Unethical Audit Behaviour among Malaysian Auditors: An Exploratory Study

Mohd Nazli Mohd Nor1*, Malcolm Smith2, Zubaidah Ismail3 and Hairul Suhaimi Nahar4

1School of Maritime Business and Management, Universiti Malaysia Terengganu, Malaysia
2School of Commerce, University of South Australia, Australia
3School of Business, Faculty of Business and Law, Edith Cowan University, Australia
4Department of Accounting and Finance, Faculty of Economics and Management, Universiti Putra Malaysia, 43300 Serdang, Selangor, Malaysia

ABSTRACT

The purpose of this paper is to investigate the occurrence of unethical behaviours commonly known as Reduced Audit Quality Practices (RAQP) among auditors. The study employed a mail survey to collect data from auditors registered with the Malaysia Institute of Accountants. The results of this study indicated that RAQP did occur in the Malaysian auditing profession, especially among auditors with less auditing experience and practicing in non-big four audit firms.

Keywords: Unethical Behaviours, RAQP, Audit Quality, Dysfunctional Behaviour

INTRODUCTION

Major corporate scandals such as Enron, WorldCom and Parmalat in the early 2000s have shed light on the status and credibility of the auditing profession. These scandals put the auditing profession under increasing public scrutiny whereby accountants were alleged to have breached their trust (Chan & Leung, 2006). Loosing the public trust may put the accountancy profession in a self destruct mode as proved by the case of Arthur Andersen, one of the then, big four audit firms. As a consequence, government intervention in regulating the profession were increased in quest of restoring public confidence (Chan & Leung, 2006).

One strategic effort was the introduction of a new quality control standard which is the International Standard on Quality Controls 1 (ISQC1). The purpose of
this standard is to strengthen the ethical environment of the auditing profession by placing high emphasis on both, ethical and technical requirements. The standard recognises the importance of ethical behaviour among auditors when they audit the financial reports. Ethical behaviours among auditors are vital to produce high audit quality (Pflugrath, Martinov-Bennie & Chen, 2007), especially when ethical problems are inherent in the audit working environment (Finn, Chonko & Hunt, 1988).

Auditors play a boundary-spanning role (Rebele & Michaels, 1990), a role requires extensive “interactions with many people, both inside and outside the organisation, with diverse needs and expectation” (Goolsby, 1992, p. 156). Such interactions, in many cases, may result in potential conflict of interest and lead to unethical behaviours among the auditors.

Previous studies indicate that auditors’ unethical behaviours such as reduced audit quality practices (RAQP) were common practices among the auditors. Such practices were identified in the published Cohen Commission report in 1978. The report discloses that majority of the auditors engaged in premature sign-off acts (Margheim & Pany, 1986) which constitutes one of the many RAQP practices. Subsequent studies showed relatively high number of auditors involved in RAQP, providing cogent evidence that auditors tend to compromise audit quality by engaging in unethical behaviours (Kelley & Margheim, 1990; Otley & Pierce, 1996; Coram, Ng & Woodliff, 2003; Paino, Ismail & Smith, 2010).

Present study examines the ethical problems among Malaysian auditors, especially after the code of ethics have mandated ISCQ1 on all accounting firms, which may give some insight into such regulatory initiative i.e. whether the introduction of ISCQ1 improves (or otherwise) auditors’ ethical environment in the auditing profession. Moreover, previous studies on RAQP have provided strong support on the occurrence of misbehaviour in the auditing work environment, however, none has considered the effect of auditors’ audit experience. The consequence of such misbehaviour is potentially detrimental, since it may lead to substandard audit quality and erroneous audit opinion thereof.

LITERATURE REVIEW

Audit Quality

Extant literature provide definitions of audit quality from multiple perspectives. The most prevalent definition of audit quality in the accounting literature is the market-assessed probability that the financial statements contain material errors and that the auditor will both detect and report errors and irregularities in financial statements (DeAngelo, 1981). Other definitions used in the accounting literature are the probability that an auditor will not issue an unqualified report for financial statements containing significant misstatements (Lee, Liu, & Wang, 1999), the accuracy of the information provided by auditors (Titman & Trueman, 1986; Krinsky & Rotenberg, 1989; Davidson & Neu, 1993) and the degree to which the auditors comply with
applicable legal and professional standards (Cook, 1987; McConnell & Banks, 1998; Tie, 1999; Krishnan & Schauer, 2001).

Despite the diverse definitions, they effectively share similar dimensions which are competence and independence. Fearnley and Beattie (2004) argued that these dimensions are necessary to avoid audit failure and hence they are mutually inclusive (Barnes & Huan, 1993). Pflugrath et al. (2007) defines auditor competency as the degree to which an auditor can apply and comply with the professional standards and professional’s code of ethics. They further suggest that auditors should “posses both technical and ethical dimensions, and audit quality is determined by both technical and ethical factors” (2007, p. 569).

Reduced Audit Quality Practices

In auditing, audit quality is the fundamental factor which explains the demand for auditing practice. The auditing profession serves as a middle-man to reduce information asymmetry between the preparer and users of financial statements. Therefore, in order to retain this role, auditors must maintain the trust and confidence of the public (Pasewark, Shockley & Wilkerson, 1995) which can only be achieved by providing high audit quality standards. Arguably, this stewardship function is systematically violated in the event of substandard audit quality. Lack of expertise and insufficient experience may lead the auditors to engage in unethical behaviours, such as improperly investigate errors or misstatements, or over relying on the information given by clients; all of which will affect the findings of audit works. These unethical behaviours practically constitute RAQP.

RAQP is defined by Herrbach (2001, p. 790) as “…poor execution of an audit procedure that reduces the level of evidence gathered for the audit, so that the collected evidence is unreliable, false or inadequate quantitatively or qualitatively”. RAQP technically occurs when the auditors have not properly executed audit procedures required to complete their tasks. This behaviour will not only give a negative effect to individual auditors, but also threatens the outcome of the engagement and the validity of the audit opinion. The audit risk is increased if audit work is not properly performed and executed (Coram et al., 2003), causing the probability of auditing firms issuing wrong audit opinion is higher.

This research stream on RAQP originally emerges from the report issued by the American Institute of Certified Public Accountants⁷ (AICPA) Cohen Commission in 1978¹. The report provides some important insight on auditors’ behaviours and provides evidence that it is normal for auditors to sign-off an audit program without performing necessary audit procedures, not recording the omission of those audit procedures or not substituting it with other alternative audit procedures or steps (Alderman & Deitrick, 1982). The report also disclosed that approximately

¹This report is not publicly available. References for this report has been obtained from other studies, e.g. Alderman and Deitrick (1982) and Margheim and Pany (1986).
60% of the auditors engaged in premature sign-off acts (Margheim & Pany, 1986) and provides a platform for subsequent research to further investigate the RAQP among auditors.

RAQP have both, direct and indirect implications for audit quality. Underreporting of time is a behaviour engaged by auditors that indirectly affects audit quality (Kelley & Margheim, 1990; Otley & Pierce, 1996). On the other hand, behaviour that directly affect audit quality are premature sign-off (Donnelly, Quirin & O’Bryan, 2003; Pierce & Sweeney, 2004), accepting weak client explanations or doubtful evidence (Malone & Roberts, 1996; Coram et al., 2003; Gundry & Liyanarachchi, 2007), failing to research an accounting principle (Kelley & Margheim, 1990; Otley & Pierce, 1996), making superficial reviews of client documents (Kelley & Margheim, 1990; Malone & Roberts, 1996), reducing the amount of work performed on audit step (Otley & Pierce, 1996), rejecting awkward looking items from a sample and not testing all of the items in a selected sample (Coram et al., 2003).

Raghunathan (1991) found that 55% of the auditors had prematurely signed-off on audit program. Coram et al. (2003) who investigated auditors in Australia found that 63% of the auditors admitted “sometime” engaging in RAQP, while Paino et al. (2010) found 72% of the auditors admitted to engaging in one or more RAQP, at least “sometime”. The results of Otley and Pierce (1996) are more disturbing as they found that 88% of the senior auditors in three of the Big 6 firms in Ireland admitted to have engaged in at least one of the RAQPs. Accordingly, the specific questions addressed in this study on RAQP is:

RQ1. How extensive are the RAQP among the Malaysian auditors?

RQ2. What are the factors influencing the occurrence of RAQP in Malaysia?

Prior studies have found that RAQP are most likely to occur at lower-level positions within the audit firm. Gundry and Liyanarachchi (2007) and Alderman and Deitrick (1982) found that lower level audit staffs and senior auditors were more likely to engage in RAQP than managers and partners. Similarly, most of prior studies examining lower level audit staffs and senior auditors found a high incidence of RAQP at these levels (Kelley & Margheim, 1990; Raghunathan, 1991; Otley & Pierce, 1996). One possible explanation for this may be that the auditors at lower level positions perceive meeting the budget as important for their performance evaluation and their evaluation is done by manager and partner. In addition, they may also think that budgets are more difficult to attain thus influencing them to engage in RAQP. On the other hand, Coram et al. (2003) found that there was no significant difference in terms of experience level in RAQP incidence. Malone and Roberts (1996) however did find experience level or “tenure effect” is associated with RAQP.

2Currently Big 6 firms are known as Big 4 firms
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They found that senior auditors are more likely to have committed RAQP than staff auditors, in view that they have been in public accounting for quite some time and they were exposed to more chances to experience and respond to circumstances where RAQP were possible. With regards to gender, prior research suggests no significant difference between male and female auditors in the incidence of RAQP (Coram et al., 2003). Thus, research question 3 is stated as follows:

RQ3. Do auditing experience, position and gender affect RAQP behaviours among Malaysian auditors?

Majority of audit quality literature used firm differentiation approach as a basis for its research framework. This approach is used to explain the rationale of audit firms’ involvement in reducing the information gap. Previous studies that used such approach were conducted under the assumption that larger audit firms provide higher audit quality (Watkins, Hillison & Morecroft, 2004). This could be due to the fact that larger audit firms such as Big four auditing firms have stronger ethical environments through firm’s code of conduct and relevant ethical trainings (Pflugrath et al., 2007). However, the occurrences of recent scandals involving large audit firms suggest that this assumption is somewhat tenuous. Furthermore, there was also evidence that the incidence of RAQP does not only occur in small and medium auditing firms (Margheim & Pany, 1986; Gundry & Liyanarachchi, 2007), but surprisingly, in Big four auditing firms too (Kelley & Margheim, 1990; Raghunathan, 1991; Otley & Pierce, 1996; Donnelly et al., 2003). Thus, to investigate this issue in the Malaysian context, the following research question is proposed:

R4. Do firm types affect the unethical behaviours among the auditors?

METHODOLOGY

Participants
The respondents of this study consist of registered external auditors with the Malaysian Institute of Accountant (MIA). The questionnaire was posted together with a postage-paid pre-addressed envelope. In requesting their participation, respondents are also informed that their involvement is completely voluntary and that responses will be treated confidentially with results are reported in aggregate form.

Measurement
The questionnaire was divided into 3 sections of demographic information, RAQP and factors that lead to RAQP. Demographic information includes gender, age, year of audit experience, job position and type of audit firm. The RAQP was measured using items drawn from Kelley and Margheim (1990) and Otley and Pierce (1996). Five items, namely (1) prematurely signing-off on an audit program step; (2) reducing the amount of work performed on an audit step below what the audit would consider reasonable; (3) failing to research an accounting principle or technical issue; (4) making superficial reviews of client...
documents; and (5) accepting weak client explanations. These are selected mainly because Kelley and Margheim (1990) found that these audit misbehaviors are commonly engaged by auditors. Respondents were asked to indicate the frequency of each variable encountered in the previous year of audit work. The factors that lead to RAQP behaviours are drawn from Alderman and Deitrick (1982). A five-point Likert scale was employed in all of the questions in the questionnaire except for the demographic information.

RESULT

Response

Questionnaires were sent to 1,756 MIA members out of which 296 questionnaires were returned (16.9% response rate). Out of these, 7 incomplete questionnaires were received. 15 questionnaires were excluded mainly because the respondents were not working as an external auditor. This leaves 274 usable questionnaires, representing 15.6% response rate. The low response rate is expected and well acknowledged in various mail survey studies across various research fields in Malaysia and developing countries in view that participants are typically reluctant to participate in mail surveys (Salleh & Dali, 2009; Shaari, 2010). In addition to that, the sensitive and confidential nature of the information requested may have contributed to the low response rate. The response rate obtained in this study is similar to prior studies conducted in Malaysia, with response rate ranging from only 12.3% to 22.7% (Othman, Abdul-Ghani & Arshad, 2001; Jusoh, Ibrahim & Zainuddin, 2008; Jusoh & Parnell, 2008; Lai, 2008; Salleh & Dali, 2009; Shaari, 2010).

TABLE 1
Characteristics of Sample

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>No</th>
<th>%</th>
<th>Characteristic</th>
<th>No</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td><strong>Firm's Size</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>110</td>
<td>40%</td>
<td>Big Four</td>
<td>40</td>
<td>14.6%</td>
</tr>
<tr>
<td>Female</td>
<td>164</td>
<td>60%</td>
<td>Non-Big Four</td>
<td>234</td>
<td>85.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>274</td>
<td>100%</td>
<td><strong>Total</strong></td>
<td>274</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Auditing Experience</strong></td>
<td></td>
<td></td>
<td><strong>Position in Firm</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 3 years</td>
<td>0</td>
<td>0</td>
<td>Junior</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3 – 5 years</td>
<td>92</td>
<td>33.6%</td>
<td>Senior</td>
<td>125</td>
<td>45.6%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>120</td>
<td>43.8%</td>
<td>Manager</td>
<td>126</td>
<td>46%</td>
</tr>
<tr>
<td>11 years and above</td>
<td>62</td>
<td>22.6%</td>
<td>Director</td>
<td>11</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Partner</td>
<td>12</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>274</td>
<td>100%</td>
<td><strong>Total</strong></td>
<td>274</td>
<td>100%</td>
</tr>
</tbody>
</table>
Table 1 above summarizes the characteristics of respondents. A demographic assessment of the sample revealed that majority of the respondents were female (59.9%) and nearly half of the respondents (43.8%) had 6 to 10 years audit experience, followed by 3 to 5 years (33.6%) and more than 10 years of audit experience (22.6%). None of the respondents had audit experience of less than three years. This is not surprising as this study used MIA members as its respondents and MIA requires three years relevant experience to qualify for membership. The respondents were predominantly from non-Big Four firms (85%) and most of the respondents were either at senior (45.6%) or manager (46%) levels.

The survey questionnaire used five RAQP items similar to those used by Kelley and Margheim (1990) and Otley and Pierce (1996). Table 2 below presents the summary of respondents’ responses on specific RAQP. In general, the means for all RAQP items are close to “2”, which represented the “rarely” category. The standard deviation suggests that the individual RAQP is not widely spread. The most common RAQPs engaged by respondents are “superficial reviews of client’s documents” followed by “reduced audit work below what they considered reasonable” with 24.1% and 16% of the respondents at least “often” involved in these kind of practices. Almost 13% of the respondents engaged in “premature sign-off”, whereas only 9.1% and 8% at least “often” engaging in the “accepted weak client explanation” and “failed to research an accounting principle”, respectively. 14.6% to 28.5% of the respondents indicated that they “never” involve in any of the RAQP. However, out of these, only 5.11% (14 respondents) indicated that they were “never” involved in all of five types of RAQP, thus suggesting that RAQP could be a normal practice among auditors during the auditing process.

<table>
<thead>
<tr>
<th>RAQP</th>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Often</th>
<th>Always</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prematurely signing-off on audit program step</td>
<td>24.8%</td>
<td>27.7%</td>
<td>34.7%</td>
<td>9.5%</td>
<td>3.3%</td>
<td>2.39</td>
<td>1.06</td>
</tr>
<tr>
<td>Reduced work below what you considered reasonable</td>
<td>14.6%</td>
<td>31.4%</td>
<td>38.0%</td>
<td>14.2%</td>
<td>1.8%</td>
<td>2.57</td>
<td>0.97</td>
</tr>
<tr>
<td>Failed to research an accounting principle</td>
<td>28.5%</td>
<td>35.4%</td>
<td>28.1%</td>
<td>6.9%</td>
<td>1.1%</td>
<td>2.17</td>
<td>0.96</td>
</tr>
<tr>
<td>Made superficial reviews of documents</td>
<td>24.1%</td>
<td>21.2%</td>
<td>30.7%</td>
<td>16.8%</td>
<td>7.3%</td>
<td>2.62</td>
<td>1.22</td>
</tr>
<tr>
<td>Accepted weak client explanation</td>
<td>22.3%</td>
<td>38.0%</td>
<td>30.7%</td>
<td>7.3%</td>
<td>1.8%</td>
<td>2.28</td>
<td>0.95</td>
</tr>
</tbody>
</table>

TABLE 2
The Frequencies of Specific RAQP Engaged by Auditors
Table 3 below presents means for RAQP items based on demographic information such as gender, firm size, position and year of auditing experience. It shows that male auditors involved in unprofessional behaviours more than female auditors. However, only “reduced audit work below what they considered reasonable” is significant, $t(272) = 2.71$, $p<0.01$. Further analysis was conducted to compare total mean scores for RAQP for male and female respondents. The result indicates that there was no significant difference in scores for males ($M = 2.49$, $SD = 0.78$) and females ($M = 2.35$, $SD = 0.76$; $t(272) = 1.52$, $p>0.5$ (two-tailed)).

The results also indicate that non-Big four firms have higher means in all RAQP items compared to Big-four firms, except for “reduced work below what auditor considered reasonable” which is significant at 0.01. The analysis of total mean scores for RAQP supports this assertion by indicating that non-Big four firms auditors ($M = 2.50$, $SD = 0.76$) had a significantly higher mean for engaging in RAQP than Big-four firm auditors ($M = 1.88$, $SD = 0.64$; $t(272) = -4.86$) at $p<.01$.

Table 3 further shows that auditors with more auditing experience are associated with lower levels of engagement in RAQP. The mean score reflects the fact that all RAQP activities were engaged by those who had served in the profession for less than 5 years. The lowest is 2.41 (failed to research an accounting principle) and the highest is 2.86 (made superficial reviews of documents). ANOVA analysis was conducted to further explore the impact of auditing experience on audit quality, as measured by the RAQP. There was a statistically significant difference at $p<0.05$ level in RAQP for the three experience groups: $F(2, 271) = 7.39$. A Tukey post-hoc test reveals that the unprofessional behaviours by the auditors with auditing experience 3 to 5 years ($M = 2.63$, $SD = 0.77$) was statistically significantly higher compared to auditors with 6 to 10 years ($M = 2.35$, $SD = 0.74$) and more than 11 years experience ($M = 2.17$, $SD = 0.75$). There is no statistically significant differences between the auditors with 6 to 10 years and more than 11 years experience.

As with the auditing experience, the results indicate that lower rank auditors have tendency to engage in RAQP except for “accepted weak client explanation”. ANOVA test examining the effect of positions (i.e. senior auditors, manager, director and partner) on RAQP provides results indicating that there is a significant effect of position on RAQP engagement, $F(3, 270) = 8.55$, $p<0.01$. Further analysis reveals that auditors at the “senior” level had a significantly higher mean for engaging in RAQP than those at “manager” level (senior auditor, $M = 2.65$, $SD = 0.72$; manager, $M = 2.17$, $SD = 0.77$).

With regards to possible reasons of engaging in RAQP, auditors indicate beliefs that this practice is most likely the result of (1) client or regulatory agency deadline, (2) time budget constraint, (3) work is low risk, and (4) inadequate supervision as shown in Table 4 below.
TABLE 3
The Mean of Specific RAQP Based on Demographic Information

<table>
<thead>
<tr>
<th>RAQP</th>
<th>Gender</th>
<th>Firm size</th>
<th>Auditing Experience (years)</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Big-four</td>
<td>Non-Big-four</td>
</tr>
<tr>
<td>Prematurely signing-off on an audit program step</td>
<td>2.46</td>
<td>2.34</td>
<td>1.80</td>
<td>2.49</td>
</tr>
<tr>
<td>Reduced work below what you considered reasonable</td>
<td>2.76</td>
<td>2.45</td>
<td>2.40</td>
<td>2.60</td>
</tr>
<tr>
<td>Failed to research an accounting principle</td>
<td>2.17</td>
<td>2.16</td>
<td>1.75</td>
<td>2.24</td>
</tr>
<tr>
<td>Made superficial reviews of documents</td>
<td>2.66</td>
<td>2.59</td>
<td>1.78</td>
<td>2.76</td>
</tr>
<tr>
<td>Accepted weak client explanation</td>
<td>2.40</td>
<td>2.21</td>
<td>1.68</td>
<td>2.39</td>
</tr>
<tr>
<td>Mean RAQP Score</td>
<td>2.49</td>
<td>2.34</td>
<td>1.88</td>
<td>2.50</td>
</tr>
</tbody>
</table>

TABLE 4
The Cause for RAQP

<table>
<thead>
<tr>
<th>RAQP</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client or regulatory agency imposed deadline</td>
<td>3.22</td>
</tr>
<tr>
<td>Time budget constraint</td>
<td>3.19</td>
</tr>
<tr>
<td>Work is low risk</td>
<td>2.96</td>
</tr>
<tr>
<td>Inadequate supervision</td>
<td>2.84</td>
</tr>
<tr>
<td>To obtain a favourable performance evaluation</td>
<td>2.82</td>
</tr>
<tr>
<td>Lack of specific technical knowledge</td>
<td>2.80</td>
</tr>
<tr>
<td>Inclination to readily accept client personnel explanations</td>
<td>2.76</td>
</tr>
<tr>
<td>Unnecessary or immaterial audit step</td>
<td>2.69</td>
</tr>
<tr>
<td>Dislike for the specific work required</td>
<td>2.43</td>
</tr>
<tr>
<td>Misunderstanding of professional responsibilities</td>
<td>2.34</td>
</tr>
</tbody>
</table>

DISCUSSION

The aim of this study is to examine the existence of RAQP among Malaysian auditors at various positions. This academic inquiry is motivated by several major financial scandals leading to public untrust on auditing profession. This study provides fresh Malaysian evidence in relation to audit quality threatening behaviours specifically RAQP. In general the most RAQP engaged by auditors are “superficial reviews of client’s documents” followed
by “reduced audit work” with 24% and 16% of the auditors at least being “often” involved in these practices, respectively. The least engaged RAQPs are “accepted weak client explanation” and “failed to research an accounting principle”. Almost 13% of the auditors involved in “premature sign-off”.

One major concern highlighted in this study is the high incidence of RAQP among auditors in Malaysia. This study found that almost 95% of the auditors engaged in some of the RAQP. The possible explanation for the high involvement of auditors with RAQP could be due to stress factors. The respondents in this study indicated that the reasons why they engaged in this unprofessional behaviours are mainly because of tight client deadline and time budget constraint; both are the sources of stress and need to be properly managed by audit firms. There is also evidence that these behaviours will be on an increasing trend as Otley and Pierce (1996) and Coram, Ng and Woodliff (2003) found that 12% and 37% of respondents indicated “never” for all types of RAQP. However, present research found that only 5% of respondents indicated that they “never” engaged in any type of RAQP. This provides evidence that RAQP is highly problematic in Malaysian auditing profession as the empirical results obtained point to the fact that the RAQP level is higher compared to those documented in other countries. The fact that almost 95% of the auditors engaged in at least one of the RAQPs in Malaysia provides evidence of the critical level of this problem in the auditing environment, which could have a detrimental effect specifically on the audit opinion.

Consistent with previous studies (e.g., Margheim & Pany, 1986), the results indicate that auditors in non-Big four firms engaged in RAQP more compared to those in Big four firms. The Big four firms may have more effective quality control systems and review procedures to prevent any unprofessional behaviours. Furthermore, the presence of formal codes of conduct and relevant training create strong ethical environment in Big four firms (Pflugrath et al., 2007) and strong ethical culture reduces RAQP behaviours (Svanbergh & Ohman, 2013). These are true as Malone and Roberts (1996) found that auditors will be less likely to engage in RAQP if they perceived that their firm is able to detect and punish those who commit the RAQP. With regards to gender, there is no difference in terms of engaged RAQP between male and female auditors in Malaysia, although the number of female respondents is higher than male, and this is consistent with the previous study (e.g., Coram et al., 2003).

The results also revealed that those who have worked less than five years engaged more in RAQP. Therefore, it is not surprising that present study found auditors at senior position had a significantly higher mean of RAQP engagement compared to manager which supports findings in previous studies (e.g. Alderman & Deitrick, 1982; Gundry & Liyanarachchi, 2007). The possible explanation is that, senior auditors are responsible to directly supervise the
audit team and at the same time responsible to report to manager or partner. However, they are not directly supervised by the manager or partner while carrying out fieldwork, thus providing opportunities for dysfunctional behaviour to occur (Otley & Pierce, 1996). Furthermore, auditors at senior position are the most pressurized group in the firm, which could motivate them to engage in unethical behaviours (Kelley & Seller, 1982). The effectiveness of a firm’s code of ethics as a tool for ethical guidance may also contribute to the findings of this study. The presence of a code of ethics has a positive impact on auditors ethical behaviour (Adams, Malone & James, 1995; Pflugrath et al., 2007).

Siegel, O'Shaughnessy and Rigsby (1995) suggests that auditors with greater auditing experience may familiar and have higher level of internalization of professional code of ethic, thus hinders them to behave unethically.

CONCLUSION

Overall, the results of the study provide persuasive evidence of the existence of unethical behaviours among Malaysian auditors at various positions. The fact that most of the RAQP engaged by auditors at lower position should be a concerned to the auditing profession. Accounting firms should consider formally exposing their auditors, especially at junior and senior rank to a professional code of ethic through formal training and close monitoring by more experienced auditors. The results of this study should be interpreted in light of certain limitations inherent in the study. First, due to the relative small sample size, the auditors in the study may not be representative of the population of auditors in Malaysia; therefore, some caution should be exercised in extrapolating the results of this study to the auditors at large. Furthermore, the auditors who participated in the study are predominantly from non-Big four firms, which may also limit the generalisability of the results. Despite these limitations, the study improves our understanding of the current situation related to unethical behaviours in the Malaysian auditing profession.

REFERENCE


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