

ANALYSIS OF THE INFLUENCE OF ACCOUNTANT PROFESSIONAL ETHICS ON AUDIT QUALITY: A LITERATURE REVIEW

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Abstract

This study aims to analyze the influence of professional ethics of accountants on audit quality through a literature review. Professional ethics is a key component in the accounting profession, which includes the principles of integrity, objectivity, independence, competence, and confidentiality. These principles serve as a moral foundation and quality control mechanism that ensures that audits are conducted to high standards and in accordance with applicable regulations. The results of the literature review indicate that consistent application of professional ethics has a positive effect on audit quality, by ensuring that financial statements are audited honestly, neutrally, and transparently. However, challenges such as external pressure and conflicts of interest can hinder auditors from implementing ethical principles. In addition, strict internal supervision and regulation are essential to maintain the application of professional ethics and ensure that auditors remain independent and objective. In conclusion, professional ethics plays a crucial role in maintaining audit quality and increasing public trust in the audit results produced by accountants. This study makes an important contribution to understanding the importance of implementing professional ethics in order to maintain integrity and quality in the accounting profession, and offers insights for the development of policies and training related to ethics in the future.

Keywords: Analysis, professional ethics, accountants, audit quality

INTRODUCTION

Audit is one of the important elements in the financial world that aims to provide assurance on the fairness of the financial statements presented by the company (Sandy, M. B., Meutia, I., & Yulianita, 2021). In the audit process,

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an auditor is responsible for conducting an independent and objective examination, ensuring that the company's financial statements are in accordance with applicable accounting standards and reflect the actual financial condition. However, audit quality is often questioned, especially when there is a failure to detect fraud or significant material errors. This is where the role of professional ethics becomes important, because the professional ethics of an accountant greatly affects the independence, objectivity, and competence of the auditor in carrying out their duties. According to Ika, D., & Suryani, Y. (2019), the professional ethics of accountants are not only a guideline for auditors in carrying out their duties, but also an internal control tool to ensure that every decision taken is based on high moral standards. Various principles of professional ethics, such as integrity, objectivity, professional competence, confidentiality, and professional behavior, are designed to maintain the quality of the audit produced. However, challenges faced by auditors in maintaining high ethical standards often come from various sources, including external pressure from clients, a competitive business environment, and even less stringent regulations. In certain situations, auditors may be tempted to ignore these ethical principles for personal gain or to maintain business relationships with clients (Puspitasari et al., 2019).

Violations of professional ethics in the accounting world not only affect the reputation of auditors and audit firms, but can also reduce public confidence in the quality of audits and audited financial statements (Handoko, B. L., & Pamungkas, 2020). Several major financial scandals involving multinational companies such as Enron and WorldCom, for example, highlight the negative impact of auditors' failure to comply with professional ethical standards. In these cases, auditors who were supposed to act as independent supervisors were involved in financial statement manipulation that caused major losses for investors and shareholders. This failure opened the eyes of many parties to the importance of integrity and professional ethics in maintaining audit quality.

Literature studies on the influence of professional ethics on audit quality have grown in recent decades. Researchers have tried to identify how the principles of professional ethics can improve auditor independence and, ultimately, improve audit quality. One important aspect discussed in this study is how the application of ethical principles such as integrity and objectivity can reduce the risk of fraud or manipulation of financial statements. In addition, several studies also discuss the importance of education and training in ethics

for accountants and auditors to strengthen their awareness of the importance of professional ethics in the workplace (Jaya et al., 2016).

Alsughayer, S. A. (2021) independence is a key factor in a quality audit process. Without independence, auditors cannot provide objective and reliable opinions. Professional ethics, especially in terms of maintaining independence, requires auditors to be free from the influence of other parties, including the management of the audited company. However, in practice, maintaining independence is often difficult. The pressure to maintain business relationships with clients, which can impact the audit firm's income, can cloud the auditor's judgment. Therefore, regulations and professional standards often emphasize the importance of auditors maintaining sufficient distance between themselves and the audited entity, so that there is no conflict of interest that can affect audit quality (Kuntari et al., 2017). In addition to independence, competence is also an important component in determining audit quality. Competence is not only related to the auditor's technical ability in understanding accounting and auditing standards, but also to the auditor's ability to apply the principles of professional ethics in every stage of the audit. A competent auditor not only masters good audit techniques, but also understands how professional ethics are the basis for every decision taken. In this context, ongoing training on ethics and professional standards is essential to ensure that auditors remain competent and can face ethical challenges that may arise during the audit process.

On the other hand, regulations governing the accounting and auditing profession also play an important role in maintaining audit quality. Ethical standards set by professional institutions such as the Indonesian Institute of Accountants (IAI) and the International Federation of Accountants (IFAC) provide a clear framework for auditors in carrying out their duties (Ardillah, K., & Chandra, 2022). However, compliance with regulations alone is not enough if it is not supported by the auditor's personal commitment to carry out their duties with high integrity and responsibility. In some cases, even though regulations have been implemented, ethical violations still occur due to weak supervision and law enforcement.

In relation to audit quality, violations of professional ethics by auditors often have a direct impact on the audit results produced. For example, the auditor's inability to remain objective or independent in assessing a client's financial statements can lead to inaccurate audit reports. This can ultimately mislead stakeholders who rely on the report to make business decisions.

Therefore, maintaining high ethical standards is an integral part of efforts to improve overall audit quality.

The professional ethics of accountants plays a very important role in maintaining audit quality. Strict application of ethics not only serves to protect the integrity of the profession, but also to ensure that the audit results produced are reliable and provide added value to stakeholders (Koswara et al., 2023). Literature studies on the influence of professional ethics on audit quality provide valuable insights into how ethical principles can be effectively applied in daily audit practices. Through a deeper understanding of the relationship between professional ethics and audit quality, it is hoped that auditors can carry out their duties better and can make a greater contribution to improving financial transparency and accountability in the future.

RESEARCH METHOD

The research method used in this study is a literature review, in which researchers collect, review, and analyze relevant literature related to the influence of professional ethics of accountants on audit quality. Literature review allows researchers to understand the views and results of previous studies, identify trends, and explore theoretical concepts related to the topic. In this process, data sources used include academic journals, books, research reports, and publications from professional institutions that focus on accounting and auditing. Researchers select literature with certain criteria and have strong relevance to the theme, and come from credible and trusted sources. Data obtained from the literature are analyzed thematically to identify the relationship between professional ethics and audit quality, as well as to highlight key findings, gaps in the literature, and recommendations for future research. This method is expected to provide a comprehensive picture of the topic raised and contribute to the development of further research in the field of professional ethics in accounting and auditing.

RESULT AND DISCUSSION

The Influence of Professional Ethics on Audit Quality

According to Prasanti et al., (2019) professional ethics is a moral foundation that guides the behavior of accountants and auditors in carrying out their duties. In the context of auditing, professional ethics includes principles such as integrity, objectivity, confidentiality, professional competence, and professional behavior. Audit quality is highly dependent on the application of these principles because each stage of the audit requires auditors to be honest,

transparent, and impartial. Strict application of professional ethics not only ensures that the audit process is carried out in accordance with applicable standards but also increases public confidence in the audit results produced. One of the main principles in the professional ethics of accountants is integrity, which refers to the auditor's commitment to be honest and act with high moral consistency. Auditor integrity greatly influences audit quality, because auditors with integrity will not engage in data manipulation practices or misrepresentation of information in audit reports (Djaddang, S., & Lysandra, 2022). Conversely, auditors with integrity will ensure that all evidence collected during the audit process is valid and relevant, and that the opinions given are based on actual facts. Integrity also encourages auditors to report audit findings objectively, even though this may not be in the interests of clients or certain parties. Good audit quality is not only measured by compliance with technical procedures, but also by the auditor's ability to maintain integrity amid external pressure.

Objectivity and independence are two important elements that are closely related to professional ethics and audit quality (Setyowati et al., 2021). Objectivity requires auditors to be neutral and not influenced by pressure or the interests of other parties, while independence refers to the auditor's position which must be free from relationships or situations that can influence their decisions. If an auditor cannot maintain objectivity and independence, audit quality will be threatened because the decisions taken may not be based on existing evidence and facts, but rather influenced by personal or client interests. In many cases, violations of the principle of independence have led to failed audits, where auditors are unable to disclose serious financial problems due to conflicts of interest.

When auditors do not maintain independence, the resulting audit opinion tends to be biased and does not reflect the company's true financial condition. For example, auditors who have close business relationships with clients may be reluctant to report discrepancies in the financial statements, which will ultimately harm shareholders and the public. Therefore, the application of the principle of independence in professional ethics is one of the main factors that influence audit quality. Professional competence, which includes the knowledge, skills, and experience possessed by the auditor, is also an important element in determining audit quality. A competent auditor must understand the applicable accounting and auditing standards and be able to apply them appropriately during the audit process. This competence includes not only technical knowledge, but also a deep understanding of professional

ethics. A competent auditor will always consider the ethical implications in every audit decision taken (Oraka, A. O., & Okegbe, 2015).

According to Yulianti, Y., Chandrarin, G., & Supanto, F. (2022) audit quality can be affected when auditors do not have adequate competence to conduct complex audits or when they fail to follow professional standards. In this case, ongoing training and professional certification play an important role in ensuring that auditors remain competent and able to face the growing challenges in the business and financial world. Without adequate competence, even auditors with high integrity and objectivity may not be able to produce quality audits.

Although professional ethics are designed to maintain audit quality, the application of ethical principles is not always easy. Auditors often face external pressures that can compromise their integrity and objectivity. These pressures can come from the management of the audited company, shareholders, or even from the competitive business environment. In some cases, auditors may be pressured to relax audit standards or turn a blind eye to certain violations in order to maintain a business relationship with a client. For example, in a situation where the auditor relies on one large client for the majority of the firm's revenue, the auditor's independence may be compromised due to significant economic dependence. The auditor may find it difficult to provide a negative audit opinion for fear of losing the client. Cases like these demonstrate that external pressures can lead to ethical violations, which ultimately reduce audit quality. To overcome these external pressures, auditors need to have a strong commitment to ethical principles and must be supported by strict regulations. International auditing standards and codes of professional ethics issued by institutions such as the International Federation of Accountants (IFAC) aim to strengthen the position of auditors in maintaining their independence and integrity (Kusumawati, A., & Syamsuddin, 2018). In addition, regular internal audits can help identify potential ethical violations and ensure that auditors remain compliant with professional ethical standards.

The principle of confidentiality in professional ethics requires auditors to maintain the confidentiality of information obtained during the audit process, unless required by law to disclose it (Angelin, A., & Efriyenti, 2024). Although this principle is important, auditors also have a responsibility to report fraud or significant irregularities discovered during the audit. Violation of the principle of confidentiality or misuse of confidential information can damage the reputation of the auditor and the audit firm and reduce public confidence in the audit results produced. Professional ethics plays an important role in

maintaining audit quality. The application of principles such as integrity, objectivity, independence, professional competence, and confidentiality are the foundation for auditors in producing quality audits. However, the application of professional ethics is not always easy to do because of external pressures and other challenges faced by auditors in practice. Therefore, in addition to the auditor's individual commitment to ethics, strict regulation and effective supervision are also needed to ensure that audit quality is maintained.

Challenges in the Implementation of Professional Ethics by Accountants

The application of professional ethics by accountants often faces various challenges, both internally and externally. One of the biggest challenges faced by accountants is pressure from parties who have an interest in financial statements, such as company management, shareholders, or investors (Bakotić, D., & Rogošić, 2019). This pressure can be in the form of requests to modify or present financial statements in a profitable manner, even though it violates correct accounting principles. This situation can test the integrity and objectivity of accountants, because they have to choose between fulfilling the wishes of clients or complying with professional ethical standards that require them to be honest and transparent.

In addition, conflicts of interest are another challenge that accountants often face. When accountants have personal or financial relationships with clients, their independence can be compromised. In many cases, this type of relationship makes it difficult for accountants to provide objective opinions, thus affecting the quality of the audit or financial statements they produce. Even in situations where there is no direct pressure from clients, accountants may find it difficult to maintain sufficient professional distance to maintain their independence.

External factors such as less strict regulations or weak supervision can also be challenges in the application of professional ethics. Although there are standards and codes of ethics to follow, ineffective enforcement can open up opportunities for ethical violations (Huterski et al., 2020). In some cases, accountants may be tempted to ignore ethical principles if they feel that the consequences will not be significant. Conversely, the competitive business environment and the demands to achieve certain targets often lead accountants to make decisions that compromise ethics.

On the other hand, technological challenges are also increasingly relevant in the modern accounting world. Digitalization and automation in accounting processes can make work easier, but also increase the risk of ethical

violations, especially related to data confidentiality and security. Accountants must be able to balance the use of technology while maintaining the principles of professional ethics, such as maintaining the confidentiality of client data and ensuring that information used in the audit and accounting processes remains secure (Zhang, 2024).

Overall, the application of professional ethics by accountants requires not only a deep understanding of ethical principles, but also the courage to act in accordance with these principles, even when faced with various pressures and challenges. Accountants need to continuously update their understanding of the code of ethics and get support from regulations and professional institutions to help them stick to ethical standards in the face of existing challenges.

Professional Ethics as a Quality Control Tool

Professional ethics is an important foundation that shapes the behavior, responsibilities, and decision-making of accountants and auditors. More than just a moral guideline, professional ethics also acts as a very effective quality control tool in ensuring that the work of accountants, especially in audits, reaches the highest standards and remains reliable. The code of ethics designed by professional organizations, such as the Indonesian Institute of Accountants (IAI) and the International Federation of Accountants (IFAC), establishes a strict framework to guide accountants in carrying out their duties, ensuring that integrity, objectivity, and independence are always maintained. In other words, professional ethics functions as a control mechanism that ensures the quality of audits and financial reports in accordance with public expectations and applicable regulations (Aufderheide, B., & Nare, 2022).

1. Professional Ethics and Quality Control in the Audit Process

In the context of an audit, professional ethics directly affects quality control at every stage of the audit process. Consistent application of ethics ensures that auditors carry out their work with a responsible, impartial attitude and prioritize the public interest above personal interests or client interests. The principles of professional ethics, such as integrity and objectivity, guide auditors to always report findings honestly and transparently, without being influenced by pressure from external parties. This is important to maintain the quality of the audit produced and public trust in the accounting profession as a whole.

For example, when an auditor finds indications of fraud or irregularities in a client's financial statements, professional ethics requires the auditor to

remain objective and independent in assessing the situation, even if the client tries to pressure the auditor to hide or ignore the findings. In this case, professional ethics acts as a control that prevents the auditor from making decisions that are detrimental to audit quality. Thus, professional ethics not only regulates the individual behavior of auditors, but also protects the public interest by ensuring that the audits performed remain at the highest standards.

2. Integrity and Objectivity as Pillars of Audit Quality

Integrity and objectivity are two main pillars in professional ethics that have a direct impact on quality control. Integrity encourages auditors to always act honestly, even when facing external pressure, while objectivity ensures that auditors can make unbiased judgments. Without these two elements, audit quality will be difficult to maintain, because auditors may be influenced by the interests of clients or pressure from other parties.

Both serve as quality control tools that ensure that the audit report reflects the actual financial condition without manipulation or deviation. Integrity ensures that the auditor is not involved in practices that violate professional standards, while objectivity helps the auditor to remain neutral in assessing financial information. In practice, maintaining integrity and objectivity requires a strong commitment from the auditor to always adhere to the code of ethics, as well as support from the audit firm through training and strict internal supervision.

3. Professional Competence and Quality Control

In addition to integrity and objectivity, professional competence is an important element in maintaining audit quality. This competence is not only related to technical knowledge, but also includes a deep understanding of the principles of professional ethics and how to apply them in various audit situations. A competent auditor is not only able to follow the correct audit procedures, but can also identify and resolve ethical dilemmas that may arise during the audit process.

Continuing training and education in the field of professional ethics are essential to ensure that auditors remain competent and able to carry out their duties in accordance with the expected quality standards. Some large audit firms even have internal programs designed to strengthen auditors' understanding of professional ethics, as well as how to maintain audit quality through the application of a strict code of ethics. With adequate competence, auditors can more easily handle complex or stressful situations without sacrificing the quality of audit results.

4. Internal Supervision and Evaluation

Professional ethics also play an important role in the internal quality control system within an audit firm. Many large audit firms implement strict internal control policies to ensure that all audit work performed by their staff meets established quality standards. For example, audit firms often review the work of auditors to ensure that the audit process is carried out independently, in accordance with professional standards, and does not violate the code of ethics. This review process is part of quality control in which professional ethics is the main framework for assessing the quality of audit results.

In addition, many audit firms implement a performance appraisal system that includes professional ethics as one of the main indicators. Auditors who are deemed not to have complied with established ethical standards, even though their audit results are technically adequate, may be subject to sanctions or reprimands. This shows how important professional ethics is as part of the quality control implemented by the organization. Professional ethics is not only about compliance with the rules, but also about creating a work culture that prioritizes quality and integrity.

5. Preventing Violations Through Ethical Control

Professional ethics as a quality control tool also plays a role in preventing violations that can reduce audit quality. Many cases of ethical violations in audits, such as manipulation of financial statements or ignoring significant findings, occur due to weak supervision of the implementation of ethics in the field. By integrating professional ethics into the quality control system, audit firms can more easily detect signs of violations and take appropriate actions to prevent them. Some steps that can be taken to strengthen ethics-based quality control include regular training, the development of clear internal policies related to the implementation of ethics, and the implementation of a safe and effective violation reporting mechanism. These steps help ensure that every member of the audit team understands the importance of ethics in maintaining audit quality and knows how to act when faced with situations that require ethical judgment.

CONCLUSION

Based on the results of the literature review, it can be concluded that professional ethics have a significant influence on the quality of audits produced by accountants. The main principles of professional ethics such as integrity, objectivity, independence, and professional competence play a key

role in ensuring that auditors are able to carry out their duties honestly, neutrally, and in accordance with applicable accounting standards. Without the application of strong professional ethics, audit quality is susceptible to being disrupted by external pressure, conflicts of interest, or lack of auditor competence, which can ultimately reduce the credibility of the audit report and reduce public trust in the accounting profession. In addition, the literature review also shows that challenges in the application of professional ethics, such as pressure from client management or conflicts of interest, can hinder auditors in maintaining audit quality. However, with the support of strict regulations, ongoing ethics training programs, and strong internal supervision within the audit firm, auditors can be more effective in dealing with these pressures and still maintain high audit quality. Thus, professional ethics not only functions as a moral guide, but also as an important mechanism in audit quality control that must be applied consistently in accounting practices.

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