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Strengthening Audit Quality through Ethics and Skepticism: Evidence from Internal Auditors in Timor-Leste

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ABSTRACT

High-quality audits are increasingly needed to support transparency and accountability in government financial governance, including in Timor-Leste, a developing country. This study examines the influence of professional ethics and professional skepticism on auditor quality and investigates the moderating role of professional skepticism. The population consists of all government internal auditors at the Inspeção Geral do Estado (IGE), and a saturated sampling technique was employed, using the entire population as the sample. A quantitative method was adopted, with data evaluated using Partial Least Squares-Structural Equation Modeling (PLS-SEM). The findings are that professional ethics can enhance auditor quality, and professional skepticism also enhances auditor quality, demonstrating that a critical and questioning perspective improves the trustworthiness of audit outputs. Furthermore, professional skepticism enhances the effect of professional ethics on auditor quality. These findings provide theoretical implications by supporting agency theory, where auditors play an essential role in reducing information asymmetry between principals and agents, and attribution theory, where auditors' skeptical judgment reflects cognitive processes in evaluating and attributing the credibility of audit evidence. Overall, the integration of professional ethics and professional skepticism is essential to improve the quality of government internal auditors, thereby supporting more transparent and accountable public financial governance in Timor-Leste.

Keywords: Professional Skepticism, Professional Ethics, Auditor Quality, Good Governance.

JEL Code: M42, M48, M53, J24

I. Introduction

Transparent and accountable public financial management is widely regarded as a vital condition for implementing good governance, particularly in the public sector where the use of state resources must be justified to stakeholders. Government internal auditors play a strategic role in ensuring that state budget management is done efficiently, transparently, and in accordance with applicable regulations. The quality of internal auditors is crucial for detecting and preventing financial fraud, misuse of funds, and other corrupt practices that can harm the state (Andaningsih, 2025). In an increasingly complex global economy, the role of internal auditors has transformed from a mere administrative function to a crucial element in corporate and



government governance. Good governance can be achieved through monitoring and auditing of regional financial management. As a result, the inspectorate is essential to monitoring and evaluating regional government financial management (Lannai et al., 2025). Regional inspectorates carry out general oversight tasks for local governments in a manner akin to that of internal auditors. In government environments, internal auditors face unique pressures from political influence and limited resources, making professional ethics even more crucial.

However, various developing countries still face serious challenges in public financial management, including Timor-Leste, a young nation that has been independent since 2002. This country still faces problems related to transparency and accountability in government budget management. The government's internal audit sector still faces barriers like as a lack of human resource competency, limited independence, and a minimal understanding of good governance (Astuti et al., 2023). Furthermore, according to Jesus et al., (2026) high-quality internal audit is increasingly needed in Timor-Leste, especially in organizations such as the Inspeção Geral do Estado (IGE) in Dili. The IGE has an important mandate as a crucial oversight institution to help ensure efficient and effective state financial management, as well as to stop corruption and poor administration. According to a Transparency International Report, Timor-Leste has a score of 44 on the Corruption Perceptions Index (CPI) 2024. Based on a scale of 0 (most corrupt) to 100 (cleanest), corruption levels in Timor-Leste remain high. Corruption is caused by insufficient transparency in public financial management, ineffective oversight, and an inadequate accountability system (Kartikasari, 2025). This situation indicates that oversight of state financial management still needs strengthening to prevent budget misuse and financial fraud within the government. Therefore, this further demonstrates the essential role of government internal auditors in detecting and preventing fraud by improving auditor quality.

Auditor quality is essential for building investor trust and ensuring the credibility of financial reporting across diverse sectors of the economy. Research by Astuti et al., (2023) demonstrates that auditor quality increases the number of audit findings. However, government oversight agencies in Timor-Leste still face limitations in human resources, auditor technical capacity, and coordination between oversight agencies. This situation results in various audit findings not always being optimally followed up, potentially opening up opportunities for financial fraud in the public sector. Therefore, auditors must possess high-quality skills to identify audit findings. Furthermore, according to research by Ximenes & Guntur (2023) The strong sense of friendship and ethnicity among auditors, which promotes a strong sense of togetherness and humanity, presents another obstacle to enhancing auditor quality at the Inspeção Geral do Estado (IGE) office. This casts doubt on the auditors' ability to work independently. This problem underscores the importance of professional skepticism and auditor ethics in raising the quality of public sector audits.

Government internal auditors play a crucial role as a control mechanism to ensure accountability in public financial management. One factor that can influence auditor quality is the auditor's professional ethics. Professional ethics reflect the auditor's commitment to the values of integrity, objectivity, confidentiality, and competence in carrying out audit duties. Auditors who has strong professional ethics are expected to perform their responsibilities with independence and objectivity, thereby delivering high-quality audit outcomes. Research by Usman et al., (2023) on inspectorate institutions in Indonesia revealed that professional ethics positively impacts audit quality by encouraging independence and thorough evaluation of evidence. This suggests that professional ethics improves the detection of irregularities in public funds, which is a clear indicator of good auditor quality. Similarly, research by Julianti & Muhyarsyah (2023) and Arif et al., (2024) demonstrates that auditor ethics can improve auditor quality.

However, professional ethics alone is not always sufficient to produce a quality audit if the auditor does not possess an enough level of professional skepticism. Professional skepticism can be described as auditor's critical and alert mindset when assess audit evidence and remain mindful of the potential for errors or fraud in financial statements. This skeptical attitude allows the auditor to be more cautious in accepting information without adequate verification, thereby increasing the auditor's ability to detect indications of fraud. According to (2013), an auditor's personal traits, workplace environment, and external influences, such as regulatory requirements and client expectations, collectively shape the level of professional skepticism.

According to the study, auditors who consistently exercise professional skepticism are better equipped to detect the potential for material misstatements, and prevent audit failures, thus maintain auditor quality.

Correia et al., (2024) research conducted at the Inspeção Geral do Estado (IGE) found that the political behavior of leaders, auditor work pressure, and auditor integrity and independence influenced internal audit quality in Timor-Leste's ministries. Furthermore, the lack of uniform audit standards for all government auditors in Timor-Leste also impacted audit quality. Under these conditions of political pressure from leaders and organizations, professional skepticism becomes crucial as a mechanism to control auditor behavior. Several studies examining professional skepticism and auditor quality, including those conducted by Julianti & Muhyarsyah (2023) and Diana et al., (2025) found that professional skepticism positively affects auditor quality. However, research conducted by Husnianto et al., (2017) at the Sumbawa Island Inspectorate showed no effect on auditor quality. Therefore, it is necessary to examine the impact of professional skepticism on auditor quality, particularly among government internal auditors. Furthermore, professional skepticism is also suspected of moderating the influence of professional ethics on auditor quality. Research by Lannai et al., (2025), conducted on government internal auditors in Makassar, found that professional skepticism can moderate the influence of auditor professional ethics on auditor quality. Research examining the moderating role of professional skepticism has not yet been conducted in Timor-Leste, making this study particularly important in that context.

This study is grounded in agency theory, which suggests that conflicts of interest between the principal (public) and agent (government) can lead to fraud in public financial management. In this context, internal auditors act as a control mechanism to minimize information asymmetry. In addition, attribution theory is applied to explain how auditor behavior shaped by internal factors, such as professional ethics, and external factors (cognitive), such as professional skepticism, throughout the audit process. Therefore, this research integrates agency theory and attribution theory as psychological disciplines applicable to accounting and finance. This research is relevant for filling a gap in the literature on public sector accounting and auditing, particularly in the ASEAN region and Timor-Leste. Theoretically, this research can enrich the literature on factors influencing audit quality in the public sector, particularly in developing countries. Furthermore, it provides empirical evidence on agency theory and attribution theory. In practice, the results can support the Timor Leste government's policy of improving audit quality for governance, while also contributing to regional anti-corruption cooperation with Indonesia, a neighboring country. Therefore, this study seeks to investigate the moderating role of professional skepticism in the influence of professional ethics on the quality of government internal auditors in Timor Leste.

II. Literature Review and Hypothesis Development

2.1. Agency Theory

Agency theory was first proposed by Jensen & Meckling (1976), which discusses conflict between capital owners (principals) and capital managers (agents), usually as conflict of interest. In the public sector, agency problems can arise when the government, as the agent, fails to adequately represent the interests of the public, the principal, leading to fraud in public financial management. Therefore, a qualified internal government auditor is necessary.

2.2. Attribution Theory

Attribution theory is a branch of psychology introduced by Fritz Heider in 1958 that explains how both internal and external factors shape individual behavior through cognitive processes. According to Heider, humans often switch between internal and external attributions, depending on the available information and the context of the situation. This dynamic attribution process aids in the ability to understand the external environment, analyze the behavior of others, and predict future behavior Azhar et al., (2025). In

the context of auditor behavior reflecting auditor quality, this theory indicates that auditor quality is determined by professional ethics as an internal factor and professional skepticism as an external factor (Utama & Rohman 2023; Lannai et al., 2025). Attribution theory is used in this research because it seeks to analyze how auditor quality shaped by their attribute of professional skepticism such as ability to detect fraud, always questioning and critical analysis, therefore it can enhance enhance auditors' capability and effectiveness in identifying fraud.

2.3. Auditor Quality

Auditor quality was first proposed by DeAngelo, (1981), which examines the auditor's ability/competence to identify and report errors in financial statements. In this study, auditor quality was assessed through personal ability, professional commitment and motivation, and experience (Kusumawati & Syamsuddin, 2018).

2.4. Professional ethics

Professional ethics can be defined as guidelines for auditors' behavior in acting that can enhance public trust and the quality of the audit output. In the context of auditing, professional ethics refers to a collection of beliefs, standards, and principles that guide auditors' behavior in performing their tasks with independence, objectivity, and integrity (Surya et al., 2021). Generally, the professional ethics of auditors consist of the principles of integrity, objectivity, confidentiality, competence, and professional diligence.

2.5. Professional Skepticism

Professional skepticism is a critical mindset that involves continuously questioning and thoroughly examining audit evidence. Nelson (2009) proposed an ideas of professional skepticism by introducing two fundamental concepts of professional skepticism, namely skeptical judgment and skeptical action. Skeptical judgment happens when an auditor discovers a significant issue and decides to give it further attention, then based on that, the auditor changes their actions, resulting in skeptical action. Then Hurtt (2010) expanded this concept by defining three key characteristics of professional skepticism into three characteristics namely questioning mindset, suspension of judgment, and seek for knowledge. Professional skepticism enables auditors to detect fraud, recognize inconsistencies, and develop alternative explanations, as well as engage more effectively with clients (Hurtt et al., 2013). Furthermore, professional skepticism is shaped by auditors' personal traits, their work environment, and external pressures such as regulatory requirements and client expectations.

2.6. Hypothesis Development

a. The Influence of Professional Ethics on Auditor Quality

Auditors with high professional ethics tend to conduct audit procedures independently and are not influenced by external pressures, thus being able to produce quality audits. In the context of the public sector, professional ethics become increasingly important because auditors often face political and organizational pressures. Research on the inspectorate institutions in Indonesia conducted by Usman et al., (2023) revealed that professional ethics positively impact audit quality, as they encourage independence and thorough evidence evaluation. Similarly, the studies by Julianti & Muhyarsyah (2023) and Arif et al., (2024) yielded similar results, emphasizing that auditor ethics encourage auditors to behave ethically and apply good ethical principles to enhance audit quality, which ultimately boosts public trust.

H1: Professional Ethics enhance auditor quality

b. The Influence of Professional Skepticism on Auditor Quality

An auditor is required to have a professional skepticism attitude. This skeptical mindset helps ensure the reliability and integrity of audit evidence, thereby improving the overall quality of the audit. Conversely, low skepticism makes auditors less effective in carrying out audit procedures and identifying accepted evidence, thus raising concerns about the credibility of audit evidence and heightening the risk of fraud going undetected. Therefore, greater auditor skepticism is associated with higher audit quality (Soenjaya & Sofian 2024). Several studies have examined the role of professional skepticism in enhancing audit quality, such as those conducted by Julianti & Muhyarsyah (2023) and Diana et al., (2025), have proven that professional skepticism enhances auditor quality. Skilled and knowledgeable auditors in conducting audits while maintaining an appropriate level of skepticism can enhance their ability to critically assess evidence, contradictions, and discrepancies.

H2: Professional Skepticism enhance auditor quality

c. The Moderation Role of Professional Skepticism on Professional Ethics to Auditor Quality

Professional ethics plays a role in shaping auditor behavior, fostering moral values, and thus improving the quality of auditor work. However, professional skepticism, a mental attitude that makes auditors more critical of audit evidence, will determine how strongly professional ethics are applied in the audit process, thereby enhancing the overall quality of the auditor's work. Lannai et al., (2025) conducted a study on internal government auditors in Makassar, the results of which showed that professional skepticism can moderate professional ethics and auditor experience to improve the quality of internal government auditors. Professional skepticism is necessary for any audit work. A reasonable assurance that the evidence gathered is adequate and suitable to support the auditor's conclusions and findings must be provided by audits. Auditors must operate fairly, honestly, and objectively in order to maintain their independence and produce high-quality audits. Audit reports that adhere to audit standards in line with the real conditions can be produced by auditors who successfully apply professional ethics by following the public accountant's code of ethics or auditor's ethics during the audit process. Meanwhile, professional skepticism ensures that auditors do not overlook potential errors or fraud that could affect the reliability of financial statements (Tjan et al., 2024).

H3: Professional skepticism enhance the influence of professional ethics on auditor quality.

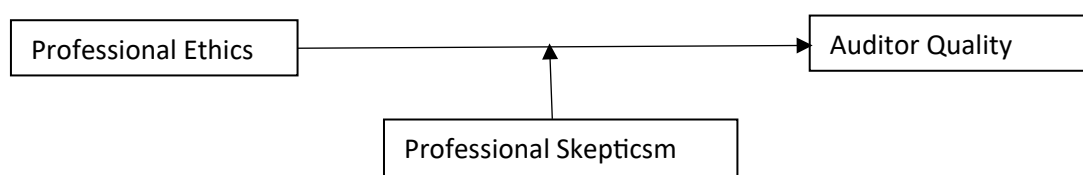


Figure 1. Conceptual Framework

III. Research Method

This research is a quantitative research, specifically causality, that examines the moderating role of professional skepticism on the effect of professional ethics to auditor quality. The research location is the Inspeção Geral do Estado (IGE), a State Inspectorate General in Timor-Leste responsible for the control, supervision, and audit of public administration. The population and sample were all 31 internal auditors at the Inspeção Geral do Estado (IGE). Respondents' answers to questionnaires on a Likert scale of 1 to 5 constitute primary data. The research variables consist of professional ethics, auditor quality, and professional skepticism. The operationalization of the professional ethics variable is adapted from Lannai et al., (2025), consists of

integrity and honesty, objectivity and professional judgment, confidentiality, and competence. Professional skepticism consists of questioning audit evidence, critical evaluation of information, and verification before concluding (Hurt, 2010); Lannai et al., 2025). Auditor quality consists of auditor ability, professional commitment and motivation, and experience (Lannai et al., 2025; Tjan et al., 2024; Kusumawati & Syamsuddin, 2018). The data analysis method was Structural Equation Modeling (SEM) using SmartPLS (Partial Least Squares), selected due to the relatively small sample size (Hair et al., 2014). The analysis involved evaluating both the measurement model and the structural model, while hypothesis testing was carried out bootstrapping.

IV. Results and Discussion

4.1. Analysis Result

The results were obtained from a questionnaire analyzed using SmartPLS 4. Demographic respondent is the majority of respondents are male (71%) and female (29%). Based on age, 61% are over 40 years old, 35% are between 31-39 years old, and the rest are under 30 years old. Based on education, the majority of respondents have a bachelor's degree (87%), 8% is master's degree, and the rest have a high school diploma. Then, based on work experience, the majority of respondents have worked for more than 5 years (84%), 10% have worked for 3-5 years, and the rest have less than 2 years of experience.

a. Outer Model

The initial stage of data analysis involved evaluating the outer model or measurement model, to assess the validity and reliability of the relationship between constructs and their indicators. Validity was examined through convergent and discriminant validity. Convergent validity was assessed based on factor loadings and the Average Variance Extracted (AVE). It is considered satisfactory when factor loadings exceed 0.7 and AVE values are above 0.5 (Hair et al., 2014). As presented in Table 1, all indicators have loading factor values greater than 0.7, indicating that they meet the criteria for convergent validity. Additionally, the AVE values for all constructs exceed 0.5, confirming that the constructs have achieved acceptable convergent validity. Reliability testing is conducted by examining the values of composite reliability and Cronbach's alpha values. As shown in Table 1, both measures greater than 0.7, indicating that all constructs/ variables meet the criteria for reliability.

Table 1. Outer Model Test

Variables	Items	Cross Loading	Composite Reliability	Average Variance Extracted (AVE)	Cronbach's Alpha
Professional Ethics	X1	0.939	0.870	0.747	0.829
	X2	0.765			
	X3	0.879			
Auditor Quality	Y1	0.741	0.868	0.730	0.814
	Y2	0.919			
	Y3	0.892			
Professional Skepticism	Z1	0.827	0.808	0.693	0.781
	Z2	0.873			
	Z3	0.795			

b. Inner Model

The inner model is evaluated with the R Square value for the endogenous latent construct and is used to see the ability of the exogenous variables to decide the extent of the influence of the exogenous variables on the endogenous variables. Table 2 shows the R square test result of 0.783, which means that the quality of auditors is influenced by professional ethics and professional skepticism by 78.3 percent.

Table 2. R Square Test

	R Square
Auditor Quality	0.783

The inner model is also used to test hypotheses using the bootstrapping method. The following table shows the hypothesis testing results:

Table 3. Hypothesis Testing

Variables	Original Sample	T statistic	P Values	Description
Professional Ethics->Auditor Quality	0.519	3.193	0.001	Significant/accepted
Professional Skepticism->Auditor Quality	0.438	3.077	0.002	Significant/accepted
Professional Skepticism x Professional Ethics ->Auditor Quality	0.625	4.244	0.000	Significant/accepted

Based on the Table 3, the hypothesis test for professional ethics on auditor quality has a p-value of 0.001, a t-statistic of 3.193, and a path coefficient of 0.519. This demonstrates that professional ethics can enhance auditor quality, thus accepting Hypothesis 1. Furthermore, professional skepticism on auditor quality has a p-value of 0.002, a t-statistic of 3.077, and a path coefficient of 0.438. This demonstrates that professional skepticism can enhance auditor quality, thus accepting Hypothesis 2. Furthermore, the moderation test for professional skepticism on the impact of professional ethics to auditor quality has a p-value of 0.000, a t-statistic of 4.244, and a path coefficient of 0.625. This demonstrates that professional skepticism strengthens the positive effect of professional ethics on auditor quality, therefore accepting Hypothesis 3.

4.2. Discussion

a. The Influence of Professional Ethics on Auditor Quality

Hypothesis 1, which states that professional ethics can enhance auditor quality, is accepted. This means that the higher the professional ethics among auditors are associated with better quality in their work. Internal auditors who adhere to strong ethical principles are more capable of maintaining independence during the audit process, leading to findings that are both objective and reliable. In the public sector, particularly for government internal auditors, professional ethics is crucial given the potential for political pressure, conflicts of interest, and management intervention. IGE auditors, who oversee financial reporting in Timor Leste, need to properly implement professional ethics. In this study, auditor professional ethics were assessed as integrity and honesty, objectivity and professional judgment, and confidentiality and competence, which serve as guidelines for internal auditors in Timor Leste in conducting financial report audits. The application of these professional ethics will produce high-quality auditors in carrying out their duties, as reflected in the auditor's ability, professional commitment and motivation, and experience, ultimately increasing public trust. Auditors with high professional ethics throughout the audit process can minimize errors, resulting in high-quality audits (Farida, 2021).

In the context of Timor-Leste, challenges in public financial management, such as limited capacity of supervisory institutions, weak internal control systems, and cases of budget irregularities, indicate that the quality of internal auditors still needs to be improved (Astuti et al., 2023). Under these conditions, auditors with high professional ethics will be better able to resist external pressure and continue to do audit procedures according to standards, resulting in quality audits. The results of this study align with research by Usman et al., (2023), Julianti & Muhyarsyah (2023), and Arif et al., (2024), which provide evidence that auditor professional ethics improves auditor quality. This research contributes to agency theory in greater detail by providing empirical evidence that auditors, as third parties in addressing agency problems such as information asymmetry between principals and agents, need to pay attention to and apply the auditor's professional code of ethics when working. Furthermore, by applying professional ethics, auditors can maintain and enhance the quality of auditors. Auditors with high professional ethics will be more capable of reducing

moral hazard because they tend not to manipulate information and are committed to transparent and accountable reporting. Thus, professional ethics directly contribute to the improvement of audit quality as a monitoring tool in agency relationships.

Practical implications for the Timor-Leste government and the IGE include ensuring that all internal auditors not only understand the code of ethics normatively but also implement it in their daily audit practices. This can be achieved through the development of more operational ethics guidelines, regular training, and internalization of the values of integrity, objectivity, and professionalism. Thus, auditors will be better able to maintain and apply their professional ethics and produce objective and credible audit findings.

b. The Influence of Professional Skepticism on Auditor Quality

Hypothesis 2, which states that professional skepticism can enhance auditor quality, is accepted, meaning that the greater the level of professional skepticism an auditor possesses, the higher the quality of the audit they produce. IJE auditors in Timor Leste who apply professional skepticism can be assessed from their attitude of always questioning audit evidence, critically evaluating information, and conducting verification before concluding, which will form high-quality auditor behavior. In the context of government internal auditors in Timor-Leste, the audit environment, characterized by limited data, potential organizational pressures, and the risk of budget irregularities, requires auditors to consistently uphold a strong level of professional skepticism (Astuti et al., 2023). Skeptical auditors will be more thorough in examining audit evidence, perform additional procedures when necessary, and be more sensitive to indications of fraud. This ultimately improves the quality of the resulting audit.

Auditors who consistently assess risks carefully and ensure auditee compliance will improve their work quality. A cautious approach will enhance the auditor's credibility to detect errors and indications of fraud (Zainudin et al., 2021; Adhikara & Widodo, 2023; Cui et al., 2025). Auditors who exhibit high levels of professional skepticism are more effective at identifying material misstatements in financial reports, highlighting its crucial role in strengthening auditors' ability/competence to detect and address discrepancies or irregularities during the audit process and ultimately contribute to more reliable financial reporting (Tjan et al., 2024). The results of this study align with Julianti & Muhyarsyah (2023), Diana et al., (2025), Tjan et al., (2024), and Soenjaya & Sofian (2024). This study supports attribution theory, which describes how an individual's behavior is influenced by both external factors such as such as professional skepticism and internal factors such as professional competence and ethics. Strengthening professional skepticism within the auditing profession is therefore essential since auditors will use professional skepticism to look for audit evidence in order to produce a high-quality audit.

c. The Moderation Role of Professional Skepticism on Influence of Professional Ethics to Auditor Quality

Hypothesis 3, which states that professional skepticism enhance the influence of professional ethics on auditor quality, is accepted. This demonstrates that the better an internal auditor's professional skepticism, the greater the influence of their professional ethics on auditor quality. Although auditor professional ethics is an essential factor in improving audit quality, in practice, professional ethics alone is not always sufficient to produce a quality audit. In the context of this study, auditors with high professional ethics can detect fraud quite well, but this is even better if supported by cognitive abilities for critical thinking. Therefore, another factor is needed to strengthen the good influence of professional ethics on audit quality, namely professional skepticism. This results is consistent with research of Lannai et al., (2025) conducted on government internal auditors in Makassar, which found that professional skepticism can moderate the influence of professional ethics on auditor quality. Likewise, research by Chen et al., (2023), proves that professional skepticism is able to moderate to improve auditor quality.

Based on attribution theory, the interaction between professional ethics (as an internal factor) and professional skepticism (as a cognitive process) will determine how auditors make decisions in audit situations. Auditors with strong ethics and strong skepticism will be more critical in evaluating audit evidence, less easily influenced by bias or external pressure, and better able to identify indications of fraud. Thus,

professional skepticism reinforce the influence of professional ethics on auditor quality. This extends the application of attribution theory beyond social psychology to organizational behavior and auditing, thereby enriching the understanding of auditor cognitive processes and behavior.

The results emphasize that combination of professional ethics and professional skepticism is a key factor in shaping a quality auditor. Therefore, auditor human resource development should not only focus on technical aspects but also include strengthening behavioral and cognitive aspects. IGE can integrate both aspects into the auditor competency development system, including in the recruitment, training, and performance evaluation processes. Furthermore, to continuously improve auditor quality, the IGE needs to strengthen its internal control system and create a work environment that supports auditor independence. This includes reducing organizational pressure or intervention that could affect auditor objectivity, as well as providing protection for auditors in carrying out their duties. A conducive audit environment will enable auditors to optimally apply professional ethics and professional skepticism. For the Timor-Leste government as a whole, the findings of this study suggest that enhancing the quality of internal auditors is a strategic measure for strengthening public financial governance. With qualified auditors, it is hoped that government budget management will be more transparent and accountable, while minimizing the risk of fraud and financial irregularities.

V. Conclusion

This study confirms the findings that professional ethics can enhance the quality of internal auditors at IGE in Timor Leste Country. This suggests that auditors who demonstrate integrity, objectivity, competence, and maintain confidentiality in carrying out their duties can produce higher-quality audits. Auditors that have high professional ethics are able to maintain independence, avoid conflicts of interest, and increase public trust in audit results. The next research finding is that professional skepticism can enhance the quality of internal auditors at IGE Timor-Leste and also has a role to reinforce the influence of professional ethics on auditor quality. This indicates the need to strengthen auditors' professional skepticism during the audit process. This finding aligns with attribution theory, which explains that an individual's behavior is influenced by external and internal factors (cognitive processes). In this case, auditor decision-making behavior is influenced by internal factors (professional ethics) and cognitive processes (professional skepticism) in assessing information. Thus, professional skepticism plays a significant role in shaping the quality of auditors' audit behavior, making it more accurate and reliable.

Theoretically, these study reinforce agency theory, which asserts that auditors act as a control mechanism to reduce information asymmetry and moral hazard between principals and agents by improving auditor quality. Next contribution to attribution theory, this research expands the application of attribution theory beyond social psychology to organizational behavior and auditing, thereby enriching the understanding of auditor cognitive processes and behavior. As a practical implication, IGE needs to improve auditors' critical and analytical thinking capacity through case-based training programs, audit simulations, and the development of audit evidence evaluation skills. Enhanced professional skepticism will help auditors identify indications of fraud, evaluate evidence more thoroughly, and reduce the risk of errors in audit decision-making. Auditor human resource development should not only focus on technical aspects but also include strengthening behavioral and cognitive aspects. IGE can integrate both aspects into the auditor competency development system, including in the recruitment, training, and performance evaluation processes. For the Timor-Leste government, shows that improving the quality of internal auditors is a strategic step in strengthening public financial governance. With qualified auditors, it is hoped that government budget management will be more transparent and accountable, while minimizing the risk of fraud and financial irregularities.

A limitation of this study is the relatively small sample size, which consists of only 31 respondents. This sample size encompasses all IGE auditors, thus limiting the use of analytical tools. Therefore, this study used Smart PLS, which can be used for small samples. A further limitation was conducted in the context of a

developing country with a still-developing financial oversight system, such as Timor-Leste. Therefore, the results are strongly influenced by the institutional conditions, regulations, and human resource capacity specific to that country. Therefore, the suggestion for further research is to conduct similar research in other developing countries to enrich the literature on public sector finance and auditing.

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