

## Factors Affecting the Professional Skepticism of Auditors in Vietnam

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### **Abstract:**

*The objective of the study is to identify factors that affect the professional skepticism (PS) of auditors in Vietnamese auditing firms. Research using mixed research methods. Using PLS-SEM analysis technique to test hypotheses with support from software SPSS 23.0 and SmartPLS 3.2.8. The model with data from 318 practicing technicians shows that PS is directly affected by 07 factors belonging to 3 groups, including the group of auditor factors: auditor capacity, professional ethics, personal motivation; Group of factors of audit firms: influence of superiors, pressure of time; customer factor: relationship with customers; External factors: liability. The results show that 4 factors including auditor capacity, professional ethics, personal motivation, and superior influence have positive effects on PS.*

**Keywords:** Professional skepticism, audit quality, Vietnam.

### **1. Introduction**

One of the assurance services of the independent audit activity is to present independent expertise on the preparation and presentation of the financial statements. When forming an audit opinion, the auditor evaluates a lot of relevant facts and circumstances in order to make appropriate decisions. Therefore, PS covers all aspects of audit. The PS's core importance is reflected in the regular use of the term in national and international SAs, but also in the academic and research interest in this topic over the past decades. In general, these studies have focused on developing the PS concept. However, the need to have a deep understanding of the fundamental theories, the decisive factors affecting the auditor's PS to improve AQ also needs to be studied.

Though, the PS concept is fundamental to auditing. However, research in this area has not been conducted without a unified framework, a clear concept and a clear measurement method (Hurtt, 2010). Leading the research foundations and foundations for PS research in the recent decade are two influential articles by Nelson (2009) and Hurtt (2010), articles that are an important first step in direction. to overcome these shortcomings and develop a deeper understanding of the nature of PS in auditing.

Professional skepticism (PS) is an important concept in auditing and assurance services (Hurtt et al., 2013; Quadacker et al., 2014). SA asks the auditor to perform PS during the entire audit. If PS is not suitable during the audit planning stage, auditors tend to fully support client's financial statements and may be less sensitive to signs of fraud. PS can cause auditor to conflict with the client or perform additional audit procedures (Shaub and Lawrence, 1996). The concept of PS in the field of auditing is still debated (Hurtt et al., 2013), there are many concepts proposed by academic researchers (Nelson, 2009; Glover and Prawatt, 2014). However, the common point between the controversial concepts that all agree PS is the questioning attitude. This is consistent with the definitions given in international and Vietnamese SA.

Considering the Vietnamese context, the professional integration leading to Vietnamese SAs has been built and issued close to the world SAs. According to international SA number 200, PS is "attitude"; however, attitude is not defined by the SA. Therefore, it is difficult for the auditor to determine the appropriate PS in the audit. Because, research on PS in the world is still developing strongly. Furthermore, previous studies have mainly been done in developed countries and quite a few studies on this topic have been done in developing countries (Mardijuwono and Subianto, 2018). Therefore, studies on this topic in Vietnam are still quite modest. Moreover, the relationship between PS and AQ is established in the standards as well as in the research quite a lot but there are very few empirical studies on this issue in Vietnam (Phan Thanh Hai, 2019). Research on the nature and factors affecting PS in Vietnam is almost not mentioned in domestic studies (Phan Thanh Hai et al.,

2018). The study of PS influencing factors in the Vietnamese context is conducted by (Phan Thanh Hai et al., 2018). However, the study has not comprehensively considered the factors that influence and how to measure PS multidimensional. In the current context, quality is a vital issue for businesses, especially for service sectors such as independent audit. Therefore, raising AQ is a core issue for auditing firms in Vietnam. Therefore, the research objective is to improve the PS of the auditors and improve the AQ of the Vietnamese auditing firms to improve international integration.

## **2. Literature review**

### ***2.1. Attitudes about professional skepticism***

PS is an inconsistent concept and it is difficult to measure, depending on the perspective of approach, there are different concepts about PS. A number of publications have introduced the concept of PS as fraud detection capacity (Carcello and Neal, 2000; Choo and Tan, 2000), distrust (as opposed to trust) (Shaub, 1996), subjective bias in professional judgment (McMillan and White, 1993), is equivalent to independence (Nolder and Kadous, 2014).

According to Nelson (2009), Quadackers et al (2014) have two dominant views and are the basis for most PS publications: neutral opinion and presumptive doubt. . Recent publications are based on these two points of view to see and measure PS.

The view is quite skeptical

This view is clearly shown through Nelson (2009). The article provides a model describing how the evidence combines with the auditor's knowledge, characteristics and motivation to make judgments. Next, the model describing how auditors make judgments reflect the level of professional skepticism, judgment of auditors combined with the knowledge, characteristics and motivations of auditors to create actions based on skepticism is intended to reflect a high or low level of professional skepticism.

The view is quite skeptical assuming the auditor shows the attitude that there is a level of dishonesty or deviation in the database that is confirmed by the manager for the integrity of the financial statements unless there is appropriate evidence to show the opposite. (Bell et al., 2005). This view is consistent with survey accounting (POB, 2000). From this point of view, auditors will focus more on evidence regarding detected flaws than other issues, such as changes in business sector (McMillan and White, 1993, Smith and Kida, 1991).

Therefore, according to Quadackers et al (2014), PS under the rather doubtful point of view is measured through the inversion of the Rotter's scale (Rotter, 1967). Since the Rotter scale (1967) evaluates the confidence level, using an inverse rating will reflect the PS. This scale reflects the correlation between the KTV's personality and PS personality. Neutral viewpoint

This viewpoint is clearly shown through Hurtt (2010). The article argues that PS is a multidimensional personal trait. As an individual trait, PS can be a relatively stable, persistent individual trait and also a temporary state induced by the event. Hurtt (2010) developed a scale to measure the individual's stability of PS rooted in auditing, psychological, philosophical, and operational standards.

Because. The model describes the characteristics of the auditor's PS and the events that affect the auditor that creates the state of the auditor.

Neutral viewpoint refers to auditor's point of view, which is assumed to show an unbiased attitude towards the database stated by the manager for the truthfulness of the financial statements (Nelson, 2009). The statements supporting this view such as Cushing (2000) claim that auditors try not to have prejudice in forming auditors' beliefs, specifically, there should be no bias in the direction of positive (trusting) or negative. (doubt). Nelson (2009) also agrees with the argument that this neutral stance is a view consistent with that of the standards-

issuing body. In this view, it is necessary to search and evaluate the evidence to evaluate the database stated by the manager. Means focus on the principle of "trust but need to be verified".

## PS levels

Previous publications show that auditors have more skepticism than individuals in other sectors (Harding and Trotman, 2015; Grenier, 2014) and reinforce empirical evidence supporting views on different levels of skepticism. . The term lack of PS attracts the attention of professional associations and regulators (Harding and Trotman, 2015; Hurtt et al., 2013; Trompeter et al, 2013; PCAOB, 2012; CAQ, 2010). Westermann et al (2014) refer to PS levels and other recent publications also explicitly refer to levels (Harding and Trotman, 2015; Glover and Prawitt, 2014).

Glover and Prawitt (2014) looked at levels of skepticism in continuity, as illustrated in Figure 1.2. The scholar argues that it is important to develop documentation to support the application of the concept of continuity within the degree of professional skepticism in practice. The authors mention a neutral stance reflecting the intention that the auditor does not admit anything (Glover and Prawitt, 2014; Westermann et al., 2014; Hurtt, 2010), is not a view without a negative. deviation and purely objective approach to evidence (Quadackers et al., 2014; Nelson, 2009).

Glover and Prawitt (2014) describe the continuous variation of evidence collection relative to levels of PS expression, illustrated in Figure 1.2. According to this description, the auditor is not able to have enough evidence which means that the PS level is not suitable (Beasley et al., 2001) and excessive trust in the customer (Glover and Prawitt, 2014). . Accordingly, auditors with moderate PS tend to change audit procedures when the level of risk is high (Carpenter and Reimers, 2013; Peytcheva, 2014). However, Peytcheva (2014) emphasizes that it should be noted that gathering sufficient evidence must go hand in hand with an assessment of the adequacy of evidence (Peytcheva, 2014).

## 2.2. Factors influencing professional skepticism

These topics are quite fragmented, and not systematic (Nelson, 2009). Therefore, the author inherits two statements of systematic synthesis on the topic of factors affecting previous auditors' PS. The author inherits these two publications because both are directly related to the topic and there is currently no other research of a synthesis. Furthermore, both of the aggregate publications are published in the A \* magazine in the audit field (as ranked by the Council of Australian Business School Principals (ABDC)) and more than 200 citations from the other publications.

Nelson's model (2009) classifies factors according to characteristics, knowledge and motivation. The next model of Hurtt et al (2013) was based on Nelson (2009) and expanded with four groups of factors, namely auditor characteristics, evidence characteristics, customer characteristics, and external influences. . Therefore, the author will briefly present two synthesis publications by Nelson (2009) and Hurtt et al (2013). Next, the author, inheritance and re-classification of the factors affecting PS according to the subjects that directly affect the auditor's PS including characteristics of auditors, auditing firms, customers and external factors.

### • Nelson (2009)

Recognizing the importance of PS's complex conceptual system in the auditing field, Nelson (2009) synthesized past interdisciplinary claims into a model of factors that influence PS levels. The model is illustrated in Figure 1, the Nelson model states that the auditor's knowledge, personal characteristics and dynamics interact with each other to affect the PS level reflected in the judgment and actions of the auditor. Nelson (2009) gives concepts for the components in the model of factors affecting PS as follows:

- Knowledge: Auditor's specific experience and knowledge have both positive and negative impacts on PS. Auditors with good knowledge are more likely to find mistakes. Knowledge of complex SAs also gives the auditor an advantage when talking with the customer about customer unit problems.
- Personal traits: Problem solving ability, ethical tendencies, and other characteristics such as confidence and skepticism are all related to PS in auditors' judgment and acting based on skepticism. Recent progression in psychometric metrics offers the potential to better understand the combination of characteristics, knowledge, and drivers that impact the PS level of an auditor.
- Motivation: Personal motivations affect PS in terms of the degree of direct or indirect influence on the individual and including financial and social factors. Individual motives can affect the range of PS.
- Auditor's judgment: Awareness limitations affect PS. These cognitive limitations can provide an opportunity to increase PS.
- Actions based on skepticism: The auditor's actions affect AQ and form the basis for the auditor to evaluate and form the audit opinion. Previously aggregated skepticism-based actions include audit planning and deviation correction.

This is because previous publications have focused on analyzing the relationship between knowledge, traits, motivations, judgment, and action based on skepticism. Although, the article does not consider comprehensively the influence of these factors in the overall relationship to reflect PS. Therefore, Nelson (2009), Hurtt et al (2013) all see the level of PS reflection through judgments of auditors and act on skepticism.

The focus in the Nelson (2009) model considers occupational skepticism reflected through judgment and action based on skepticism, which are two separate components that need to be considered separately first). According to the model, the appropriate behavior is the result of the auditor's judgment. However, not all skeptical judgment is necessarily translated into action.

Proof is an input to making judgment (link 2). Another important input is knowledge (link 3), personal characteristics (link 6) and experience (including training) (link 7). Characteristics are generally associated with enduring personal attributes, such as confidence, problem solving ability, ethical tendencies, and tendencies to doubt. In addition to the indirect influence of characteristics on judgment (through knowledge), characteristics also directly affect the judgment process (link 4). In addition, motivation is also an important factor in judgment (link 5).

Although, judgment that leads to action based on skepticism depends not only on judgment (link 1), but also on dependence on other motives (link 8), characteristics (link 9), and knowledge (link 10). Ultimately, the action can influence the scope or nature of the evidence gathered (link 11). It then transforms into a basis for applying the auditor's experience (link 12), which translates into evidence input (link 13) applicable to future judgments. Accordingly, the Nelson model has continuous repetition, at a higher level.

- Hurtt et al (2013)

Nelson (2009) provides the first quite complete analytical framework on the factors affecting PS. Although, Nelson (2009) has synthesized and analyzed related previous publications on PS. However, Hurtt et al (2013) extended the publication of Nelson (2009) and reclassified the groups of factors. First, based on the Nelson model (2009) to expand and reclassify the influencing factors into four groups of factors. Second, publication synthesis and analysis whose main objective is to support and guide the need to continue making future scholarly publications on PS. Finally, the publication provides a detailed summary sheet, discussing issues covered by previous articles and new suggestions for subsequent articles.

Hurt et al (2013) based on a previous review of Nelson (2009) but reclassified, expanded the factors and reviewed the articles by groups of factors affecting PS. The author classifies groups of factors according to the subject of impact to PS including: auditors, auditing firms, customers and external factors.

According to this model, the factors affecting PS are as follows:

- Auditors: mainly survey the role of auditor's capacity, professional ethics affecting PS level of auditors. About the auditor's capacity, the author synthesizes the auditor's experience, training and knowledge. PS is a personal characteristic, so the auditor's capacity has a major impact on PS.
- Auditing firm: considering the influence of the group of factors auditing firms on PS according to the review is quite small. The main factors include influencing bosses, accountability to professional skepticism.
- Customer: is the object that directly affects the auditor in the process of performing the audit. Previous articles explored the influence of the industry of the customer and the relationship between the auditor and the customer (pressure from the customer, sympathy about the customer) affecting the auditor's PS.
- External factors: mainly refers to legal responsibility, quality control to the auditor's PS.

Hurt et al (2013) recognized the above four groups of factors that affect the two main subjects: judgment based on skepticism and action based on skepticism. These two subjects are part of PS. In terms of approach and measurement PS will be discussed in section 2.2.1.3.

With the aim of studying the groups of factors affecting PS. Therefore, the author based on the classification of the ancestral groups of the model Hurt et al (2013). The author classifies previously published into four main groups of subject factors that affect PS, including auditor factors, auditing firms, customers, and external factors.

Auditor competence plays an important role when looking at PS, which is an underlying structure that is often expressed through personal experience. Basically, the capacity is demonstrated by preparing the auditor with the skills and knowledge to identify both qualitative and quantitative factors of the evidence collected during the audit process. This helps auditors increase the ability to identify and predict customers' errors and reasonably assess risks. In addition, extensive knowledge of SAs is essential when communicating professionally with customers about accounting treatment. In this sense, the auditor's competence is a fundamental condition for the performance of the PS level. About the auditor's capacity, the author synthesizes the auditor's experience, training, knowledge, and knowledge. Therefore, the auditor's capacity has a major impact on PS.

Experience allows the auditor to develop background knowledge and specialized knowledge, allowing the auditor to determine when additional evidence needs to be collected. According to Nelson (2009), PS is maintained if the auditor's experience provides knowledge about error frequency and zero error, and the results indicate a higher risk of bias. Experience is recognized through years of audit experience, industry-specific experience, experience in a certain role (reviewer) and other experience (fraud detection).

Knowledge is an indispensable element of the auditor, so it is often associated with the PS level. Griffith et al. (2012) suggested that knowledge is directly related to PS, mainly by assessing knowledge involved in gathering additional evidence. The publication claims that lack of knowledge as well as other aspects such as training and personal motivation lead to low PS levels, without gathering additional evidence.

The ability to specialize in specific industries has an impact on PS, more on work results of technicians than work experience (Moroney, 2007). The synthesis publication shows that the effects of specialization have positive effects on AQ (Low, 2004; Taylor, 2000). Specifically, specialization helps auditors find income manipulation behaviors (Krishnan, 2003), is more effective in understanding potential risks (Taylor, 2000) and assesses audit risks more accurately (Low, 2004). The results imply that the AQ is improved, because the auditor with specialized knowledge has a better PS (Sollfrey, 2019).



Contrary to the above results, not all results show that experience affects PS. Grenier (2017) suggested that technicians without specialization have a higher degree of skepticism. Shaub and Lawrence (1999), Payne and Ramsay (2005) found that the veteran auditors were less skeptical than the less experienced auditors. Furthermore, these findings are based on the risk assessment context during the incomplete audit planning phase, suggesting that perennial auditors often rely on low risk assessments despite the contrary evidence.

Through the above results, it implies that experience has an effect on PS. The discovery of specific experience increases the level of skepticism, showing that teaching and training students and auditors practical experience in fraud detection can increase the levels of skepticism. Recent articles about the auditor's capacity to influence PS: Castro (2013) claim that experience has no effect on PS; Grenier (2014) thinks that technicians with in-depth knowledge of the customer's business will have a high PS; Kim and Trotman (2014) conclude that the auditor responsible for the results will have a high degree of skepticism and the less experienced auditor has a higher PS than the more experienced auditor. Therefore, in general, long-term experience tends to be subjective in the audit. However, with deep knowledge about the business lines of customers, technicians have a higher level of skepticism. Therefore, the technical expertise of the auditor contributes significantly to the maintenance of PS.

Trained auditors may have an appropriate level of skepticism, although the skepticism of the auditor is unlikely to change. Conclusion of Peecher et al (2010) that if auditors are trained to change cognitive thinking processes or biases affect the PS level of auditors. Ciolek and Emerling (2019) claim that PS has increased with university training, but Liu (2018) is the opposite. In contrast, Wedemeyer (2010) argues that the apprenticeship model of professional judgment based on teaching previous experience to new auditors may be affected by problems such as lack of comparison between previous experience and current experience or the inability to adjust risk assessments as circumstances change.

Besides, instead of asking auditors to focus on acting based on skepticism, other publishers have considered training auditors to form many different ways of thinking to help auditors build skepticism. Trotman et al. (2005), Plumlee et al. (2012) experimented on two different trained technicians. The results show that auditors who receive both different training processes are able to compare and choose more accurately than auditors who are trained in different thinking or not trained. Some publications focus on training technicians to process information like experts. Carpenter et al (2013) found that auditors increased their perception of fraud risk after completing a course in investigative accounting. The effectiveness of the survey accounting training is still present seven months after the completion of the course and more importantly, the professional judgment ability of the auditor trained in investigative accounting is similar to that of a board. including experts with expertise in fraud and investigation accounting. In general, the publications support the possibility that the trained auditor will have a higher PS level.

The view that independence and PS is basically a matter of the ethics of the auditor (Falk et al., 1999; Jones, 1991). Ethics in auditing is to remember that it is the auditor's responsibility to serve the public's benefit. This is very important for auditors because this is a guideline for the auditor's behavior, because lack of objectivity can degrade AQ.

Nelson (2009) analyzes statements related to ethical stances of auditors and PS. Serkerka and Bagozzi (2007) propose a structural model of ethical stance, which explores what motivates individuals to manifest in the workplace. Hannah et al (2011) further modified the model Rest (1986) and extended the model of Serkerka and Bagozzi (2007). Though, the reviews of the link between the ethical stance and the PS are quite limited (Hannah et al., 2011). Besides, auditors have a clear ethical philosophy that means conservativeism (profit management) (Kung and Huang, 2013). This conclusion suggests a correlation between ethical orientation and PS level of auditors.

Previously stated that the moral development level is related to the auditor's sensitivity to the integrity of the customer (Ponemon, 1993), which leads to a more appropriate display of PS. Empirical evidence for the

independence of auditors (Sweeney and Roberts, 1997), profit management (Brandon et al., 2007), fraud detection (Bernardi (1994)). Therefore, auditors at a high level of ethical development can positively affect the auditor's PS.

Recently, articles have provided mixed results on the relationship between ethics and professional judgment of auditors. Kerler and Killough (2009) argue that there is no relationship between customer ethics and trust (PS). In addition, Bobek et al (2013) do not have a direct correlation between the ethical behavior of the auditor and the personal characteristics of PS. However, academics believe that when auditors perceive situations related to high moral conflicts, auditors are less likely to accept the controversial accounting treatments of customers, meaning that the auditors present current. The critical behavior is higher than in the case of few conflicts. This, can be seen as an indication of PS's personal status in ethical conflict situations. Contrary to earlier publication, Farag and Elias (2012) argue that there is a statistically significant relationship between student PS personality traits and ethical orientation.

There are few claims about superior influence on PS. Robertson (2010) said that the views of the supervisor have an influence on the level of professional skepticism of the auditor. Peecher (1996) argues that the superior's views affect the PS level in auditors' risk understanding and customer integrity. Turner (2001) concludes that reviewers' views influence the level of skepticism in the assessment and finding relevant evidence. Peecher (1996) and Turner (2001) argue that when a superior view recognizes the importance of the customer and the desired outcome of the customer can lead to misleading professional judgments and a decline in PS levels in KTV. On the contrary, a superior view that places the importance of serving the public good encourages the display of an appropriate PS level throughout the audit. Dennis and Johnstone (2014) when the superior opinion places more effectiveness in the audit and the auditor's responsibility to the public, will encourage the appropriate PS level in the context of fraud risk.

Many publications admit that the auditor's PS is affected by cultural differences. Therefore, more PS is required and PS is increasingly influenced by cultural values and spaces. Differences in cultural values help explain changes in response to ethical issues (Cohen et al., 1995), independence (Patel et al., 2002) and risk assessment (Hughes et al., 2009). However, there are some publications that do not specifically explore how cultural standards affect PS levels. In the audit context, the statements show that auditors are less willing to discuss conflicts with customers or interview financial statements questions and are more likely to face pressure from clients. when auditors come from different company cultures (Patel et al., 2002; Yamamura et al., 1996).

According to Nelson (2009), the issue of superiors' point of view is that accountability also has a certain impact on PS. Accountability to higher-ups with ambiguous views will cause conservatism, and affects the PS level in reasoning and processing information. Hoffman and Zimbelman (2012) stated that the effect of accountability is the result of the tendency to convert auditors' judgments based on what auditors expect to be able to answer when requested by their superiors. While the implications show that auditors tend to show PS level support the views of their superiors, Wilks (2002) finds this trend to be dominant because auditors with unintentional psychology, explain the equations. The testimony collected is consistent with the partner's point of view and this results in judgments that are more consistent with that of the partner. This selection is in accordance with the opinion of the supervisor, it can be explained that the auditor tries to improve their reputation by completing the job (Rich et al., 1997) and is consistent with the opinion of the boss (boss share, leader of the audit team). Because the auditor thinks that the owner is a longtime industry expert, it is the right decision based on their point of view (Kim and Harding, 2016). Brazel et al. (2016) argue that the superior influence has a negative impact on PS. Moreover, Harding and Trotman (2017) believe that the owner's opinion has an impact on the auditor's PS, but the pressure from the customer has a stronger impact.

Auditing firms operate in a highly competitive environment, creating competitive pressure, leading auditing firms to maintain customers, respond to requests from customers to retain customers to maintain economic benefits. and increase audit efficiency. Previous articles have suggested that customer pressure influences

auditors' judgment through a decrease in skepticism. Some other articles conclude that when the risk of losing customers, or customers is important, auditors are often more willing to accept customer explanations and options than to maintain appropriate PS (Blay, 2005 ; Nelson et al, 2002).

Disclosure of the effect of the relationship with the customer on the auditor's ability to maintain skepticism is quite small and inconsistent. Bamber and Iyer (2007) found that the auditor's familiarity with the customer has led the auditor to accept explanations from the customer, which can be seen as a sign of declining PS level. On the other hand, Kerler and Killough (2009) find that auditors are able to maintain an appropriate level of skepticism in the context of fraud risk assessment, regardless of past relationships with customers, confidence in loyalty. real and trustworthy of customers. This is in addition to the effect of the auditor's familiarity, commitment to competence and PS performance level in order to minimize the likelihood of failure to find.

The complexity of the customer's business field can affect the professionalization of the auditor, making the auditor overwhelmed with the volume of information, leading to a decrease in suspicion. Brewster (2012), Tucker et al (2003) argue that because of the complexity of the client's business, the increase in complex operations in the case of auditors doubting the ability of the public to operate continuously. This leads to the auditor having difficulty maintaining PS levels when faced with customer pressure. Furthermore, previous articles show the relationship between audit risk and PS. Earley et al (2012), Quadackers et al (2014) examined the effect of the control environment (variable representing customer risk) on PS and found that auditors had a higher degree of skepticism in Context has a high risk.

Several publications examine the effect of auditors' beliefs on managerial integrity on levels of skepticism (Earley et al., 2012; Robertson, 2010). This result may be due to PS's interaction with previous knowledge of customers, with auditors with low skepticism being more sensitive to previous knowledge of customers, less likely to identify fraud signs. (Popova, 2012).

Customer sympathy reflects the auditors' consistent understanding of the customer unit (Herda and Lavelle, 2015). Customer affinity is characterized by a link between the auditor and the customer, often based on shared experiences, shared interests, or other emotional factors. Previous articles have examined the role of customer sympathy in the relationships between auditors and customers. Essentially, all previous publications have found negative effects of customer affinity. Stefaniak et al. (2012) found that higher customer affinity is related to the ease with which deficiencies in the customer risk assessment are overlooked. Herda and Lavelle (2015) found that customer sympathy negatively affects the objectivity of auditors. Therefore, customer identity tends to reduce the auditor's PS. In addition, Liburd et al. (2013) claimed that auditor's PS was affected by customer forecasts in the post-SOX period. Favere-Marchesi and Emby (2017) show that when the customer manager is the former auditor at the company or has experience in the audit field, the auditor often shows a lower PS.

Indirect disclosure related to auditor's responsibility with regulators has two forms. Publicity views responsibility as a way to encourage and motivate auditors to show more level of skepticism (Earley et al., 2012). In addition, the statements considering the level of desire to comply with the SAs made by the regulator may affect the auditor's performance and, therefore, have an indirect effect on the auditor's PS (Piercey , 2011; Hammersley et al., 2010). Piercey (2011) argued that the archival of the proofs required by the SA, inadvertently motivated the auditor to increase the presentation of more conservative judgments, leading to a lower assessment of audit risk in the proofs. However, Hammersley et al. (2010) find that having documented evidence of fraud risk identified during the audit planning phase increases the likelihood of fraud risk assessment and the required level of evidence. . Moroney et al (2019) showed that when there is external quality control there is an impact on PS and the assignment of technicians in accordance with the customer sector.

Publications on PS began in the 1990s, with many publications giving definitions of PS. The views on PS are not consistent, so so far there is no general definition of PS. There are two prominent and dominant views in PS publications as follows:



- With representative Nelson (2009) approaching PS, it is a rather skeptical attitude about customer unit database, unless there is negative evidence (Quadackers et al., 2014).
- With representative as Hurtt (2010), PS is a neutral (objective) attitude about the customer unit's database.

Publications in the period before 2010, focusing on considering the relationship between factors of auditors, auditing firms to the ability to collect evidence of auditors, and consider this as a representative variable for PS. The statement recognizing the ability to detect errors, increase the ability to collect evidence, the ability to assess risk is considered a representative variable for PS.

Announced in a recent period, academic scholars have chosen the tendency to be more of Hurtt's neutral position with the choice of the Hurtt scale (2010). Because the Hurtt scale (2010) is a development scale for a KTV object and is consistent with the current international definition of PS in SA (Robinson et al., 2018).

With the fixation from the two publications mentioned above, the publications in the period from 2010 up to now have used the scale developed by Hurtt (2010) as a representative variable for PS and re-test the relationships. In terms of professional associations, professional associations around the world have used two integrated models in updating programs.

The main method of research is the empirical research with the analysis technique mainly ANOVA and linear regression based on the sample of auditors and students specializing in audit. The authors used questionnaires to evaluate PS levels.

In general, the results of foreign authors on factors affecting PS by subject include: group of factors belonging to auditors, groups of factors belonging to auditing firms, groups of factors of customers, groups of factors outside.

With the above results, recent publications have focused on PS measurement problems affected by events (Robinson et al., 2013). However, declaring the status of PS depends on contextual factors, auditors' emotions, the context of each country and is the main research direction in the future (Hurtt et al., 2013). In addition, recent publications have focused on understanding the situational variables that affect the personal state of PS (Robinson et al., 2018).

However, the publications are concentrated in the developed countries and quite a few of the publications belong to the developing countries. Specifically, there is no comprehensive publication on the factors affecting PS in developing countries.

In Vietnam, domestic publications have not focused on PS theme, very few publications on PS. However, the publications agree with PS's importance in fraud detection, leading to an increase in AQ. There is only one publication on this issue but not comprehensive. PS is only a unidirectional scale and the impact factors are incomplete.

### **3. Research method**

PPNC used is the mixed method. Research process is carried out sequentially: (1) qualitative research and (2) quantitative research.

#### **(1) Qualitative research**

The preliminary research process is done by the method of in-depth interviews with 8 experts in the field of independent audit. From the initial draft scale through in-depth interviews with experts will help form a scale to conduct preliminary quantitative research.

#### **(2) Quantitative research**

With the scale adjusted in qualitative research, the scales are preliminarily assessed through consideration of Cronbach's alpha reliability coefficient and EFA discovery factor analysis to assess the reliability of the scale through SPSS software.

Next, the model is tested through measurement model and structure model. Specifically, evaluate the measurement model through internal consistency, convergence and discriminant validity. From there, set up the adjusted measurement model and analyze the structure model. Through multi-collinearity assessment, conformity verification, impact coefficient, prediction and influence for the model, were performed on SmartPLS software.

#### Confidence coefficient Cronbach Alpha

Accordingly, through the order of checking the reliability of the scales, we can remove some measurement variables with low total variable correlation ( $<0.3$ ), Cronbach's alpha coefficients for each variable  $> 0.6$  will be approved for reliability (Nunnally and Bernstein, 1994).

#### Exploratory Factor Analysis (EFA)

Analysis was performed according to the Principal components Method and varimax rotation to determine the convergence value and the discriminant value of the scale. Variables with lower factor load coefficients ( $<0.5$ ) are removed, cross-loadings exist (variable load on multiple factors), this cross-load factor must be greater than 0.3. Other parameters include large KMO coefficient (between 0.5 and 1), the total variance extracted is greater than 50%, eigenvalue  $> 1$  shows that the EFA analysis is appropriate, the Bartlett test is significant.  $<0.05$  means that the variables are correlated with each other (Nguyen Dinh Tho, 2014). All metrics that pass this analysis will be used for the official research survey.

### 4. Result

After promulgating the law on independent audit in 2011, the legal system in the audit field is increasingly complete. The Ministry of Finance has also issued a system and adjusted the system of Vietnamese auditing standards and related regulations. Specifically, amending the audit service business conditions for enterprises for units with public interests.

The Ministry of Finance regularly updates and publicizes on the website about enterprise information so that individuals can look up the list of enterprises eligible to operate services, suspend service business and enterprises are audited for the unit. have the public interest.

Activities to update knowledge for auditors are held annually with diverse and specialized topics. QC activities are carried out in accordance with regulations. The State Securities Commission is responsible for the QC of the audit service for the units with the public interest. Department of management, accounting supervision, auditing is responsible for the remaining businesses.

As of mid-2018, there were 185 auditing firms granted certificates of eligibility to provide audit services. Including 02 companies with 100% foreign capital (PwC, KPMG); 09 companies with foreign investment, including 6 companies whose capital contributors are organizations and 01 partnership company. The headquarters of businesses are stretched from the North to the South, accounting for the majority of Hanoi (96 enterprises), Ho Chi Minh City. Ho Chi Minh City (81 enterprises).

With the number of 2037 practicing auditors approved by the Ministry of Finance in 2018. In addition to domestic professional organizations, international professional organizations have also been present in Vietnam since 1995 such as the Association of Accountants. Notarized UK (ACCA), Association of Certified Public Accountants Australia (CPA Australia) and other international organizations such as ICAEW, IIA, ... With 427 individuals having accredited international audit certificates (ACCA, CPA Australia, ICAEW ...). This shows that international professional organizations have helped to strengthen highly skilled human resources for

enterprises, thereby contributing to improving AQ in Vietnam. However, with a few cases, auditors are suspended from the audit approval status, which also affects the industry's reputation.

For KH variable: When removing KH2 from the measurement for the concept of KH, Cronbach's Alpha coefficient changes from 0.674 to 0.650, the overall reliability changes from 0.776 to 0.806, the KH's AVE index changes from 0.478 to 0.583. Therefore, the author found that the internal stability of the KH scale did not change significantly and the AVE index was satisfactory. Therefore, the author will remove KH2 from the scale of the relationship with the customer.

The results show that the square root of AVE at least 0.718 is greater than the correlation coefficients of the relationships between the concepts.

Table 1 The results of the Fornell-Larcker index for the adjusted measurement model

	AL	CL	CT	DD	DL	HN1	HN2	HN3	KH	KS	NL
AL	0.751										
CL	-0.230	0.719									
CT	-0.144	0.325	0.763								
DD	-0.131	0.357	0.197	0.739							
DL	-0.149	0.326	0.078	0.142	0.754						
HN1	-0.187	0.258	0.218	0.279	0.225	0.777					
HN2	-0.125	0.248	0.332	0.211	0.258	0.315	0.726				
HN3	0.015	0.158	0.225	0.281	0.282	0.257	0.297	0.720			
KH	-0.181	-0.120	0.038	-0.083	-0.126	-0.064	-0.030	-0.051	0.763		
KS	-0.142	0.332	0.336	0.029	0.130	0.211	0.170	0.041	-0.095	0.775	
NL	0.008	0.272	0.101	0.065	0.156	0.138	0.291	0.115	0.054	0.075	0.718

Table 2: Results of the HTMT for the adjusted measurement model

	AL	CL	CT	DD	DL	HN1	HN2	HN3	KH	KS
AL										
CL	0.334									
CT	0.191	0.468								
DD	0.177	0.465	0.271							
DL	0.223	0.470	0.132	0.180						
HN1	0.283	0.381	0.319	0.370	0.319					
HN2	0.169	0.320	0.442	0.266	0.340	0.435				
HN3	0.105	0.229	0.325	0.380	0.397	0.375	0.395			
KH	0.344	0.197	0.102	0.177	0.193	0.146	0.140	0.129		
KS	0.174	0.486	0.491	0.124	0.179	0.303	0.222	0.117	0.181	
NL	0.092	0.381	0.152	0.126	0.253	0.206	0.383	0.186	0.148	0.183

Through scale adjustment and discovering new factors to perfect the model. From there, the author conducted preliminary quantification to test the scale and concept. Finally, formal quantitative research aims to analyze the metrological and structural model. The results of this step include testing the measurement model by evaluating the reliability, convergence and discriminant validity. Modeling results as well as hypotheses mentioned through the path segmentation technique under the SmartPLS software support. The scale test results show that all scales are consistent with market data, convergence values, discriminant values and reliability of the scale. The results of testing the suitability of data and hypotheses through structural model show the influence of factors on PS

## 5. Conclusion

For the surveyed object of the topic is the auditor and the service provider for the customer is the audit firm, it is necessary to consider some of the following implications from the results with market data.

Firstly, recruitment policy can affect PS through assessment of knowledge, personal characteristics. Auditing firms can assess the level of skepticism through PS components based on the Hurtt scale (2010), Robinson et al (2018). In addition, auditing firms should emphasize the importance of evaluating PS in the recruitment process in order to select candidates with a degree of skepticism in accordance with their policies. Auditing firms need to sign labor contracts as prescribed to avoid fraud in practice registration, and at the same time comply with the regime for employees to help auditors stay with the company for a long time.

□ Second, Auditor competencies need to be maintained and updated through the company's internal training courses. Therefore, training policy affects PS through knowledge, skills of auditors and personal motivation (self-affirmation). The results of the training courses can be reflected in the course responses, the degree of self-explanatory problems raised in the course (Bonner and Walker, 1994; Earley, 2001). Previous publications have shown that PS can be maintained through training by enhancing training that highlights between fraud and non-fraud (Nelson, 1993; Nelson et al., 1995). Besides, soft skills are also essential in the current context. Therefore, negotiation techniques are very necessary for auditors. Because if auditors can persuade customers to change financial statements information with the cooperation and continue service contracts, instead of letting customers admit mistakes leading to deadlock and loss of customers. Therefore, with good negotiation technique, it will help auditors maintain PS. This assertion is supported by the pre-publicity of the way auditors need to play a role in the customer position before negotiating (Trotman et al., 2005), how to help customers recognize concessions in the trade. quality (Sanchez et al., 2007). Therefore, enterprises need to focus on training to improve the quality of employees, have timely supervision, raise the sense of ethical compliance of the technicians, and encourage individuals to study international career certificates. Specifically, auditing firms need to support auditors in improving their professional capacity, working paperwork skills, giving audit opinions in compliance with SA's requirements.

Third, the statements show that by asking the auditor a constant level of skepticism may not lead to a high chance of detecting fraud. However, technicians with practical experience in cheating can detect cheating with PS in moderation (Carpenter et al., 2002; Helen et al., 2005). In addition, previously disclosed about the auditor's experience and knowledge shown in the audit planning and risk assessment, the auditor may still be neglected in risk detection. During the working time of auditors, fraud detection opportunities are infrequent (Rose et al., 2012). Therefore, the auditor needs to demonstrate that PS can detect risks during the audit. Therefore, PS, apart from being emphasized in SA, can take other forms such as critical thinking. Critical thinking is an important element of the individual activity of analyzing and evaluating the substance of an issue under consideration in order to understand content from a rigorous assessment process (Natale and Ricci, 2006).

□ Fourth, the Performance Assessment Policy can influence PS through personal motivation. This policy setting should ensure that the Auditor / Auditor understands that the PS maintenance is emphasized and takes an important part in the performance evaluation. Another important factor in personal motivation is job advancement. In particular, the assessment of work results is decisive to the advancement of the auditor. Therefore, the design and how to evaluate work efficiency is very important in promoting and maintaining PS of auditors. Therefore, the auditor's performance evaluation policy should emphasize the importance of PS, in cases of conflict with the customer, the higher PS should be emphasized.

□ Fifth, the review and review work is carried out throughout the audit process to maintain PS (Rich et al., 1997). Therefore, reviewers themselves also need to improve the necessary knowledge and skills to fully perform the role of reviewers to ensure audit quality. Besides, reviewers also play an important role in assessing the performance of auditors, so it is necessary to consider personal motivation for the assessors themselves. Therefore, for the purpose of maintaining the auditor's PS, it is necessary to establish to help the assessor understand that assessing the appropriate level of skepticism should be given priority in the review process.



Previous publications also agree that auditors 'understanding of reviewers' priorities will have a priority in finding relevant evidence (Turner, 2001), audit records and parameter weights. information to collect (Peecher, 1996). On the other hand, the auditor's audit performance is reviewed by individuals who do not know the priority, the way of review, the auditor tends to present more appropriate and complete audit records (Johnson and Kaplan, 1991; Koonce et al., 1995). Therefore, auditing firms can apply a rotation policy of reviewers to regular audit groups to maintain PS.

Sixth, Auditor's decision-making support tools through audit software programs, analytical tools depending on the client's business area will help maintain a consistent PS. This is to minimize audit priorities and avoid potential risks. For example, checklists check fraud signals through ratio analysis to ensure that auditors do not miss possible risks. Audit documentation requirements can play a role in facilitating the auditor's decision-making through the auditor's need to fulfill the required requirements of the audit documentation and evaluate reasonable and inappropriate representations. from customers (Anderson and Koonce, 1998). In the context of applying popular technology, decision-making tools using high-tech elements help auditors have a deeper understanding of the current situation of customers and the risks arising from deep understanding of data. . Specifically, auditors can use fraud detection software such as IDEA, ACL, ... to find out about fraud signs that may occur in customers. Applying combined, analytical combined algorithms to assess risk is related to customer acquisition and retention (Bell et al., 2002). Therefore, the use of new audit support tools will impact the amount and weight of evidence to be collected that can be adjusted to deal with the client's business risks.

□ Seventh, Personal motivation influences PS through a decline in efforts to find relevant evidence. Therefore, setting up appropriate personal motivation will help auditors increase audit efforts, leading to minimizing audit risks. In addition, personal motivation influences PS through purposeful inference process in order to promote the search and assessment of evidence in accordance with the proposed personal motivation. Excessive emphasis on PS may favor an overly needed audit performance despite low risk assessment results. Therefore, auditing firms need to emphasize the importance at a reasonable level in order to avoid auditing too much or under the required level.

□ Eighth, professional associations and the public expect that auditors adhere to the principles of professional ethics standards because of professional beliefs rather than legal liability. In addition to current standards that provide guidance on acceptable and unacceptable behavior in the profession. Auditors themselves need to comply with these regulations. However, the way of conveying messages can reach the auditor in many different ways, one of which is to evoke internal beliefs. With the ever-changing business environment, it is difficult to deal with any questionable or awkward situation that might be encountered. Internal corporate principles emphasize the values the company has established as the foundation for appropriate behavior. In addition to providing guidance for making ethical decisions, the auditors' ethics rules can also provide a series of questions that auditors may ask themselves to determine whether the decisions they make. There are principles.

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