based on gender or on prior audit experience.

Thus, the search for an education intervention to improve students' levels of PS continues.

This remains a priority as finding ways of improving the PS levels of auditors will enable educators to better address the future training and development needs of audit professionals.

Comparison with professional auditors

The students' PS scores are also compared with the scores of a sample of 392 professional auditors, working across a range of firms on the island of Ireland, with various levels of experience. The professional auditors are classified into trainees, seniors, managers, signing directors and partners. The mean score for the students does not differ significantly from that of trainee auditors or senior auditors. Managers, Signing Directors and Partners each record higher PS scores than their more junior counterpart and also the students. So, while PS is difficult to alter in the short run, it does seem to be malleable and increase with practical audit experience and seniority.

The results of this research suggest that educational intervention does not enhance students' PS. PS shares common elements with reflection and critical thinking – skills which third-level education is demonstrated to help develop. In turn, these skills are dimensions of an individual's overall PS, improved upon and refined through the specific actions of audit practice. Thus, although no evidence is found that third-level education directly influences a student's level of PS it may enhance the foundations on which the PS is built, namely reflection and critical thinking. This is a matter that we propose to investigate further in future research.

Going forward

The findings indicate PS does not develop in any significant way during postgraduate auditing study but appears to develop much later in auditors' careers. This suggests the need for a deep immersion in more complex audit work as a key driver in PS development. While third-level educators cannot 'teach PS', they can enable active student engagement

with auditing, for example through role play and realistic case studies and scenarios which enrich students' appreciation of the auditing context, facilitating students in the development of transferable critical thinking skills. In turn, this allows the audit professionals of the future to engage actively with evidence that all too often is presented and examined in a predominantly technical, procedurally-driven manner.

A sceptical outlook is a valued and essential component of many professional contexts. Preparing the next generation of auditors is of critical social, professional and academic importance to the auditing community and all its stakeholders. Key stakeholders (professional bodies, employers and academics) each have fundamental, complementary roles in ensuring prospective accountants develop appropriate technical 'competence' and general 'capability' skills. The role of third-level education lies in providing the foundations of critical thinking and reflection on which professional practice can build auditors' PS, while the role of professional education and training focuses on the application of these elements to practice.

References:

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