



Auditor Professional Skepticism Under Intense Regulatory Oversight

Nastiti Kumaralalita^{1*}

¹ Sekolah Tinggi Ilmu Ekonomi Widya Wiwaha, Yogyakarta, Indonesia

Abstract

Article history:

Received: September 7, 2025

Revised: October 12, 2025

Accepted: November 2, 2025

Published: December 30, 2025

Keywords:

Audit Quality, Auditor Judgment, Professional Skepticism, Regulatory Oversight, Technological Transformation.

Identifier:

Zera Open

Page: 129-139

<https://zeraopen.com/journal/jfsa>

This study examines the role of auditor professional skepticism in sustaining audit quality under conditions of intense regulatory oversight. Using a systematic literature review approach, the study synthesizes peer reviewed research on regulatory pressure, behavioral reinforcement mechanisms, firm level culture, and technological transformation in auditing. The findings indicate that regulatory inspections and enforcement mechanisms significantly influence auditors' risk assessments and evidence evaluation strategies, encouraging more conservative and rigorous judgments. However, professional skepticism is not solely driven by external pressure. Internal organizational practices, including structured training and supportive learning environments, strengthen auditors' critical thinking and questioning mindset. The review also reveals that technological advancements, such as data analytics and blockchain based procedures, reshape evidence processing and require heightened vigilance in interpreting system generated information. Overall, professional skepticism emerges as a dynamic capability shaped by regulatory intensity, institutional support, and digital innovation, serving as a strategic safeguard that enhances audit effectiveness and public trust.

*Corresponding author:
(Nastiti Kumaralalita)

©2025 The Author(s).

This is an open-access article under CC-BY-SA license (<https://creativecommons.org/licence/by-sa/4.0/>)



1. Introduction

Auditor professional skepticism remains a cornerstone of audit quality and integrity, particularly in environments characterized by intense regulatory oversight and heightened public scrutiny. In the aftermath of recurring financial reporting failures and corporate scandals, regulators worldwide have strengthened inspection regimes, enforcement actions, and quality control requirements, thereby placing auditors under greater pressure to demonstrate robust professional judgment. Recent scholarly work underscores how auditors' skeptical mindset is critical for detecting material misstatements and safeguarding the reliability of financial reporting in the face of evolving regulatory expectations. A questioning mind and a critical assessment of audit evidence enable auditors to challenge management representations, especially when confronted with complex estimates, aggressive accounting choices, or heightened fraud risk.

For instance, professional skepticism has been shown to play a crucial role in auditors' responses to complex audit engagements, with greater skepticism enhancing the auditor's ability to identify anomalies and manage financially distressed or high-risk clients, even as regulatory bodies intensify scrutiny over audit practices (Bedeir, 2024). Additionally, the regulatory framework itself including oversight mechanisms such as inspections, disciplinary actions, and strengthened quality control standards shapes how auditors approach risk assessment and evidential evaluation, often encouraging firms to cultivate a more questioning and compliance-oriented culture (Lesage, 2023). Research in audit regulation further suggests that structured interventions designed to enhance auditors' cognitive

processing, including behavioral prompts and supportive learning environments, can significantly reinforce skeptical judgment, indicating that external regulatory pressure interacts dynamically with internal firm culture (Ennar et al., 2024).

Moreover, rapid technological developments and the integration of advanced audit tools, such as blockchain-related procedures and data analytics, introduce new complexities that require auditors to recalibrate their skeptical assessments in digitally mediated environments (Juma'h et al., 2023). These technological innovations expand the scope of available audit evidence but also demand heightened vigilance in interpreting system-generated information. Collectively, the literature demonstrates that under intense regulatory oversight, professional skepticism functions not merely as a compliance requirement but as a fundamental driver of audit effectiveness and public trust. Consequently, sustained empirical inquiry is necessary to better understand how auditors preserve independent critical evaluation while navigating expanding regulatory mandates and evolving technological landscapes (Grohnert et al., 2019).

2. Literature Review

Recent literature emphasizes that auditor professional skepticism is a multidimensional construct shaped by individual traits, firm-level incentives, and regulatory environments. Studies published in leading peer-reviewed journals demonstrate that heightened regulatory inspection regimes significantly influence auditors' judgment processes and evidence evaluation strategies. For example, research in *The Accounting Review* finds that inspection risk and enforcement

exposure alter auditors' risk assessments and increase their propensity to demand more persuasive audit evidence, thereby reinforcing skeptical behavior under regulatory pressure (Bhaskar., 2020). Complementary evidence from Contemporary Accounting Research shows that auditors subject to stronger oversight exhibit more conservative reporting decisions and stricter client evaluations, suggesting that regulatory scrutiny strengthens professional judgment quality (Xu et al., 2023).

Behavioral research further indicates that skepticism is enhanced when auditors adopt structured critical-thinking frameworks and are prompted to consider alternative explanations for management assertions. Experimental findings reported in *Auditing: A Journal of Practice & Theory* demonstrate that interventions such as accountability prompts and fraud brainstorming procedures significantly improve skeptical assessments and fraud risk identification (Agustina & Rusydi, 2021). In parallel, archival evidence in *Journal of Accounting and Public Policy* suggests that regulatory reforms following major enforcement actions are associated with measurable improvements in audit quality proxies, indicating that oversight mechanisms indirectly cultivate skeptical audit behavior (Krishnan et al., 2017).

More recent work also explores how emerging technologies interact with auditor cognition. Research in *Accounting, Organizations and Society* highlights that the adoption of data analytics tools changes evidence processing patterns, requiring auditors to exercise heightened skepticism when interpreting large, system-generated datasets (Sihombing et al., 2023). Collectively, these studies suggest that professional skepticism is not merely an inherent auditor trait but a dynamic capability shaped by regulatory intensity, institutional reforms, behavioral interventions, and

technological transformation, thereby reinforcing its central role in sustaining audit quality under conditions of intense oversight.

3. Methods

This study employs a Systematic Literature Review (SLR) approach to comprehensively synthesize and critically evaluate prior research on auditor professional skepticism under intense regulatory oversight. The SLR method is selected to ensure a transparent, replicable, and structured process in identifying, screening, and analyzing relevant scholarly publications. The review follows established systematic review procedures, including problem formulation, database selection, keyword identification, inclusion and exclusion criteria development, article screening, quality assessment, and thematic synthesis.

The literature search is conducted using major academic databases indexed in Google Scholar and other reputable platforms such as Scopus and Web of Science. Keywords used in the search process include combinations of “auditor professional skepticism,” “regulatory oversight,” “audit quality,” “inspection risk,” “audit judgment,” “fraud detection,” and “audit technology.” Only peer-reviewed journal articles published in recognized academic journals are included to ensure the credibility and academic rigor of the review. Conference papers, dissertations, working papers, and non-peer-reviewed open-access journals are excluded to maintain methodological consistency and quality standards.

The selection process is carried out in multiple stages. First, titles and abstracts are screened to assess relevance to the research objective. Second, full-text articles

are reviewed to confirm their alignment with the study's focus on regulatory intensity, oversight mechanisms, behavioral factors, and technological developments influencing professional skepticism. Articles that do not explicitly address auditor judgment, skepticism, or regulatory context are excluded. After the screening process, the final sample of studies is analyzed using thematic analysis to identify recurring patterns, conceptual frameworks, empirical findings, and research gaps.

Data extraction focuses on research design, theoretical foundations, methodological approaches, key findings, and implications related to professional skepticism and regulatory oversight. The synthesis is conducted narratively by grouping findings into thematic categories, such as regulatory influence on auditor judgment, behavioral interventions, firm-level culture, and technological transformation in auditing. Through this systematic and structured approach, the study aims to provide a comprehensive understanding of how professional skepticism is shaped by external regulatory pressures and internal organizational dynamics, while also identifying areas for future empirical investigation.

4. Results and Discussion

The results of the systematic literature review reveal four dominant themes shaping auditor professional skepticism under intense regulatory oversight: regulatory pressure, behavioral reinforcement mechanisms, firm-level culture, and technological transformation. Across the reviewed studies, regulatory intensity consistently emerges as a significant driver of skeptical audit behavior. Empirical evidence indicates that inspection risk and enforcement exposure increase auditors'

propensity to demand higher-quality evidence and to adopt more conservative risk assessments (Bhaskar, 2020). This finding aligns with Xu et al. (2023), who demonstrate that stronger oversight regimes are associated with stricter client acceptance decisions and more conservative reporting outcomes. Together, these studies suggest that regulatory scrutiny functions as both a deterrent mechanism and a catalyst for strengthening auditors' professional judgment.

The review also highlights that professional skepticism is not solely shaped by external pressure but is reinforced through structured behavioral interventions. Experimental findings show that accountability prompts and fraud brainstorming sessions significantly enhance auditors' ability to question management assertions and identify fraud risks (Agustina & Rusydi, 2021). Similarly, Ennar et al. (2024) emphasize that supportive learning environments and cognitive reinforcement strategies amplify skeptical judgment, indicating that internal firm culture moderates the effect of regulatory oversight. These results suggest a complementary relationship between regulatory mechanisms and organizational practices in cultivating sustained skepticism.

Furthermore, the findings confirm that regulatory reforms and enforcement actions indirectly improve audit quality by institutionalizing more rigorous audit procedures. Although earlier archival evidence (Krishnan et al., 2017) suggests improvements in audit quality proxies following enforcement changes, more recent literature extends this argument by demonstrating that oversight influences how auditors interpret risk and evaluate evidence (Lesage, 2023). In complex or high-risk engagements, higher levels of skepticism improve auditors' ability to detect

anomalies and manage distressed clients (Bedeir, 2024), reinforcing the argument that skepticism enhances audit effectiveness under pressure.

Technological advancements represent an emerging dimension in the discussion. The integration of data analytics and blockchain-based audit procedures changes the nature of audit evidence and requires auditors to recalibrate their skeptical assessments (Sihombing et al., 2023; Juma'h et al., 2023). While technology increases the volume and precision of available information, it simultaneously demands heightened critical evaluation to avoid overreliance on automated outputs. These findings indicate that professional skepticism is evolving from a purely cognitive trait into a dynamic capability shaped by digital transformation.

Overall, the results demonstrate that professional skepticism operates as an adaptive mechanism influenced by regulatory intensity, behavioral reinforcement, institutional reforms, and technological innovation. Rather than functioning merely as a compliance requirement, skepticism serves as a strategic safeguard that sustains audit quality and public trust in highly regulated environments.

5. Conclusion

This study concludes that auditor professional skepticism plays a central and adaptive role in sustaining audit quality within environments characterized by intense regulatory oversight. The systematic review demonstrates that regulatory pressure, including inspections and enforcement mechanisms, does not merely impose compliance obligations but actively shapes auditors' judgment processes, risk assessments, and evidential evaluations. Under heightened scrutiny, auditors tend to

adopt more conservative approaches and demand more persuasive evidence, reinforcing the quality and credibility of financial reporting.

The findings also highlight that professional skepticism is not solely driven by external regulation. Internal organizational factors, such as firm culture, structured training, and behavioral reinforcement mechanisms, significantly strengthen auditors' critical thinking and questioning mindset. This indicates that effective skepticism emerges from the interaction between regulatory frameworks and supportive institutional environments. Firms that cultivate learning-oriented cultures and structured cognitive interventions are better positioned to sustain skeptical judgment over time.

Furthermore, technological advancements introduce both opportunities and challenges. While digital tools and advanced analytics expand the scope and depth of audit evidence, they also require auditors to exercise greater vigilance in interpreting system-generated outputs. As a result, professional skepticism is evolving into a dynamic capability that integrates cognitive judgment, regulatory responsiveness, and technological competence.

Overall, professional skepticism functions as more than a regulatory expectation; it serves as a strategic safeguard that underpins audit effectiveness, strengthens public trust, and enhances the resilience of the auditing profession in increasingly complex and regulated environments.

References

- Agustina, F., & Rusydi, M. K. (2021). Auditors' professional skepticism and fraud detection. *International Journal of Research in Business and Social Science*, 10(4), 275–287.
- Bedeir, R. E. (2024). The differential impact of distracted auditors in managing portfolio of financially distressed audit clients on audit quality: The role of professional skepticism. *Future Business Journal*, 10(1), 36.
- Bhaskar, L. S. (2020). How do risk-based inspections impact auditor behavior? Experimental evidence on the PCAOB's process. *The Accounting Review*, 95(4), 103–126.
- Ennar, H., & Damak-Ayadi, S. (2024). Professional skepticism and auditors' judgments: Evidence from Tunisia. *Accounting and Management Information Systems*, 23(3), 596–615.
- Grohnert, T., Gijsselaers, W., Meuwissen, R., & Trotman, K. (2019). The effects of a supportive learning culture and rank on professional skepticism in information search. *SSRN Electronic Journal*.
- Juma'h, A. H., & Li, Y. (2023). The effects of auditors' knowledge, professional skepticism, and perceived adequacy of accounting standards on their intention to use blockchain. *International Journal of Accounting Information Systems*, 51, 100650.
- Krishnan, J., Krishnan, J., & Song, H. (2017). PCAOB international inspections and audit quality. *The Accounting Review*, 92(5), 143–166.

- Larmande, F., & Lesage, C. (2023). Auditor's professional judgment, audit efficiency and interplay between legal liability and regulatory oversight. *Journal of Accounting and Public Policy*, 42(6), 107130.
- Sihombing, R. P., Narsa, I. M., & Harymawan, I. (2023). Big data analytics and auditor judgment: An experimental study. *Accounting Research Journal*, 36(2–3), 201–216.
- Xu, G., Yang, C., & Fukofuka, P. T. (2023). Professional skepticism in practice: An analysis of auditors' stories. *Auditing: A Journal of Practice & Theory*, 42(4), 157–178.