



The Relationship between Auditors' Moral Disengagement and Audit Quality

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Abstract

Introduction: Audit quality is one of the most important issues in the field of auditing and capital market. In order to know the factors that determine the audit quality, the conducted researches confirm that compliance with ethics by auditors is one of the important and influencing variables on audit quality. Therefore, the purpose of this article is to explore the relationship between auditors' ethical disengagement and audit quality.

Material & Methods: According to its nature, the present research is applied research, and in terms of method, it is among descriptive-correlational research. Its statistical population consists of auditors working in audit institutions, and 185 people have been selected among them as an in access sample. The data collection tool is a questionnaire. The collected data were summarized by Excel software and analyzed using SPSS software through multivariate regression.

Results: The results of this research show that there is moral disengagement among auditors and it has a significant and negative relationship with the auditor's understanding of audit quality. In other words, with the increase of moral disengagement in the auditors, the audit quality also decreases.

Conclusion: Audit quality is affected by factors and behavioral characteristics, including auditor's moral disengagement. The rule of ethics in the auditing profession can strengthen individual ethics in auditors, and this ultimately increases the quality of auditing.

Keywords: *Moral disengagement, Auditing quality, Professional ethics of auditors*

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INTRODUCTION

The subject of ethics in the auditing profession is of particular importance. Studies in the field of corruption and financial scandals show that the auditors' moral disengagement can be a factor in the degradation of audit quality and as a result lead to the discrediting of the audit profession. Moral disengagement is a concept that expresses a kind of indifference in people towards laws, norms, standards and professional code of conduct. Code of ethics is a special set of moral rules and virtues that auditors must follow in order to improve audit quality. The auditors' compliance with ethical guidelines leads to

the trust and confidence of financial information users in accounting and auditing reports. Honesty, competence, objectivity, independence, respect, loyalty, confidentiality and integrity are among the ethical characteristics that auditors are required to observe in the code of professional conduct. Auditors having such characteristics make auditors firstly maintain their professional commitment in improving the quality of their performance and secondly have a framework for evaluating and responding to threats related to compliance with their responsibilities [1]. In confirmation of this issue, the researchers found that when the auditor is afraid of losing the client; He may

not respect his independence in the audit process and align his interests with the interests of the client [2]. Also, in a study about the observance of the components of professional ethics by the members of the association of certified public accountants, the researchers found that age and gender have an effect on the observance of the ethical components, including objectivity, professional conduct, competence and professional care, coherence and unanimity, confidentiality [3]. A recent research shows that the use of artificial intelligence in auditing has confronted this profession with four ethical challenges: objectivity, privacy, transparency, accountability, and trustworthiness [4]. Most of the researches conducted in the field of moral indifference have investigated unethical decisions and anti-social behaviors. People with high moral disengagement usually do not fulfill their social responsibilities properly. They deal with their violations and wrongdoings by using special mechanisms and try to come up with reasons and justifications to deal with their immoral actions and to feel less guilty [5]. Moral disengagement in the workplace causes employees to pursue their personal interests, and hence unethical behaviors in the workplace such as fraud increase [6]. Ethical infrastructure and ethical climate of organizations can prevent the unethical behavior of the organization's employees. When the employees of the organizations reach this level of understanding that the organization's environment and moral infrastructure can reduce their self-interested and unethical behaviors, then the moral indifference of the employees will decrease [7]. Studies show that moral indifference is less in women than in men. But financial incentives can influence women's desire to engage in unethical behavior [8]. Also, during a research, it was shown that duty orientation and moral consequentialism are different among male and female accountants. In other words, duty orientation and moral consequentialism are more in women than in men [9].

Moral disengagement is affected by various factors, including individual characteristics such as moral orientation, personality, risk aversion, love of money, moral intensity, and the like. Studies in this field have shown that dark traits such as Machiavellianism, antisocial psychopathy and narcissism have a negative effect on the ethical behavior of accountants [10].

Auditors' judgment and decision-making is highly dependent on their individual characteristics, including their ethical characteristics such as their ethical reasoning. An auditor who has a higher moral reasoning, his professional skepticism is high and as a result, the quality of the audit is also high [11].

The results of studies in this field show that by strengthening moral foundations in accountants and auditors, their social responsibility also increases. [12] It was also shown in another research that by improving the ethical foundations of auditors, their motivation to warn of fraud (whistleblowing) can be strengthened in line with audit quality [13].

Moral disengagement in auditors reduces the professional skepticism of auditors and consequently audit quality. This issue shows how non-compliance with ethics by auditors can have a negative effect on the auditor's reputation and audit quality [14].

The auditor's moral disengagement makes him not have a correct assessment of fraud risk. With the increase of moral disengagement in auditors, they may underestimate the risk of fraud in their proceedings [15].

The auditor's experience is another factor that affects the quality of the auditor's work. Many people in this profession need to have completed the academic training of accounting and auditing at the level of auditing work. This makes familiar with the ritual and ethical conditions that affect the quality of auditors' work. Research shows that the work experience, competence, motivation, responsibility and realism of the auditor (Auditor's objectivity) have an effect on the quality of the audit. The auditor's ability, responsibility and objectivity have a significant effect on the quality of the audit, and in order to improve the quality of the audit and professional judgment, the auditor's competence and knowledge should be developed. Also, the realism of the auditor can help the auditor in the direction of a better audit and away from putting pressure on others [15]. In another study, it was shown that the auditor's professional ethics, competence and experience have a positive effect on audit quality. The auditor's skepticism has an effect on audit quality [17]. Moral disengagement of people can encourage them to lie. This issue in the accounting profession can lead to false reports [18- 20].

According to what was mentioned above, the purpose of this research is primarily to discover the

relationship between auditors' moral disengagement and auditors' understanding of audit quality. Also, the next goal of this research is to expand the theoretical foundations of previous research on audit quality.

MATERIAL AND METHODS

According to its nature, the present research is applied research, and in terms of method, it is among descriptive-correlational research. Also, the research method for developing theoretical foundations is library studies. Its statistical population consists of auditors working in audit firms, and 185 of them were selected as a sample. Also, 60 of the participants in the research were women and the rest were men. Of these, 5 people have an associate degree, 79 people have a bachelor's degree, 91 people have a master's degree, and 10 people have a doctorate. Also, 92 auditors work in the public sector and the rest work in the private sector. The tools of data collection and measurement of variables in this research were standard questionnaires. The reliability of the questionnaires was calculated

with Cronbach's alpha. Cronbach's alpha of the moral disengagement questionnaire is equal to 75% and the audit quality perception questionnaire is equal to 72%. Research data has also been analyzed based on multivariate regression. The independent variable is moral indifference and the dependent variable is auditors' understanding of audit quality. Also, variables of work experience, education and gender are control variables.

RESULTS

The results of the descriptive statistics of the research are shown in table 1. The results of this table show that the average moral disengagement in the auditors of the research sample is 26. Considering that the moral disengagement questionnaire has eight questions on a 7-option Likert scale. The maximum score of moral disengagement is 56 and the standard average is 28. But in this research, the average of moral disengagement is lower than the standard of the questionnaire.

Table 1: Descriptive statistics

Statistics	Perception of audit quality	Moral Disengagement	Work experience
Mean	27.52	26.12	11.68
Median	28	26	10
SD	6.32	9.20	7.40
Min.	15	18	2
Max.	45	54	31

Also, the results of the analysis of inferential statistics using multivariate regression are reported in table 2. The evidence of this table shows that moral disengagement has a significant effect on auditors' understanding of audit quality. Since the coefficient of this variable is negative, it can be claimed that at the 95% confidence level, moral disengagement has a significant and negative effect on auditors' perception of audit

quality. In other words, as the level of moral disengagement in auditor's increases, audit quality will decline. This table also shows that the variables of gender, education and work experience of the auditor do not have a significant effect on the auditor's understanding of audit quality. Because the significance level of these variables is more than 5%.

Table 2: Multivariate regression results

Variables	Coefficients	t	Sig.	VIF
y-intercept	19.804	8.566	0.000	-
Moral disengagement	-0.239	-4.836	0.000	1.012

Gender	0.617	0.620	0.536	1.061
Education	0.599	1.364	0.174	1.285
Work experience	0.140	1.667	0.097	1.781
F	5.644		0.000	
R ²	0.142			
D.W	2.106			

The results of the Mann-Whitney and Wilcoxon tests in table 3 show that moral disengagement among male and female auditors, as well as public

and private sector auditors, is the same and has no significant difference.

Table 3: The average comparison test of moral disengagement

Statistics	Gender	Audit type
Mann-Whitney U	3313.5	2527.5
Wilcoxon W	5143.5	6805.5
Z	-1.281	-1.650
Asymp. Sig. (2-tailed)	0.200	0.099

Based on the Kruskal-Wallis test, Table 4 shows that auditors' moral disengagement has no

significant difference in different educational levels.

Table 4: Comparison test of moral disengagement average

Statistics	Education
Kruskal-Wallis H	2.437
df.	4
Asymp. Sig. (2-tailed)	0.656

DISCUSSION

The main purpose of this research is to investigate the relationship between moral disengagement and auditors' understanding of audit quality. Moral disengagement is one of the behavioral characteristics that people learn to be morally indifferent to an issue through observational learning. They do not feel guilty by committing violations and immoral acts and try to justify it. According to the descriptive statistics, the level of moral disengagement of auditors is lower than the average level. That is, on average, auditors have little moral disengagement. But the results of multivariate regression show that as the level of moral disengagement of auditors increases, their understanding of audit quality decreases. This issue can have an adverse effect on the quality of work and performance of auditors. In other words, it can be said that the increase in moral indifference among auditors will make them look for their personal interests and therefore they will not observe professional ethics. Non-observance of professional ethics, including non-

observance of independence, will reduce audit quality. In this research, it was shown that the auditor's gender, education, and work experience do not have a significant relationship with the perception of audit quality. This issue is contrary to past researches [8, 9]. Also, non-observance of ethics by auditors can have a negative impact on the auditor's assessment of fraud risk and ultimately lead to a decrease in the auditor's performance and audit quality. All these cases have harmful effects on the auditor's reputation and credibility [14, 15]. In order to strengthen compliance with ethics and reduce moral disengagement, audit institutions are suggested to reduce moral disengagement in auditors through training and developing informative guidelines in the field of ethics. This ethics training as well as monitoring the ethical behavior of auditors can play an important role in promoting ethics [19].

The limitations of this research can be listed as follows: First, in order to collect data, a questionnaire was used in this research, as a result, some people may have

refused to provide real answers and gave unrealistic answers. Second, this research has been done cross-sectionally. Therefore, it may not be possible to generalize the research results to future periods and other statistical samples.

CONCLUSION

Ethics is of particular importance in the auditing profession. Ethical criteria and standards are like a road map that help auditors to clearly fulfill their role and social responsibility in order to protect public interests. For this purpose, the policy makers of the auditing profession have made it mandatory for the auditors to observe ethics in order to improve the performance of auditors and improve the quality of auditing and ultimately to improve the credibility and reputation of the auditing profession. This research, in line with the findings of past researches, emphasizes the importance of ethics and individual ethical characteristics of auditors. What can be concluded in this research is that moral disengagement in the auditing profession can cause the quality of auditing to decline and ultimately reduce the credibility of the auditing profession. According to the authors of this article, the governance of ethics in the auditing profession can reduce the tensions, risks and costs associated with the auditing profession. Strengthening ethical standards in auditors can increase the success of audit institutions as a competitive advantage.

ETHICAL CONSIDERATIONS

In this paper, the authors have taken into account ethical issues like plagiarism, informed consent, multiple publications, etc. While adhering to the principle of fiduciary duty in writing the article, people during the distribution of the questionnaires are assured that their opinions will be kept confidential, and the results will be merely assessed in general.

CONFLICT OF INTEREST

The authors declare that there is no conflict of interests.

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