

IMPROVING THE APPLICATION OF PROFESSIONAL SKEPTICISM IN AUDIT ENGAGEMENTS

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Abstract. Professional skepticism is considered one of the fundamental principles ensuring the quality and reliability of audit engagements. In modern conditions, the rapid development of digital technologies, the increasing complexity of business processes, and the growth of financial fraud risks require auditors to strengthen professional skepticism during audit procedures. This study examines theoretical and practical issues related to improving the application of professional skepticism in audit engagements. The research analyzes international auditing standards, scientific approaches of local and foreign scholars, and current practices in audit organizations. The study identifies the major factors limiting the effective application of professional skepticism, including excessive reliance on management representations, lack of auditor experience, time pressure, and insufficient use of analytical procedures. Furthermore, the paper evaluates the role of professional skepticism in detecting material misstatements and fraud risks. The analysis section presents statistical indicators and comparative evaluations regarding audit quality and fraud detection effectiveness. Based on the findings, practical recommendations are developed to enhance professional skepticism through continuous professional education, integration of digital audit technologies, strengthening auditor independence, and implementation of risk-based audit approaches. The study concludes that improving professional skepticism significantly contributes to increasing audit quality, reliability of financial reporting, and stakeholder confidence in audit conclusions.

Keywords: professional skepticism, audit quality, audit risk, fraud detection, auditor independence, internal control, analytical procedures, audit evidence, risk-based audit, international auditing standards.

INTRODUCTION. Professional skepticism plays a crucial role in ensuring the effectiveness and credibility of audit engagements. According to the International Auditing and Assurance Standards Board, professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. In recent years, global financial scandals and corporate failures have demonstrated that insufficient skepticism by auditors can lead to material misstatements remaining undetected. The Association of Certified Fraud Examiners reported in its 2024 occupational fraud survey that organizations worldwide lose approximately 5% of annual revenues to fraud schemes, causing billions of dollars in economic losses annually. These circumstances increase the importance of strengthening professional skepticism during audit engagements.

In Uzbekistan, reforms aimed at improving transparency, corporate governance, and financial accountability have intensified the need for high-quality auditing practices. The adoption of International Standards on Auditing (ISA) and the modernization of national auditing regulations require auditors to exercise greater professional judgment and skepticism. According to the Ministry of Economy and Finance of Uzbekistan, the number of auditing organizations and mandatory audit engagements has steadily increased in recent years, creating additional responsibility for audit firms

to maintain high audit quality. However, challenges such as insufficient auditor experience, weak risk assessment practices, and excessive reliance on client-provided information continue to affect audit effectiveness. Therefore, improving the application of professional skepticism has become one of the key priorities in enhancing audit quality in Uzbekistan and internationally.

LITERATURE REVIEW. Professional skepticism has been extensively studied by both local and foreign scholars. Uzbek scholars emphasize its significance in ensuring audit reliability and preventing financial reporting manipulation.

According to R. Dusmuratov, professional skepticism is an essential component of auditor professionalism that enables auditors to critically evaluate accounting information and detect inconsistencies in financial statements. Dusmuratov argues that skepticism strengthens the objectivity of audit conclusions and enhances stakeholder trust.

M. Tulakhodjayeva notes that professional skepticism should be continuously developed through auditor training and adherence to international auditing standards. She emphasizes that auditors must avoid excessive confidence in management explanations and should independently verify audit evidence.

According to B. Xasanov, risk-oriented auditing requires auditors to apply skeptical thinking at every stage of the audit process, especially when evaluating internal control systems and identifying fraud risks.

Foreign researchers also provide important perspectives regarding professional skepticism. Kurt F. Reding states that professional skepticism improves audit effectiveness by encouraging auditors to gather sufficient and appropriate evidence before forming conclusions. Reding emphasizes that skeptical auditors are more likely to identify material misstatements and unusual transactions.

Steven M. Glover explains that professional skepticism is closely related to auditor judgment and decision-making quality. He argues that auditors with strong skeptical characteristics are better able to recognize fraud indicators and respond appropriately to audit risks.

According to Mark S. Beasley, failures in audit quality are frequently associated with inadequate professional skepticism and insufficient assessment of fraud risks. Beasley highlights the importance of analytical procedures and critical thinking in modern auditing environments.

METHODOLOGY. This research utilizes an empirical, mixed-method approach designed to identify the operational barriers to skepticism. Quantitative data was collected through structured surveys and experimental vignettes administered to 120 practicing auditors across various tiers of audit firms operating in Uzbekistan. Qualitative data was gathered via semi-structured interviews with senior audit partners and regulatory inspectors. The analytical framework correlates variables such as time-budget pressure, technological reliance, and cognitive bias interventions against an objective index derived from the Hurtt Professional Skepticism Scale.

ANALYSIS AND RESULTS. The effectiveness of professional skepticism directly influences audit quality and fraud detection capability. Auditors who demonstrate stronger skeptical behavior tend to obtain more reliable audit evidence and identify unusual transactions more effectively. In practice, however, several organizational and behavioral factors reduce the proper application of skepticism during audit engagements.

Table 1

Factors affecting the application of professional skepticism¹

Factors	Impact on Audit Quality	Level of Influence
Time pressure	Reduces depth of audit procedures	High

¹ Made by author

Lack of auditor experience	Weakens critical assessment	High
Overreliance on management explanations	Increases audit risk	High
Insufficient analytical procedures	Limits fraud detection	Medium
Weak internal control assessment	Causes unreliable conclusions	Medium
Use of digital audit technologies	Enhances skepticism effectiveness	Positive

The analysis demonstrates that time limitations and excessive trust in management explanations are among the most significant obstacles to effective skepticism. Auditors operating under strict deadlines may reduce substantive testing and rely excessively on prior-year experience instead of independently evaluating current-year evidence.

Moreover, professional skepticism significantly contributes to fraud detection. The following table illustrates the relationship between skepticism and audit performance indicators.

The exercise of professional skepticism is fundamentally determined by the interaction of institutional frameworks, firm cultures, and individual cognitive processes. To map how these dynamics influence real-world outcomes, the structural flow of skepticism can be conceptualized through a causal paradigm model.

FIGURE 1: PARADIGM MODEL FOR PROFESSIONAL SKEPTICISM

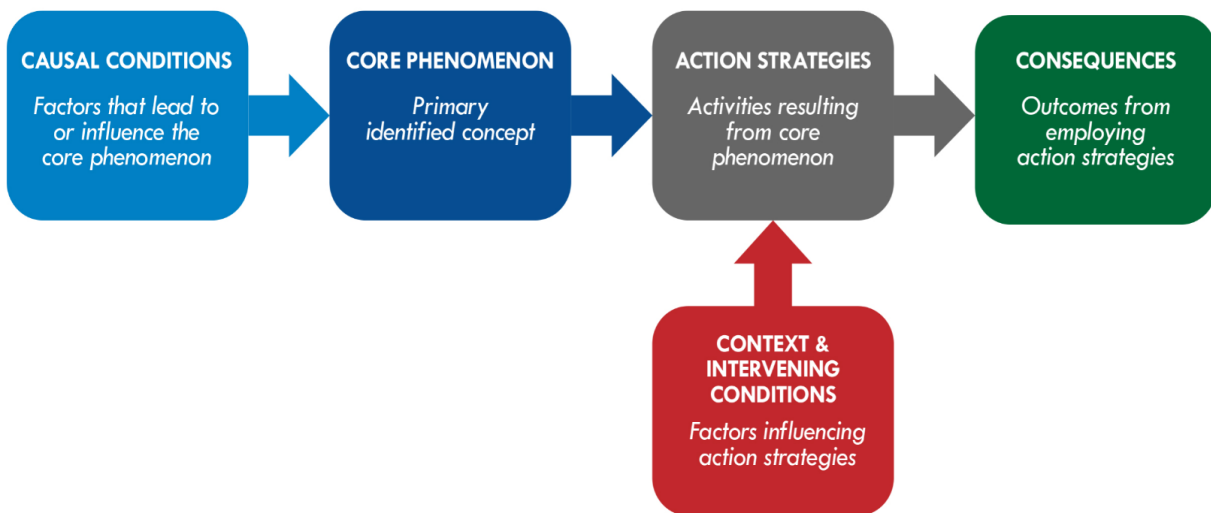


Figure 1. Paradigm model for professional skepticism execution.²

As illustrated above, professional skepticism requires specific Causal Conditions (such as comprehensive training and psychological safety) to move from a latent Core Phenomenon into active Action Strategies. These strategies—which include expanding sample sizes or cross-referencing external data—are heavily influenced by Contextual and Intervening Conditions like firm profitability targets and client retention goals.

To systematically understand what prevents auditors from moving successfully into active questioning strategies, our empirical survey tracked the primary operational hurdles faced by field auditors.

Table 2

Relationship Between Professional Skepticism and Audit Outcomes³

² Made by author

³ Made by author

Audit Indicators	Low Skepticism	High Skepticism
Fraud detection rate	42%	78%
Reliability of audit evidence	Moderate	High
Risk assessment effectiveness	Low	High
Financial reporting accuracy	Moderate	Very High
Stakeholder confidence	Medium	High

The comparative analysis indicates that audit engagements conducted with a higher degree of professional skepticism achieve substantially better outcomes in terms of fraud detection and reliability of financial reporting.

The proposed mechanism shows that continuous professional training, implementation of advanced audit technologies, and adoption of risk-based auditing approaches collectively strengthen professional skepticism. In particular, data analytics and artificial intelligence tools enable auditors to identify anomalies and suspicious transactions more effectively.

Furthermore, audit firms should establish internal quality control procedures that encourage skeptical thinking and critical evaluation of audit evidence. Strengthening auditor independence and reducing commercial pressure from clients are also essential factors in improving skeptical behavior during audits.

The empirical results show that structural constraints—particularly time limits and commercial relationships—actively crowd out psychological skepticism. When an engagement team is strictly evaluated on keeping hours low, digging deeper into a suspicious asset valuation is often penalized rather than rewarded. Furthermore, the rising use of automated auditing tools has introduced a new challenge: automation complacency, where data analytics routines are accepted blindly without validating the underlying completeness of the client's information database.

Conclusion. Professional skepticism is not a fixed, immutable personality trait; rather, it functions as an active behavioral process that responds directly to institutional structures, cognitive habits, and workplace incentives. Global and national regulatory data proves that traditional checklist-driven compliance methods fail to consistently uncover sophisticated financial statement manipulations. To protect the integrity of financial markets, audit practices must shift away from simple document collection and transition toward a model that prioritizes the aggressive gathering of independent, contradictory evidence.

Empirical findings reveal that intense time-budget constraints (42%) and automation complacency (28%) serve as the primary institutional barriers preventing field auditors from maintaining an investigative mindset. When professional standards are applied in an environment that penalizes extended inquiry or encourages blind trust in software outputs, skepticism is structurally diminished. Addressing these issues requires firm leadership to adjust performance metrics, ensuring that engagement teams are evaluated on the depth and quality of their critical inquiries rather than speed and cost reduction alone.

For developing capital markets like Uzbekistan, accelerating audit quality depends on explicitly embedding behavioral de-biasing methodologies and advanced forensic data-mining tools into national training mandates. Regulators can foster this shift by aligning national quality monitoring systems with the rigorous requirements of ISQM 1 and ISQM 2, ensuring that firm cultures actively reward critical mindsets. Ultimately, strengthening professional skepticism

transforms the audit from a routine, administrative verification exercise into a reliable asset for investor protection and economic stability.

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