

# **The Factors Affecting Using Professional Judgment in Independent Auditing: Evidences from Turkey**

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## **Abstract**

Using professional judgment, which constitutes the essence of financial reporting in accordance with newly released issues in the audit process at different levels, is one of the leading important issues for independent auditors as well as accounting process in the rapidly changing world. In this study, the opinions related to the factors affecting using professional judgment in independent auditing in Turkey have been determined. Due to importance of experiences and individual opinions of independent auditors, qualitative research method has been used in this study.

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This article was compiled from a doctoral dissertation that was entitled Professional Judgment of Independent Auditor and A Research in Turkey.

Submission Date: 26.03.2018

Acceptance Date: 06.04.2018

Contemporary Research in Economics and Social Sciences Vol.:2 Issue:1 Year:2018, pp. 141-188

**JEL Classification:** M42

**Keywords:** independent auditing, independent auditor, professional judgment, auditor's judgment, Turkey

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## **Bağımsız Denetimde Mesleki Yargı Kullanımına Etki Eden Faktörler: Türkiye Örneği**

### **Öz**

Hızla değişen dünyada, muhasebe sürecinde olduğu gibi bağımsız denetim sürecinde de yeni çıkan konular ve standartlar doğrultusunda finansal raporlamanın özünü de oluşturan farklı düzeylerde mesleki yargı kullanım gerekliliği, bağımsız denetçiler için de önemli konuların başında gelmektedir. Bu çalışmada, Türkiye’de bağımsız denetimde mesleki yargı kullanımına yönelik bağımsız denetçilerin görüşleri belirlenmeye çalışılmıştır. Bağımsız denetçilerin tecrübeleri ve konu ile ilgili bireysel görüşleri önemli olduğu için, bu çalışmada nitel araştırma yöntemi kullanılmıştır.

**Anahtar Kelimeler:** bağımsız denetim, bağımsız denetçi, mesleki yargı, denetçi yargısı, Türkiye

## **1. Introduction**

Personal assessments play an important role in our lives. The decisions we take, the conclusions we arrive, and the suggestions we make under possible situations of uncertainty generally arise based on our own judgments (Kahneman & Tversky, 1982, p. 32). The judgment concept in general means forming an opinion, a view, or an estimate about an event, a situation, or a subject (Bonner, 1999, p. 385). Professional judgment is an action undertaken by experts and experienced people. To carry out an action, initially, the events should be cognitively assessed. While performing these assessments, the rules that are unique to each profession should be considered.

Professional judgment in auditing is using the education, knowledge, and experience within the framework of the relevant legislation, Independent Auditing Standards (IAS), accounting standards, and ethical standards while making decisions based on the information about the steps to be taken in accordance with the situations present during the conduct of the audit (IFAC, 2010, para. 13f).

Owing to the changes in accounting and reporting fields in the world, the reporting process of companies has also started to take a more complex structure. It is clear that the auditors should use their professional judgment more in such a complex structure. Therefore, in this study, it is aimed to determine the views of the independent auditors on factors affecting the use of professional judgment in independent audits in Turkey.

## **2. Professional Judgment in Independent Auditing**

Professional judgment constitutes the cornerstone of the audit. American Institute of Certified Public Accountants (AICPA) indicated that judgment is a significant element of the audit in 1955 (as cited in Trotman, 2006, p. 6). Mautz (as cited in Trotman, 2006, p. 6) stated that judgment had an inevitably important role in auditing in 1959. Ashton systematically analyzed the process of using professional judgment in independent auditing and it is observed that notable studies have started to emerge on the professional judgment process of the auditor after his work (Messier Jr, Quilliam, Hirst, & Craig, 1992, p. 123).

It is observed that the professional judgment and the decision making process of the auditor are in the center of the professional conduct of auditors. An experienced auditor should focus on how she/he will form her/his professional judgment and make decisions while conducting the audit work. In this respect, professional judgment and decision making require an auditor to have professional competence for carrying out the audit work effectively (Bik, 2010, p. 28). The professional competence of the auditor is built upon her/his training, knowledge and experience.

In addition to these aforementioned situations, due to the fact that the reporting process of companies has also started to take a more complex structure owing to the changes in accounting and reporting fields in the world, it is necessary for the auditors to use their knowledge, training, and experience together with an increased level of professional judgment (IAASB, ICAS, & IAAER, 2015, p. 3). Therefore, it is of utmost importance for the auditors to have general information about the sector in which the organization operates, the system that is used to prepare the financial information and the economy (The Canadian Institute of Chartered Accountants, 1995, p. 29).

### **3. Factors Affecting the Professional Judgment of the Independent Auditor**

Professional judgment has always been an important issue for accounting and auditing. Professional standards based on general principles generally provide guidance to auditors; however, these standards require the auditors to use higher levels of professional judgment in the audit process (Schmutte & Duncan, 2009, p. 35). Professional judgment in general refers to a process in which the information is collected and the results are synthesized. In this process, there are some factors that affect an auditor's using her/his professional judgment. According to The Canadian Institute of Chartered Accountants (1995), there are five major factors that affect the professional judgment of an auditor. The general content of these factors is briefly summarized as follows:

- Audit task environment (Accountability, knowledge of the busi-

ness, client acceptance and continuance, audit committees, competitive pressures and professional standards),

- Auditor characteristics (Independence, objectivity and integrity, knowledge, experience and expertise, professional competence, judgmental biases and professional skepticism),
- Audit evidence in relation to materiality and audit risk (Sufficient and appropriate evidence, materiality and audit risk, enhancing profession-wide uniformity),
- Decision making in Auditing (Identifying the crucial issues, gathering information, identifying possible solutions, evaluating alternatives and reaching conclusions),
- Qualitative attributes of audit judgments (Accuracy and consensus, consistency and stability, problem indicators and self-insight, defensibility, consultation and documentation).

Since professional judgment is affected by many factors as noted above, it may vary from one person to another. Therefore, it is not possible to say that the process of forming a judgment is trivial. One of the fundamental conditions of being a good accountant and auditor is being capable of forming a good professional judgment (The Institute of Chartered Accountants of Scotland, 2012, p. 3). The basic condition for the ability to form a good professional judgment is to have the sufficient know-how. It is necessary for an accountant and auditor to use adequate information on the situation when using her/his professional judgment. The practical use of knowledge provides an active and significant learning experience (Rutter & Brown, 2015, p. 25).

#### **4. Literature Review**

In this part of the study, previous studies that had been conducted on independent auditors' usage of their professional judgment while carrying out their audit work across the world and in Turkey are reviewed.

Socol tried to establish the fundamental differences between subjectivity and professional judgment in auditing in her study titled "*Materiality in the Context of an Audit between Professional Judgment and Subjectivism*". This study emphasized the importance of using profes-

sional judgment when determining the materiality level. Moreover, the operating environment of the audit, the character traits of the auditor, the audit evidence, and the decision making process were among the factors that influence the professional judgment of the auditor (Socol, 2008, pp. 209–216).

Cianci and Bierstaker sent their study titled “*The Impact of Positive and Negative Mood on the Hypothesis Generation and Ethical Judgments of Auditors*” to 400 auditors registered on the email list of AICPA over the internet in the form of a questionnaire survey and according to the results of the study, they determined that the judgments of auditors were affected by the mood of the auditor (Cianci & Bierstaker, 2009, pp. 119–144).

Wang and Tuttle investigated the impact of mandatory auditing firm rotation on the negotiation between the auditors and the clients in their study titled “*The Impact of Auditor Rotation on Auditor–Client Negotiation*”. Wang and Tuttle (2009, pp. 222–243) determined that auditors that were subject to mandatory auditor rotation accepted collaborative negotiation strategies with the customers (for example, allowing less concession, etc.) less than other auditors.

Lehmann and Norman considered the effect of experience in their study titled “*The Effects of Experience on Complex Problem Representation and Judgment in Auditing: An Experimental Investigation*” and conducted research on novice and expert groups to investigate the differences indicated in the problems. According to the results of their study, expert individuals were determined to provide more succinct explanations than novices and intermediate level individuals (Lehmann & Norman, 2006, pp. 65–83).

Peytcheva and Gillett provided a case study on auditors and students in their paper titled “*How Partners’ Views Influence Auditor Judgment*”. In this paper, the hypotheses were constructed as follows: the auditor learns the views of her/his superior and makes a judgment or the auditor makes a judgment and then learns the views of her/his superior to check if it is different from her/his judgment. According to the results of the study, it was concluded that the judgment of the auditor made

without learning the superior's views was the same with the judgment of the superior (Peytcheva & Gillett, 2011, pp. 285–301).

Nolder investigated the relationship between the auditor's emotions and judgments as a response to the information provided by the clients in her study titled "*The Role of Professional Skepticism, Attitudes and Emotions on Auditor's Judgments*". This study extended the research on the negative mood and its impact on the judgments of the auditor. According to the results of the study, a negative mood was found to have different effects on the judgments of the auditor (Nolder, 2012).

Aghazadeh examined the impact of trust expressed by the clients on the judgments of the auditor in her work titled "*Expressed Confidence and Skepticism: The Effect of Expressed Confidence on Auditor Judgments*". According to the results of this study, it was determined that the auditors did not use the expressed confidence when their clients had a stronger control and business environment; however, they used the confidence heuristic when the client has a weaker control and business environment. She concluded that expressed confidence provided new theoretical insights for decision-makers (Aghazadeh, 2012).

Chiang and Lin analyzed semi-annual and annual auditing reports of public companies in Taiwan between 1999-2008 in their study titled "*Effect of Auditor's Judgment and Specialization on Their Differential Opinion between Semiannual and Annual Financial Reports*". In terms of the auditor-client relationships, hypotheses were built around the fact that negative reports issued in semi-annual audits were becoming positive reports in annual audit reports. According to the results obtained, it was found that different audit reports were issued for a significant client. Moreover, it was concluded that improving the auditors' expertise and independence could decrease the level of issuing differential audit reports (Chiang & Lin, 2012, pp. 1–22).

Bhattacharjee and Moreno examined the effect of auditors' emotions and moods on the audit judgments in their study titled "*The Role of Auditors' Emotions and Moods on Audit Judgment: A Research Summary with Suggested Practice Implications*". As a result, they determined that the moods and the emotions of the auditors had a potential to affect

their audit judgments (Bhattacharjee & Moreno, 2013, pp. 1–8).

Wittayapoom investigated the relationship between the auditors' dedication to the profession, as well as sector and business know-how and their professional judgment in her study titled "*Professional Judgment Effectiveness: A Study of Tax Auditors in Thailand*". According to the results of this study, she determined that the dedication to the profession, and sector and business know-how were strongly and positively related to the professional judgment (Wittayapoom, 2014, pp. 585–593).

Danescua and Chira identified the factors that affected the professional judgments of the auditors in Romania in their study titled "*Professional Judgment and Retention to Apply Sampling Techniques*". It was determined as a result of the study that experience, technical skills, and moral principles were the three most important factors affecting the professional judgment (Danescu & Chira, 2014, pp. 1253–1258).

Figueroa and Cardona searched, whether experience affected the professional judgment of an auditor within the framework of an audit planning in their study titled "*Does Experience Affect Auditors' Professional Judgment? Internal Controls and Fraud Decisions*". They considered Hofstede's dimensions of culture in this work. According to the results of their study, experience does not have an effect on the decisions to be taken during the audits of firms that were located in different countries and that had different cultural characteristics (Figueroa & Cardona, 2013, pp. 221–222).

Erturan interpreted the effect of auditors' cultural characteristics on the audit process according to the results of a survey in his work titled "*Influence of Culture on Auditor and Audit Process: A Study on Auditors on Turkey*". The survey was prepared by incorporating Hofstede's cultural dimensions. According to the results of this study, the auditors were determined to have been affected by cultural elements in all stages of the audit process (Erturan, 2007).

Tanç and Gümrah identified the level of importance of the factors that had an effect on the professional judgment decisions and determined the frequency of professional judgment decisions in each stage



of the audit activity in their work titled “*A Survey to Determine Factors Affecting Professional Judgment Ability on Independent Audit*”. The findings of the study emphasized that independence, experience, and objectivity were the most important factors affecting the professional judgment decisions (Tanç & Gümrah, 2015, pp. 525–538).

### **5. A Study on Factors Affecting the Professional Judgments of Independent Auditors in Turkey**

In the literature review conducted, not many studies were found on the auditors’ professional judgment and decision making processes in Turkey. This study aimed to determine the views of independent auditors on the factors affecting the use of professional judgment in independent audits in Turkey. Since the experiences and individual opinions of independent auditors were important, a qualitative research methodology was employed.

The sample of the study comprises independent audit companies authorized by the Public Oversight, Accounting and Audit Standards Authority (POA) and have revenue over TRY 1 million according to the 2014 transparency reports. POA is an institution established to oversee and monitor the audits of large-scale companies, primarily publicly-listed companies, banks, and insurance companies and to set and publish the Turkish accounting and auditing standards that are compatible with the international auditing standards. It is a public organization with administrative autonomy. The reason for choosing companies with an independent audit revenue of TRY 1 million or higher as reported in the 2014 transparency reports is the fact that they represent this group at 92.04% in terms of the revenues from independent audits. Although there are 12 companies with independent audit revenues exceeding TRY 1 million as published in the transparency reports, one company expressed that they wished not to be included in this study. Therefore, 14 responsible partner lead auditors and one lead auditor were interviewed. Since the auditors in the four big auditing firms (Deloitte, Price-WaterhouseCoopers, Ernst & Young, and KPMG) specialized in real sector and financial sector; two auditors who perform real sector audits

and two auditors who perform financial sector audits were interviewed from each of these companies. The face-to-face structured interview technique was selected to collect the data. Prior to the primary data collection through face-to-face interviews, a pilot study was conducted with one responsible partner lead auditor from each of the four big audit firms to identify the most important factors affecting professional judgment and to test the understandability of the designed questions. The participants were initially asked closed-ended questions and then requested to explain their justifications for their answers in detail. In this study, the content analysis method was used for the classification, summarization, and coding of the data collected from the interviews.

### **5.1. General Information**

In this section, initially, the descriptive information about the independent auditors surveyed is presented.

According to responses, 80% of the independent auditors were married; 27% of them were women and 73% were men. 73% of the auditors were 35-45 years old, whereas 14% were aged 46-55, and 13% were aged 56-65. 14 of the independent auditors had an undergraduate degree in Turkey and one auditor had an undergraduate degree abroad. Moreover, one auditor who did their undergraduate degree in Turkey also did a master's degree abroad.

Among the 15 independent auditors interviewed, only one was a lead auditor and the remaining 14 were responsible partner lead auditors. Among the 14 responsible partner lead auditors, 8 stated that they were employed in their company in this position for 1-5 years, 3 were employed for 5-10 years, 1 was employed for 11-15 years, and 2 were employed for 16-20 years. The lead auditor was employed for 1 year in his company in this position.

In terms of the questions on certification and titles of the independent auditors, 8 indicated that they had certificates of Independent Accountant and Financial Advisor (IAFA), Capital Markets Independent Audit License (CMIAL), and Public Oversight Authority Auditor (POAA); 1 auditor had certificates of IAFA, Certified Public Accountant (CPA),

Certified Internal Auditor (CIA), CMIAL, and POAA; 1 auditor had certificates of IAFA, CPA, CMIAL, and POAA; 1 auditor had certificates of IAFA, CIA, CMIAL, and POAA; 1 auditor had certificates of IAFA, CMIAL, POAA, and Other (Treasury Auditor); 1 auditor had certificates of CAFA, CPA, CMIAL, and POAA; 1 auditor had CAFA, CMIAL, and POAA; and 1 auditor had only the CAFA certificate.

In terms of the independent auditors' answers to the question on the total time spent in independent auditing and previous job experiences, 57% indicated that they had been conducting independent audits for 16-20 years, 36% for 11-15 years, and 7% for 1-5 years. Moreover, 7 auditors stated that they had worked as a Chief Financial Officer (CFO), Account Specialist, Capital Markets Board (CMB) Auditor, Lead Account Specialist, Corporate Governance and Financial Affairs Coordinator, General Manager in Intermediary Firms, Inspector at CMB, and Tax Inspector before they became a responsible partner lead auditor.

When the independent auditors were asked in which sector they conducted audits the most frequently; 8 auditors answered the real sector, 4 auditors answered the financial sector, and the remaining 3 auditors answered both the real sector and the financial sector.

Following the general characteristics of the independent auditors, the next section presents the content analysis of the results obtained from the auditors via interviews on the factors that affect the use of professional judgment in independent audits, which constitutes the main subject of the study. While the answers to each question are presented in a table, the auditors are divided into three categories as those from the real sector working in one of the 4 big audit firms (4 big real sector), those from the financial sector working in one of the 4 big (4 big financial sector), and auditors employed in audit firms other than the 4 big companies (firms other than the 4 big). Hence, it is possible to see how the obtained data is explained by which independent auditor in the above-mentioned three groups.

## 5.2. Information on the Factors Effective in the Use of Professional Judgment

This section presents the analysis of the data obtained from the interviews with the independent auditors about the personal factors involved in the use of professional judgment, the factors related to the audit environment, and other factors.

### 5.2.1. Personal Factors Affecting the Use of Professional Judgment

In this part of the study, views of the independent auditors on selected certain personal factors which have an effect on the use of professional judgment, such as education, experience, psychological condition, and sector expertise are presented.

Table 1 presents the data obtained from the question on whether the independent auditors' education in the country (domestic) or abroad (international) had an impact on the decision making process when they used their professional judgment.

**Table 1.** Does domestic or international education (undergraduate or graduate) of the auditor have an impact on the decision making process when using professional judgment?

	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
Yes	3	2	5	10
No	1	2	2	5

As it can be seen in Table 1, 10 of the independent auditors interviewed stated that the education in the country or abroad had an impact on the decision making process when auditors used their professional judgment. Of these 10 participants, 3 auditors work in 4 big real sectors, 2 auditors work in 4 big financial sectors, and 5 auditors work in audit firms other than the 4 big.

Building on the data obtained from Table 1, a content analysis was performed on the responses received from the independent auditors to

determine the effect of domestic or international education on their decisions related to professional judgment and the results are presented in detail in Table 2. In Table 2 and all following tables, the negative views of the auditors about the corresponding question are presented in italics.

**Table 2.** What effects does domestic or international education (undergraduate or graduate) of the auditor have on the decision making process when using professional judgment?

<b>Codes</b>	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
Their worldview would be broader and they would have a different perspective.	1		3	4
To observe different auditing standards at a different dimension provides you an added value when performing comparisons.	1	1		2
Sometimes observing different ways of doing business contributes to your work.	1	1		2
The auditor experiences a multi-dimensional decision making process.			1	1
The auditor develops better strategies and policies in each case.			1	1
If the auditor has studied abroad, then the subjects are better understood since she/he would have learned the legislation from the exact source.			1	1
Studying abroad always has positive contribution on self improvement.	1			1
Since there is a long history of the independent auditing profession abroad, an international education makes a positive difference.			1	1

They provide a higher quality service. The client is more satisfied. Since the audit firms cannot advertise, when the client is satisfied, they tell other clients and it creates a chain effect.			1	1
The training is provided to those working abroad to really teach something. On the other hand, many firms in Turkey pretend that they do it.			1	1
<i>I do not think that the education in Turkey is significantly different from the education abroad.</i>		1	1	2
<i>In terms of the training provided by the companies, domestic or international does not differ; they would be very similar in global firms.</i>		1		1
<i>Having an undergraduate or a graduate degree abroad is not sufficient. What is important is whether you have been trained on the job in this profession.</i>			1	1
<i>Domestic or international does not matter, but the content of the education makes a difference (in terms of technical competence, setting a foundation, and risk perception).</i>		1		1
<i>Having studied in the country or abroad does not matter. If the auditor receives the right professional training, then she/he can arrive at that professional judgment easily.</i>	1			1

As it can be seen from the content analysis in Table 2, training abroad was emphasized to have a positive effect considering that the auditors studied abroad would have a broader perspective when they use their professional judgment. Moreover, it was indicated that observing different auditing standards at a different dimension when studying

abroad provided the auditor with an added value when performing comparisons on similar cases in Turkey. The education received abroad was emphasized to benefit the auditor in terms of having a multidimensional decision making approach, developing professionally, and creating better strategies and policies in each case. Since studying abroad provides the auditor with the opportunity to learn the legislation from its source, the issues encountered in an audit activity in Turkey could be better understood, and consequently the professional judgment would be more effective. At the same time, it was indicated that there existed a long history of the independent audit profession abroad, and therefore, the education systems were more advanced and higher quality.

Above, although in general many auditors stated that having studied abroad had a positive effect on the decision making process when using professional judgment, some auditors emphasized that having studied in Turkey or abroad did not have an effect in terms of using professional judgment. According to the auditors who have this view, there is no longer a significant difference between the education systems in Turkey or abroad; they are almost identical. Again, another auditor indicated that there were no differences between the domestic and international education in general; there could be differences between the two systems only in terms of technical competence and the perception of risk.

Table 3 presents the information on whether the independent auditors had any experience in any audit process abroad.

**Table 3.** Do you have any experience in any audit process abroad?

	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
Yes	2	2	4	8
No	2	2	3	7

As it can be seen in Table 3, only 8 participants among the independent auditors interviewed were involved in an audit process abroad. It is observed that, of those auditors who had an audit experience abroad, 2 participants worked in the Big 4 real sector, 2 participants worked in

the Big 4 financial sector, and 4 participants worked in auditing firms other than the Big 4.

Table 4 presents the data obtained from the question on whether the independent auditors' having an international experience had an impact on the decision making process when they used professional judgment.

**Table 4.** Does having an international auditing experience have a different effect on the decision making process?

Codes	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
Yes	2	2	5	9
No	2	2	2	6

It is observed in Table 4 that 9 participants among the independent auditors interviewed stated that having an auditing experience abroad had an impact on the decision making process when using professional judgment. Of these 9 participants, 2 auditors work in Big 4 real sector, 2 auditors work in Big 4 financial sector and 5 auditors work in auditing companies other than the Big 4.

General information obtained from the independent auditors about having an international experience both for auditing and other purposes are given in Table 3 and 4. Moreover, more than half of the participants indicated that having an international experience would have an impact on the auditor's decisions about using professional judgment when conducting an audit. Building on this point, content analysis was performed on the responses received from the independent auditors to determine what effects an international experience could have on the decisions to use professional judgment and the results are presented in detail in Table 5.



**Table 5.** What kind of effects would have an international experience have on the decision making process when using professional judgment?

Codes	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
The perspectives of those who are abroad are rather different.	2	2	2	6
Owing to the long history of the independent auditing profession abroad, the level of theoretical knowledge would be high.		1	2	3
Working in a different sector, a different country, or different companies has an important effect on using judgment correctly.	1	1		2
Since there is a long history of the capital markets abroad, the experiences in various cases may reinforce the professional judgment here.			1	1
Since the legislation in Turkey is based on the translations, it is possible that there are no examples in some topics or applications. When abroad, it is important that the cases are experienced through practicing.			1	1
Ethical values of those that are abroad are higher.			1	1
Since the legislation in Turkey is imported, having auditing experience abroad would cause small differences of opinions in the detail and the interpretations.			1	1
Since the accounting culture and the perspectives on auditing in Turkey are yet to become mature, we are missing the big picture. Those that are abroad could focus on more important parts.		1		1
Those that are abroad spend more time in communicating with the clients.		1		1
Those that are abroad could fully concentrate on their profession and perform a full audit.			1	1

Companies abroad can conduct more risk-based audits.			1	1
Independent audit is perceived as full confirmation in Turkey.			1	1
There are audit methodologies which have been developed practically over the years in the companies abroad.			1	1
The independent audit companies abroad that are in the top 4 or 10 have very serious training and auditing programs.			1	1
<i>Domestic or overseas, it does not matter. Since the work done is the same, it will not have an effect on the professional judgment. They could only have an opportunity to observe cultural differences.</i>		1		1
<i>It will not have an effect on the decision making process. There would only be a reaction change.</i>		1		1
<i>Even if you work in Turkey or abroad, at the end of the day, the decision you would work at the point where you use your professional judgment will not change. Only the time you spend arriving at certain judgments with your experience might be shorter or longer.</i>	1			1
<i>There is a more routine system abroad. Conducting independent audits in Turkey may result in facing situations that require you to use your judgment more.</i>	1			1
<i>It would be in terms of gaining experience. However, it would not have a direct one-to-one effect on professional judgment.</i>	1			1
<i>If this job has a rule and if we say that it is performed professionally here, then it should not have a very significant effect.</i>		1		1

As it can be observed in the content analysis presented in Table 5, the majority of the independent auditors working in Big 4 real sector, Big 4 financial sector, and in audit firms other than the Big 4, it was emphasized that those that were abroad had very different viewpoints of the events. In addition, owing to the long history of the independent auditing profession abroad, the level of theoretical knowledge was stated to be higher. At the same time, having conducted audits in different countries and different sectors was again stated to have a positive effect on the decisions to use professional judgment.

Apart from these, another important point that was highlighted is the fact that the history of capital markets abroad is much longer and an auditor's experience of these would be helpful in making the professional judgment that should be used here, more effective. This is because the related legislation in Turkey was taken from abroad and therefore, the solution methods for each case encountered do not always exist in the legislation. However, it was emphasized that having lived abroad and experienced these cases would make it much easier to arrive at the professional judgment that needs to be used in similar cases. Another important point is that the participants indicated that ethical values of those that were abroad were higher than those that were in Turkey.

It was stated that the auditors missed the big picture because the accounting culture and the perspectives on auditing in Turkey had not fully matured yet. On the other hand, it was mentioned that there did not exist any negativity in the auditors abroad in this respect, the auditors there could easily focus on the accounts that really need to be examined in financial table audits, in particular, by conducting a risk-based audit.

Observations that the auditors abroad could communicate with their clients at higher levels, examinations of the audit methodologies of the firms abroad, and the opportunities to participate in higher quality audit training were indicated as the other reasons why having an experience abroad would have an impact on the decision making process when using professional judgment.

Above, although in general, many auditors stated that having experience abroad had a positive effect on the decision making process when

using professional judgment, some auditors emphasized that it would not have an effect in terms of using professional judgment apart from observing the cultural differences because the application methods of audit studies both abroad and in Turkey were identical. Another auditor indicated that having an experience abroad would not change the professional judgment decisions, but it would shorten or lengthen the time required to arrive at the professional judgment owing only to the presence of the experience. In addition, another auditor stated that since the audit firms abroad have routine systems, they would need less professional judgment; however, because the cases encountered in Turkey were rather different, there would be a higher need to use professional judgment here.

In the assessments of the independent auditors on whether experience had any impact on the decision making process when using professional judgment, all of the independent auditors from both the Big 4 and the audit firms other than the Big 4 indicated that experience had a very important effect on the decision making process when using professional judgment. Table 6 presents the responses of some participants to question on what kind of effect the experience would have on professional judgment.

**Table 6.** What kind of effects would experience have on professional judgment?

Codes	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
It would be very effective, especially on the basis of sectors.			2	2
As the experience increases, it is learned that one should be a skeptic and should not trust the clients.	1	1		2
In the independent audit, it is absolutely a must to conduct the audit within the hierarchy.	1		1	2
The titles are earned with experience.			1	1
The more issues and situations one faces and experiences, the easier it gets to use professional judgment in the related issues.	1			1
The experience has an impact on professional judgment, not only in terms of the time worked, but also in terms of the problem or error types encountered in the firms that are audited.	1			1

As it can be seen in Table 6, it was emphasized that experience has an effect on especially sector-based professional judgment decisions. Moreover, it was indicated that the auditors become more skeptical with increasing experience and learn that they should not trust their clients. The experience was also indicated to have an impact on the use of professional judgment in terms of both the time worked and the problem types encountered. It was noted that the more issues and situations an auditor faces, the easier it gets to use their professional judgment.

Table 7 presents the assessments of the independent auditors on how much experience an auditor should have in order to use their professional judgment when conducting audits.

**Table 7.** How much experience should an auditor have in order to use their professional judgment?

	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
3+	1		1	2
5+	1	2	2	5
7+	1			1
8+	1	2		3
10+			2	2
15+			1	1
Undecided			1	1

As it is observed in Table 7, 13 of the independent auditors interviewed indicated that an auditor should have at least five years of experience to use their professional judgment when conducting audits. Among the independent auditors interviewed, two participants stated that an experience of three years would be sufficient. One participant from the audit firms other than the Big 4 noted that it would not be correct to give a net duration since it would change depending on the characteristics and the skills of the person.

In the assessments of the independent auditors on whether the experience of the team had any impact on the decision making process when using professional judgment, all of the independent auditors from both the Big 4 and the audit firms other than the Big 4 indicated that the experience of the team had an important effect on the decision making process when using their professional judgment. The results of the content analysis performed on the effects of the experience of the team on professional judgment are presented in Table 8.

**Table 8.** What kind of effects would the experience of the team have on professional judgment?

Codes	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
I expect an experienced person to use their professional judgment more effectively.		1	1	2
While you want to work with a team that is more experienced in a complex job, you may be able to face the risks with a person who is less experienced in a job that is less complex.	1		1	2
It is important that your team has experience related to the sector.		1	1	2
In professional training, if the people who are more experienced in this job teach the other employees, then all people could use more correct professional judgments and work much more effectively.	1		1	2
An experienced team may find what to investigate more easily by doing less work.	1	1		2
First and foremost, because it is the team that prepares everything, it is important what the team brings and does not bring to you. You make a professional judgment based on what they bring.			1	1
The team is directing you by passing on information to you.			1	1
The rapport, the education, and the experience of an independent audit team increase the speed of the audit in the first place. And this shortens the decision making process.			1	1
Those with experience focus on areas where results could be reached swiftly.			1	1
The more experience you and your teams have, the better you carry out that audit program.			1	1

Previous experiences and the results of previous studies may help focus on certain areas more.		1		1
<i>As is indicated in the literature, if less experienced people work at a higher level of detail and go outside the procedure we prescribe and spend a lot of time, then they increase the cost of the audit.</i>			1	1

As it can be observed from Table 8, one of the most important topics emphasized was the expectation that experienced people in the team should use professional judgment more effectively. In addition, it was desirable to work with a more experienced team in a more complex audit study whereas it was possible to face the risks with less experienced auditors in a less complex job. Another important point highlighted was that the team should have sector-specific experience.

It was also stated that if there was a very experienced auditor in the team who would teach the less experienced members of the team what kind of planning should be done, then all auditors in the team would work more effectively and make more correct professional judgments. Moreover, it was indicated that a more experienced team would conduct a narrower study and have interpretations made more easily about where they should focus.

It was also highlighted as an important aspect the kind of information the team would bring to their senior manager. That is because the content and the reliability of the information is very important at this point since the senior manager would use their professional judgment based on the information brought by the team. At the same time, it was stated that when the auditors in the team were experienced, trained, and in rapport, the speed of the audit would increase. Consequently, it was emphasized that the decision making process in using professional judgment would take much shorter.

Again, it was mentioned that carrying out an audit program with an experienced team would make it possible to focus on areas where



results would be reached much faster. It was stated that it would be much easier to make a decision which areas should be focused more as a result of the previous experiences of the team members.

Apart from these positive views on the experience of the team mentioned above, one participant stated that if less experienced auditors in the team go outside the scope of the procedure prescribed by their senior managers, this might result in spending more time unnecessarily and creating an additional cost for the audit firm.

Table 9 presents the assessments of the independent auditors about whether psychological conditions of the auditor had an effect on the decision making process when using professional judgment.

**Table 9.** Does the psychological condition of the auditor have an effect on the decision making process when using their professional judgments?

	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
Yes		1	3	4
No	3	3	4	10
Undecided	1			1

In Table 9, it is observed that 10 participants among the independent auditors interviewed stated that the psychological condition did not have an effect on the decision making process when making professional judgment. On the other hand, 4 participants interviewed stated that the psychological condition had an effect and 3 of these participants worked in audit firms other than the Big 4. The details on what kind of effects the psychological condition would have on the decision making process when using professional judgments are presented in Table 10 as expressed by the independent auditors.

**Table 10.** What kind of effects would the psychological condition of the auditor have on the decision making process?

Codes	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
Together with their psychological condition, if there are problems in the character of the person, then the professional judgment that would emerge from there might be weak.		1	1	2
If the auditor has a bad psychological condition, then it affects the professional judgments of other colleagues.			1	1
The hypercritical approach of a person in a bad mood might be offensive to the client. The client cannot not speak the truth.			1	1
If we have a bad mood that day, then it might decrease the effort we would put in.		1		1
It might affect our employees at lower levels more.		1		1
<b>Solution Suggestions</b>				
If this issue poses a problem for the company, then we talk with the person about the situation and help them solve it.			1	1
We help relocate a person whose problem is not resolved, in a different job.			1	1
In companies that have a human relations department, this situation can be controlled better because the employees might be subject to certain career planning or character tests.			1	1
To prevent this situation, relatively longer working periods might be allowed. They might make a decision more comfortably because they would have a longer time.		1		1

In periods when we know we have such moods, we check certain things twice. We try to put extra care on certain things.	1			1
If we have a colleague with such a problem in the team, then we question their professional judgment on areas that we know are risky.	1			1
To resolve this problem, a person with such a mood is not allowed to make important decisions on their own.			1	1
<i>It will not have an effect unless it is a clinical case.</i>	1		3	4
<i>One has to be professional; it will not have an effect.</i>	2	1	1	4

As it can be seen in Table 10, two participants, one from the Big 4 finance sector and one from the audit firms other than the Big 4 indicated that the negative effect of an auditor's psychological condition on professional judgment is only possible if there is a problem in the personality traits of a person. Moreover, it was stated that when the psychological condition of an auditor is bad, it would affect the decision making processes of other colleagues.

As indicated in the literature, the hypercritical approach of auditors who have a negative mood was not approved by one of the participants interviewed. It was also stated that more hypercritical approaches of the auditors towards the client could be offending to the client and the client might be affected from this attitude and refrain from telling the truth.

It was mentioned that when psychological problems constitute an issue for the company, the related person would be counseled to solve this problem and offered help as much as possible. It was indicated that people who continue to have the problem are relocated into other jobs. It was highlighted that, in particular, the companies that had a human relations department carried out character tests prior to employment and therefore it was possible to identify a person who might have such a problem right at the beginning.

It was noted that people who had a psychological problem were given a little longer working time and therefore allowed to produce healthier results since they would spread their assessment over a longer period. They also mentioned that in order to avoid any mistakes that might be made by an auditor in such a mood, they might run a second audit process to review the cases carefully. Moreover, if an employee with such a problem was identified in the team, the risky studies they had performed would be reviewed and the results that might have a negative impact on the professional judgment decisions might be prevented.

It is observed in Table 10 that the majority of the participants indicated that psychological conditions did not have any effect on the professional judgment decisions. The majority stated that the main reason was the necessity to be professional when conducting audit work irrespective of the auditor's mood. It was asserted that as long as the psychological condition of the person is not at the level of a clinical case, it was not possible for it to have any effect on professional judgment decisions.

Table 11 presents the assessments of the independent auditors about whether sector expertise had an effect on the decision making process when using professional judgment.

**Table 11.** Does sector expertise affect professional judgment?

	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
Affects	4	4	6	14
Does not affect			1	1

As it can be seen in Table 11, 14 of the independent auditors interviewed stated that the sector expertise had an important effect on the decision making process when using professional judgment. Only 1 participant from the audit firms other than the Big 4 stated that the sector expertise did not have an effect on professional judgment.

It is observed in the responses to the question about the kind of effect the sector expertise would have on the professional judgment de-

cisions that a person who had a sector-specific experience would have the ability to use stronger, more certain, and more robust professional judgments. For example, while less experienced auditors perform only a stock count test, an auditor with the sector-specific expertise investigates the appropriate stock valuation methods.

Moreover, since an auditor with sector-specific expertise not only knows the audit legislation but also knows that sector's own legislation, the sector-specific expertise was indicated to have a positive effect on professional judgment. Financial tables and related legal regulations of certain sectors could be very different. Therefore, there are differences in recording and measuring accounting transactions. Prior to making an audit decision in a certain sector, if the auditors with sector-specific expertise have a practical experience in that sector, then it will be easier for them to command the events.

### **5.2.2. Factors Related to the Audit Environment with an Effect on Professional Judgment**

In this part of the study, views of the independent auditors on certain selected factors related to the audit environment such as the team member effective in using professional judgment, the auditor carrying out quality control activities, peer-review, auditor-client relationship, the large proportion of the client's company in the total revenues of the audit company, and organizational culture, all of which have an effect on the use of professional judgment are presented.

Table 12 demonstrates the assessments of the independent auditors about whether a team member had an effect on the decision making process when using professional judgment.

**Table 12.** Does a team member affect professional judgment?

	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
Affects	4	3	6	13
Does not affect		1	1	2

As it can be seen in Table 12, 13 of the independent auditors interviewed indicated that the team members would have an effect on the decision making process when using professional judgment. Only 2 participants stated that a team member did not have an effect on professional judgment. The results of the content analysis performed on the effects a team member might have on the professional judgment decisions are presented in Table 13.

**Table 13.** What kind of effects would a team member have on professional judgment?

Codes	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
It would affect in terms of the experiences in previous years.	1		2	3
It would affect with the information she/he brings.	1	1		2
Everybody has a task and a responsibility.	1		1	2
It would affect in terms of consultation with each other.			1	1
It would affect in terms of identifying the opinions on different issues how they are in line with the corresponding legislation.			1	1
The logical errors made might result in audit firms losing their customers.			1	1
Certain opinions on some subjects might be changed owing to a team member.			1	1
Team work helps to reduce the auditing time.			1	1
Since the auditing profession is based on a mentor-protégé relationship, how employees assess the issue and whether they behave skeptically or not are learned in these processes.	1			1
The judgment power of people develops with teamwork.		1		1

Most of the time partners catch the points missed by the manager or the senior manager.			1	1
It helps discuss and assess different issues and different experiences.	1			1
It affects in terms of learning the operations performed.		1		1
Information becomes a circulating living thing.	1			1
It is possible to have a discussion in the team when there are disagreements in the professional judgment.			1	1

In Table 13, the highest impact of a team member on professional judgment decisions is observed in terms of the experiences in previous years. Moreover, the information brought by team members during audit studies was mentioned to have an impact on the professional judgment processes. It was highlighted that it was possible to apply more effective professional judgment decisions since everybody had a task and a responsibility. The team member was indicated to affect professional judgment in terms of identifying which legislation was appropriate for different opinions on an issue. The team member is also useful in preventing the loss of customers due to logical errors made during the audit work because it is possible to change certain opinions on some subjects owing to a team member. Moreover, it was indicated that it was possible to have a faster timing with a team member.

Apart from these, it was indicated that since the auditing profession depended on a mentor-protégé relationship, less experienced auditors learned how they should assess cases and how they should approach events skeptically during the process of team work. It was highlighted that, consequently, the judgment power of auditors could improve.

It is possible for the responsible partner lead auditor to notice points missed by the manager or the senior manager. It was indicated that it was possible to use an effective professional judgment owing to discussing, assessing, arguing, and consulting different issues during the team work process. It was emphasized that the information became a circulating living thing.

Table 14 presents the assessments about the effect of auditors tasked with quality control activities on the professional judgment decisions of the responsible partner lead auditor.

**Table 14.** Does an auditor performing quality control activities affect professional judgment?

	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
Affects	4	4	5	13
Does not affect			2	2

As it can be seen in Table 14, 13 of the independent auditors interviewed indicated that the auditor performing quality control activity would have an effect on the decisions made when using professional judgment. Only 2 participants from audit firms other than the Big 4 stated that there was no such effect. The results of the content analysis performed on the effects of an auditor performing quality control activity on the professional judgment decisions are presented in Table 15.

**Table 15.** What kind of effects would an auditor performing quality control activity have on professional judgment?

<b>Codes</b>	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
If there is something left incomplete, then one must go back and complete it.			3	3
Owing to the effect of experiences, the ability to view the same case from different angles sometimes affects the results.	1		1	2
It might affect depending on the issue or situation. It might bring a different point of view. It might be a more independent eye.	1	1		2



The auditor who signs the report puts her/his initials on each page. After that the auditor in quality control checks once again all of the corrected records.			1	1
The auditor in quality control considers the risk in the job and reviews the report once more.			1	1
On very critical issues, partners sometimes make a decision after having received the views of the technical team.	1			1
It is important that the auditor in quality control should have expertise in the same sector where the partner is conducting the audit.		1		1
The auditor performing quality control activities becomes like one of the people at the highest level on this subject.			1	1
At the end of the day, the auditor responsible for quality control is obliged to express their opinion; however, the final responsibility lies with the person who will sign the report.	1			1
If the quality control is performed properly, the risk of blindness in the audit will be eliminated.	1			1
Since the auditor in quality control attends opening meetings, she/he has as much authority on the events as the responsible partner.		1		1
When there is a disagreement, initially the views of technical department are asked; if it is not resolved with them, then our unit abroad is consulted.	1			1
<i>Even if there is a disagreement, the report has already been signed and sent.</i>			1	1

As it can be observed in Table 15, when there are deficiencies in the audit work, the auditor performing quality control has a role in completing these deficiencies and therefore has an effect on the professional judgment decisions of the responsible partner lead auditor. At the same time, since the auditor performing the quality control activity has different experiences, she/he may have different points of view in certain cases. The auditor performing the quality-control activity can review and assess the events independently. Moreover, the auditor performing the quality control activity may review the reports once more depending on the risk of the audit job.

The participants indicated that the auditor performing the quality control activity may have an effect on the professional judgment decisions of the responsible partner lead auditor when both auditors are working on the same sector. Apart from these, another benefit of the responsible partner lead auditor's considering the decisions of the auditor performing the quality control activity is that it eliminates the risk of blindness that occurs during the audit. It was also emphasized that, since the auditor performing the quality control activity attends the opening meetings, she/he has as much responsibility and authority on the events as the responsible partner lead auditor.

When the independent auditors were asked whether peer review had an effect on professional judgment decisions, 87% of them indicated that peer-review had an effect. On the other hand, 13% of the participants stated that it would sometimes have an effect.

Table 16 presents the information collected from the independent auditors about the effect of auditor-client relationship on professional judgment.

**Table 16.** Does auditor-client relationship affect professional judgment?

	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
Yes	1	2	5	8
No	2	2	2	6
Undecided	1			1

As it can be seen in Table 16, 8 of the participants indicated that the auditor-client relationship had an effect on the professional judgment decisions. The majority of these 8 participants worked in independent audit firms other than the Big 4. 6 participants stated that auditor-client relationship did not have an effect on the professional judgment decisions, the majority of these participants are observed to work in the Big 4 audit firms. The specific effects the auditor-client relationship on professional judgment decisions as expressed by the independent auditors are presented in Table 17.

**Table 17.** What specific effects does the auditor-client relationship have on the auditor’s professional judgment?

Codes	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
Auditor’s blindness may occur as a result of working with the same client for a long time.	2	1	1	4
If your client gave you confidence, it may have a positive effect on your professional judgment.		1	2	3
With clients who behave aggressively, the auditor may be discomforted and suspect other things underlying the behavior.	2		1	3
One should neither be too distant nor too close. It should be balanced.			1	1
Clients may convince the auditor.			1	1
The advantage of working with the same client is that both sides get used to each other’s culture.			1	1
We may be harsher, more investigative, and more questioning towards a client that is audited for the first time.		1		1
<b>Solution Strategies</b>				
Rotation is in placed to prevent this.	3	2	1	6

<i>Knowing the CFO should not affect your judgment assuming that you are an independent and objective person.</i>		1	1	2
<i>It is out of question to ignore problems of a client who treats us very well.</i>	1			1
<i>It should not have an effect since it is conflicting with professional ethics.</i>			1	1

When Table 17 is analyzed, it is observed that the auditor’s blindness may occur after working with the same client for a long time and therefore, this situation may have an effect on the auditor’s professional judgment. It was stated that legislation was brought forward around auditor rotation to resolve this issue.

176

It was mentioned that if the client gave confidence to the auditor, it would have a positive effect on the professional judgment decisions. It was highlighted that this originated from the familiarity of both sides with each other’s cultures owing to the long period of working with the same client. However, it was indicated that clients that behaved aggressively might be hiding something and therefore the auditor-client relationship might have a negative impact on the professional judgment.

Those participants who indicated that the auditor-client relationship did not have an impact on professional judgment decisions put forward as reason for their thinking the fact that an auditor should always carry out her/his work independently and objectively irrespective of the conditions and always behave in accordance with the professional morals.

Table 18 presents the independent auditors’ assessments related to whether a large share of the client company in the total revenues of their firm had any impact on the professional judgment decisions.

**Table 18.** Does the client company’s having a large share in the total revenues of your company have an impact on your professional judgment decisions?

	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
Yes		1	2	3
No	4	3	5	12

In Table 18, it is observed that 12 of the independent auditors interviewed stated that a large share of the client’s company in the total revenues of their company did not have an impact on their professional judgment decisions. 3 participants on the other hand stated that a large share of the client company in the total revenues of the auditing firm would have an impact on the professional judgment decisions and 2 of these participants are observed to work in auditing companies other than the Big 4.

Table 19 presents responses to the question whether the organizational culture of the firm had an impact on the auditor’s professional judgment.

**Table 19.** Does the organizational culture of the auditor’s company affect their professional judgment?

	<b>Big 4 Real Sector</b>	<b>Big 4 Financial Sector</b>	<b>Firms other than the Big 4</b>	<b>Total</b>
Yes	4	3	4	11
No		1	2	3
Undecided			1	1

As it is observed in Table 19, 11 of the independent auditors interviewed indicated that the organizational culture of the firm where the auditor worked had an impact on their professional judgment decisions. 3 participants on the other hand, stated that the organizational culture of the firm did not have an effect on the professional judgment decisions. The details on what effects the organizational culture could have on professional judgment decisions are provided in Table 20.

**Table 20.** Does the organizational culture of the auditor's firm affect her/his professional judgment?

Codes	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
Your company's approach to events and perspective is very important.		1	2	3
The perspective on risk has an effect.	1	1		2
Companies with a rather limited client portfolio might appease in order not to lose their clients.	1	1		2
The style of the top management is important.	1	1		2
We have global standards and rules.	2			2
If the organizational culture is low, the study is completed without checking certain events.			1	1
Your organization's culture affects your way of doing business.			1	1
We can be more professional and skeptical thanks to our technical controls and independent quality controls.	1			1
Since resources are more limited in small firms, the judgments may involve errors.	1			1
The effect of culture on professional judgment might be in line with the confidence and trust given by your clients.			1	1
Whether the company has international connections might have an effect.		1		1
Organizational culture affects the thought process.		1		1
If the organizational culture tends to flex the independence rule, then the professional judgment might be affected.	1			1
Some companies do not care about the quality of the audit; they only focus on winning more customers.			1	1
<i>Not so much, it affects at most 10-20%.</i>		<i>1</i>		<i>1</i>
<i>Organizational culture does not affect professional judgment; it is against the ethical values.</i>			<i>1</i>	<i>1</i>

As it can be seen in Table 20, it was indicated that the approach of audit firms to events and their perspective had an effect on the professional judgment decisions. It was also emphasized that the organizational culture had an impact on the auditor's professional judgment decisions in terms of the perspectives on risk. It was stated that depending on the organizational culture, audit firms with a rather limited client portfolio might appease in order not to lose their client. Some auditors stated that organizational culture had an impact on ways of doing business.

Especially, the auditors working in the Big 4 real sector stated that they could be more professional and more skeptical when they assessed the events owing to their organizational culture as they had global standards, technical controls, and independent quality controls.

It was stated that the judgments of small audit firms may involve errors because the resources are more limited in small firms. It was asserted that such type of firms might have an organizational culture that flexed the independence rule.

In the independent auditors' assessments about whether they arrived at a shared judgment across the company on topics where they were undecided to use their professional judgment, 80% of the independent auditors stated that a shared judgment was arrived across the company, and 13% stated that they did not arrive at a shared judgment across the company.

One participant from the audit firms other than the Big 4 indicated that in case a shared judgment was not reached within the company, there always existed a process of convincing each other. The majority of the participants mentioned that when it was not possible to arrive at a shared judgment within the company, they would consult with the technical team, other audit firms, experts, POA, CMB, Banking Regulatory and Supervisory Agency (BRSA), foreign sources, and academics. Moreover, the Big 4 would convene for some issues and establish joint decisions and set a common attitude. One participant from the audit firms other than the Big 4 indicated that in case they did not reach a shared judgment, they would consult with quality control units and risk partners, but not all firms had this opportunity.

### 5.2.3. Other Factors Affecting the Use of Professional Judgment

In this part of the study, the views of the independent auditors on other factors affecting the use of professional judgment are presented. Table 21 presents the details of the independent auditors' explanations about other factors that could affect the decision making process when using professional judgment.

**Table 21.** What are the other factors that might affect the decision making process when using professional judgment?

Codes	Big 4 Real Sector	Big 4 Financial Sector	Firms other than the Big 4	Total
As an external factor, the intensity of competition.		1	3	4
There is a strong client pressure in Turkey.		2	1	3
The shortage of the reporting period.			3	3
Not receiving the information and the documents on time.			2	2
The team's lack of experience.	1		1	2
Price negotiation.		1	1	2
A costing problem emerges in high-risk audits because of the elongated process.			1	1
The uncertainty in the environment.		1		1
Internally, there might be direction towards a specific area.		1		1
Internal audit, internal control.			1	1
Agreement and counts.			1	1
Incomplete files.			1	1
A problems originating from the firm's not fulfilling certain requirements on time.			1	1
Failure to prepare financial tables on time.			1	1
There is a serious problem in terms of legal notice periods.			1	1
Not being able to establish an independent audit culture with our clients.			1	1



In order for us to be able to perform the audit work efficiently, the firms should have reached a corporate structure.			1	1
Poor quality of clients, the fact that the clients do not know their company well.			1	1
Resignation of a person from the audit team in the middle of an audit.			1	1
Factors such as the perception the company had created in the society, social responsibility aspects, experiences in previous years, information from previous years, resolution of issues in previous years, how they approach the findings, and how they monitor the findings might have an effect.		1		1
Any subject involving the estimates and the assumptions of the client affects professional judgment.	1			1
The fact that my clients have an important place in my portfolio.			1	1
<i>Internal and external factors do not affect professional judgment.</i>	3	2	1	6
<i>We do not have a fear of losing clients.</i>			3	3
<i>We do not change our judgment to gain benefits.</i>			1	1
<i>I did not have any pressure until so far. However, there is no guarantee that I will not have in the future.</i>	1			1

As it can be seen in Table 21, the majority of the auditors who were especially from the Big 4 indicated that internal and external elements among other factors that might affect the decision making process when using professional judgment did not actually influence professional judgment. Some auditors from audit firms other than the Big 4 stated that they did not have a fear of losing clients. Some of the auditors who indicated that they were not affected by internal or external elements emphasized that they did not change their professional judgment to gain benefits.

Some participants highlighted especially the competitive pressures had an impact on the professional judgment decisions. Moreover, they indicated that the client pressure in Turkey was very high. The timing problem in relation to reporting periods was included among other factors that could affect the decision making process when using professional judgment. Independent auditors underlined that price negotiation sometimes had an effect on professional judgment decisions. Not being able to collect information and documents from the clients on time and the lack of experience of the team are again other important factors mentioned during the interviews. In terms of internal factors, elongated process times in high-risk audits were indicated to cause costing problems.

Apart from these, inefficient internal audit and internal control mechanisms of clients that are audited, clients' failure to fulfill their certain responsibilities on time, clients' lacking an independent audit culture, poor quality of clients and their not knowing the business well, clients' having an important place in the portfolio of the audit firm, and resignation of a team member in the middle of an audit are indicated among other factors that could affect the decision making processes when auditor is using her/his professional judgment.

## **6. Conclusion**

Auditors have to make subjective, in other words, personal assessments in some situations when they audit financial tables. It is not possible to explain this subjective information directly due to the nature of the information. One of the limitations of the study is that it is trying to measure these subjective assessments. Since it is very difficult to measure subjective assessments, this study employed a qualitative research using the interview method. This study tried to obtain detailed information from independent auditors about professional judgment, which is very difficult to measure. It is highly probable that if the same participants were asked the same questions at a different time, the results would be different than what is reported here. However, subjective and unmeasurable factors are as important as measurable factors. The fact

that subjective information cannot be explained directly does not mean that the people who will make judgments are not going to use subjective elements in their decisions. If it were possible to take all decisions based on measurable and verified data, then there would be no need for judgment since everything would be performed by a computer system.

According to the results of the study, when factors affecting professional judgment are assessed, the following conclusions become prominent. Education and experience are at the top priority among these factors.

It was determined that having an international experience had a positive impact on professional judgment decisions of the auditors in terms of both education and work experience. An international experience provides the auditor with positive added value to apply her/his professional judgment in a broader scope for different situations encountered. That is because the education and training received abroad are indicated to be beneficial to the auditor in terms of making multidimensional decisions, developing herself/himself, and creating better strategies and policies in each case.

It was concluded that experience had an effect on professional judgment decisions especially on a sector basis and the auditor started to become more skeptical with increasing experience. An auditor who has sector expertise would be capable of using a stronger professional judgment because she/he would know not only the auditing legislation but also that sector's own legislation. Moreover, new topics and new risks are emerging every day in the globalized world economy. As a result of these new risks, the expert who will make a professional judgment call, must learn about the new risks in that field and form her/his professional judgment accordingly. That is because if the information about the new risks are not learned, then problems may be encountered in relation to finding a solution in terms of what responses should be given to these risks. In such a situation, it is not possible to make an appropriate professional judgment to resolve the events.

It is observed that when using professional judgment, the members of the team and the experience of the team have a very important effect

in the decision making process. When the auditors in the team are experienced, trained, and coherent, the speed of the audit is increased and consequently, the decision making process using professional judgment can be completed in a much shorter period. Therefore, it becomes possible to complete the audit work effectively in a shorter period of time. Moreover, with a team member, it is possible to change views and judgments on certain topics where mistakes were made and professional judgment can be used effectively by discussing and evaluating different experiences and consulting with each other. Sometimes there could be different views among the members of the audit team. If certain issues are not resolved within the team, consulting with an independent expert could be beneficial at this point. For challenging and debatable issues that emerge during an audit, consultations that are held both within the audit team and among other persons help the auditor arrive at reasonable judgments.

Contrary to the literature, according to the information obtained from the independent auditors, it is possible to state that psychological conditions do not have any effect on the professional judgment decisions.

It could be asserted that when there are points that are left incomplete in the audit work of the responsible partner lead auditor, the auditor responsible for quality control activity can be helpful in completing these points and arriving at an efficient professional judgment. Moreover, it is observed that the auditor responsible for the quality control activity is more effective on the professional judgment decisions of the responsible partner lead auditor when both auditors work on the same sector. Apart from that, another benefit of the responsible partner lead auditor's considering the decisions by the auditor responsible for the quality control activity is that it eliminates the risk of blindness during the audit. Therefore, by establishing a quality assurance system, the auditors can make their assessments related to the entire audit process more healthily, and form an audit view appropriate to the situation using the necessary professional judgment at the end of the process.

Especially in audit firms other than the Big 4, the client's reassur-

ance to the auditor is observed to have a positive impact on professional judgment decisions.

It was concluded that the Big 4 audit firms are more professional and more skeptical when they assess events because they have global standards, technical controls, and independent quality controls. On the other hand, small audit firms have an organizational culture that flexes the independence rule when they use their professional judgment because they have more limited resources.

It is possible to state that other factors affecting professional judgment are the client pressure in especially audit firms other than the big 4, the fear of losing the client, competitive pressures, the uncertainty in the environment, price negotiations, and costing problems. It is observed that such effects do not exist in the Big 4 audit firms. Another important factor that may affect the decision making process when using professional judgment is the timing problem in relation to reporting periods. In such a situation the auditors are not able to detect important mistakes in financial tables. Therefore, the quality of the judgment arrived at the end of the audit work could be poor.

Not being able to collect information and documents from the clients on time, the clients' inefficient internal audit and internal control mechanisms, the clients' failure to fulfill certain responsibilities on time, the clients' not having any independent audit culture, poor quality of clients and the clients' not knowing their organizations well, the clients' having an important part in the audit firm's portfolio, the resignation of a team member in the middle of the audit, and the lack of experience of the team are again concluded to be among the other important factors affecting the professional judgment.

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