MJIFM | MAJAPAHIT JOURNAL OF ISLAMIC FINANCE AND MANAGEMENT

Vol. 6 No. 2, 2026, 3669–3679 e-ISSN 2798-0170

THE EFFECT OF AUDIT KNOWLEDGE AND PROFESSIONAL SKEPTICISM ON AUDIT QUALITY WITH AUDITOR ETHICS AS A MODERATING VARIABLE: EVIDENCE FROM THE INSPECTORATE OF GORONTALO PROVINCE

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Abstract

This study investigates the effect of audit knowledge and professional skepticism on audit quality, with auditor ethics serving as a moderating variable. A quantitative approach was employed using survey data collected from auditors at the Inspectorate of Gorontalo Province. Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS). The results reveal that audit knowledge and professional skepticism have positive and significant effects on audit quality. Auditor ethics strengthens the relationship between audit knowledge and audit quality. However, auditor ethics negatively moderates the relationship between professional skepticism and audit quality. These findings indicate that auditors with adequate knowledge and strong professional skepticism tend to produce higher-quality audits. Furthermore, ethical values enhance the effective application of audit knowledge in the auditing process. This study contributes to the understanding of factors influencing audit quality in the public sector and provides practical implications for improving auditor competence, ethical conduct, and audit performance within government institutions.

Keywords: Audit Knowledge, Professional Skepticism, Auditor Ethics, Audit Quality, Government Auditors

INTRODUCTION

Audit quality has become an essential issue in both private and public sector organizations because it serves as a mechanism to ensure accountability, transparency, and reliability of financial reporting. High-quality audits reduce information asymmetry between stakeholders and management by providing assurance that financial statements are presented fairly and in accordance with applicable regulations. In the public sector, audit quality is particularly important because government institutions are responsible for managing public resources and maintaining public trust. Despite achieving unqualified audit opinions, several government institutions continue to face findings related to asset management weaknesses, regulatory non-compliance, and internal control deficiencies, raising concerns regarding the actual quality of audits performed.

The phenomenon is also evident in regional government institutions in Indonesia. Although several local governments have consistently received unqualified opinions, audit findings and public criticism continue to emerge, creating doubts about whether audit opinions alone can adequately reflect audit quality and financial accountability. This condition suggests that audit quality is not solely determined by compliance with audit procedures but is also influenced by the personal and professional characteristics of auditors.

According to Agency Theory, conflicts of interest may arise because agents possess more information than principals, creating information asymmetry. Auditors act as independent monitoring mechanisms to reduce such asymmetry by evaluating and verifying financial information. Therefore, auditors must possess adequate audit knowledge and professional skepticism to effectively perform their monitoring responsibilities. Audit knowledge enables auditors to understand auditing standards, accounting systems, internal controls, and regulatory requirements, thereby improving their ability to identify risks and detect material misstatements.

Professional skepticism is another critical factor influencing audit quality. Professional skepticism reflects an auditor's questioning mind and critical assessment of audit evidence. Auditors with higher levels of skepticism are more likely to identify irregularities, evaluate evidence objectively, and avoid excessive reliance on management representations. Consequently, professional skepticism contributes to more reliable audit conclusions and enhances overall audit quality.

However, technical competence and skeptical attitudes alone may not be sufficient to ensure high audit quality. Ethical behavior plays a crucial role in guiding auditors to apply their knowledge and professional judgment

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responsibly. Auditor ethics encompasses integrity, objectivity, professional competence, confidentiality, and professional behavior. Ethical auditors are more capable of resisting external pressures, maintaining independence, and ensuring that audit decisions serve the public interest rather than personal or organizational interests.

Previous studies have generally found positive relationships between auditor competence, professional skepticism, ethics, and audit quality. Research conducted by Nugroho (2025) reported that auditor competency, experience, and ethics significantly influence audit quality. Similarly, Putri and Trisnaningsih (2022) found that audit knowledge positively affects audit quality, while several studies confirmed the significant contribution of professional skepticism to audit effectiveness. Nevertheless, inconsistent findings remain. Some researchers reported that professional skepticism does not significantly affect audit judgment, while others found that audit knowledge has limited influence because audit procedures have become highly standardized. These inconsistencies indicate the existence of a research gap that requires further investigation.

Moreover, most previous studies have focused on auditors working in public accounting firms, whereas empirical evidence from government auditing institutions remains limited. Considering the growing demand for accountability and transparency in public sector organizations, examining the determinants of audit quality among government auditors becomes increasingly important.
Therefore, this study aims to examine the effect of audit knowledge and professional skepticism on audit quality, with auditor ethics serving as a moderating variable. The study focuses on auditors working at the Inspectorate of Gorontalo Province, Indonesia. The findings are expected to contribute to the development of Agency Theory, Attribution Theory, and Moral Theory in auditing research while providing practical implications for strengthening auditor competence, ethical standards, and professional conduct in public sector auditing.

LITERATURE REVIEW

Agency Theory explains the relationship between principals and agents, where information asymmetry may create conflicts of interest and reduce the reliability of financial reporting. In this context, auditors act as independent monitoring mechanisms to reduce information asymmetry and enhance accountability. The effectiveness of auditors in performing this role depends largely on their professional competence, particularly audit knowledge and

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professional skepticism. Auditors with adequate knowledge are better equipped to understand auditing standards, evaluate evidence, identify risks, and detect material misstatements, thereby improving audit quality.

Attribution Theory suggests that individual performance is influenced by internal characteristics such as knowledge, skills, attitudes, and professional judgment. Within the auditing profession, audit knowledge and professional skepticism represent important internal factors that influence auditors' ability to evaluate evidence objectively and make appropriate audit decisions. Professional skepticism reflects a questioning mindset and a critical assessment of audit evidence, enabling auditors to identify irregularities and reduce the risk of audit failure. Consequently, both audit knowledge and professional skepticism are expected to contribute positively to audit quality.

Moral Theory emphasizes the importance of ethical values in guiding professional behavior. Auditor ethics, which includes integrity, objectivity, professional competence, confidentiality, and professional behavior, serves as a foundation for maintaining public trust in the auditing profession. Ethical auditors are more likely to apply their knowledge and professional judgment responsibly while maintaining independence and objectivity during the audit process. Therefore, auditor ethics may strengthen the relationship between professional attributes and audit quality.

Previous studies generally indicate that audit knowledge, professional skepticism, and auditor ethics significantly influence audit quality. Research by Nugroho (2025), Putri and Trisnaningsih (2022), and Lestari and Djamil (2024) found positive relationships between auditor competence, ethics, and audit quality. However, several studies reported inconsistent findings, particularly regarding the effect of professional skepticism and the moderating role of auditor ethics. Furthermore, most prior studies focused on auditors in public accounting firms, while evidence from government auditing institutions remains limited.

Based on the theoretical framework and empirical evidence, this study examines the effects of audit knowledge and professional skepticism on audit quality, with auditor ethics serving as a moderating variable among auditors at the Inspectorate of Gorontalo Province. Accordingly, four hypotheses are proposed: (H1) audit knowledge positively affects audit quality; (H2) professional skepticism positively affects audit quality; (H3) auditor ethics moderates the relationship between audit knowledge and audit quality; and (H4) auditor ethics moderates the relationship between professional skepticism and audit quality.

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RESEARCH METHOD

This study employed a quantitative research approach. Quantitative research emphasizes the use of numerical data in data collection, analysis, interpretation, and conclusion drawing. The data used in this study were primary data obtained from questionnaire responses completed by auditors at the Inspectorate of Gorontalo Province. The population of this study consisted of all auditors working at the Inspectorate of Gorontalo Province. The sampling technique used was a census (total sampling) method, in which all members of the population were selected as research respondents. Data collection was conducted using a structured questionnaire and supporting documentation. The variables examined in this study consisted of audit knowledge (X1) and professional skepticism (X2) as independent variables, auditor ethics (Z) as the moderating variable, and audit quality (Y) as the dependent variable. Audit knowledge was measured through technical knowledge, audit experience, and analytical ability. Professional skepticism was measured through questioning mind, suspension of judgment, search for knowledge, interpersonal understanding, self-confidence, and self-determination. Auditor ethics was measured through integrity, objectivity, professional competence, confidentiality, and professional behavior, while audit quality was measured through audit process, audit results, auditor independence, and audit reporting accuracy. The data analysis technique employed in this study was Structural Equation Modeling–Partial Least Squares (SEM-PLS) using SmartPLS 4.0 software. The analysis included the evaluation of the measurement model (outer model) and the structural model (inner model), followed by hypothesis testing to determine the relationships among the research variables.

RESULTS AND DISCUSSION

A total of 40 questionnaires were distributed to auditors at the Inspectorate of Gorontalo Province. Of these, 36 questionnaires were returned and deemed suitable for analysis, resulting in a response rate of 90%. The majority of respondents were aged between 41–50 years (47%), male (53%), held a bachelor's degree (55%), served primarily as junior auditors (50%), and had more than ten years of auditing experience (72%).

The measurement model was evaluated through convergent validity, discriminant validity, and reliability tests. The results showed that all indicators had loading factor values above 0.70, indicating satisfactory convergent validity. Furthermore, all Average Variance Extracted (AVE) values exceeded the

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recommended threshold of 0.50, ranging from 0.658 to 0.765. The discriminant validity assessment using cross-loading and Fornell-Larcker Criterion also confirmed that all constructs met the required criteria. Reliability testing demonstrated that all variables were reliable, with Cronbach's Alpha and Composite Reliability values exceeding 0.70.

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Hypothesis Testing

Table 1.
Hypothesis Testing Results

Hypothesis	Path Coefficient	T-Statistic	P-Value	Decision
Audit Knowledge → Audit Quality	0.301	2.470	0.007	Accepted
Professional Skepticism → Audit Quality	0.401	3.713	0.000	Accepted
Audit Knowledge × Auditor Ethics → Audit Quality	0.259	2.137	0.016	Accepted
Professional Skepticism × Auditor Ethics → Audit Quality	-0.277	2.605	0.005	Accepted

Source: Data Processed (2026)

The results indicate that audit knowledge has a positive and significant effect on audit quality ($\beta = 0.301$; $p = 0.007$). This finding implies that auditors with greater knowledge of auditing standards, procedures, and regulations are more capable of conducting effective audits and producing high-quality audit reports. The result supports Agency Theory, which suggests that auditors play an important role in reducing information asymmetry through competent audit practices.

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Professional skepticism was also found to have a positive and significant effect on audit quality (β = 0.401; p = 0.000). This result indicates that auditors who maintain a questioning mindset and critically evaluate audit evidence are more likely to detect errors and irregularities, thereby improving audit quality. The finding is consistent with Attribution Theory, which emphasizes the role of individual characteristics in influencing performance outcomes.

Furthermore, auditor ethics positively moderates the relationship between audit knowledge and audit quality (β = 0.259; p = 0.016). This finding suggests that auditors with high ethical standards are able to utilize their professional knowledge more effectively and objectively, resulting in better audit quality. Ethical values strengthen the positive contribution of audit knowledge by ensuring that audit procedures are performed with integrity and professionalism.

Interestingly, auditor ethics was found to significantly moderate the relationship between professional skepticism and audit quality with a negative coefficient (β = -0.277; p = 0.005). This result indicates that although professional skepticism improves audit quality, auditor ethics weakens the magnitude of this relationship. The finding suggests that highly ethical auditors may rely more heavily on professional standards and procedural compliance, thereby reducing the direct influence of skeptical attitudes on audit outcomes.

CONCLUSION

Based on the results of this study examining the effect of audit knowledge and professional skepticism on audit quality with auditor ethics as a moderating variable at the Inspectorate of Gorontalo Province, several conclusions can be drawn. First, audit knowledge has a positive and significant effect on audit quality. This finding indicates that auditors with higher levels of audit knowledge are more capable of conducting audit procedures effectively and producing high-quality audit outcomes. Second, professional skepticism has a positive and significant effect on audit quality, suggesting that auditors who maintain a questioning mindset and critically evaluate audit evidence are more likely to improve audit effectiveness and reliability.

Third, auditor ethics positively moderates the relationship between audit knowledge and audit quality. This result demonstrates that ethical values strengthen the ability of auditors to apply their knowledge objectively and professionally, thereby enhancing audit quality. Fourth, auditor ethics significantly moderates the relationship between professional skepticism and audit quality; however, the moderating effect is negative. This finding indicates

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that although professional skepticism contributes positively to audit quality, auditor ethics weakens the strength of this relationship. Overall, the study highlights the importance of audit knowledge, professional skepticism, and auditor ethics in improving audit quality within public sector auditing institutions.

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