Auditors' Ethical Judgment in Fraud Investigation: The Roles of Emotional Intelligence, Moral Courage and Competency

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ABSTRACT

This study explored the direct and indirect effects of emotional intelligence, moral courage, and competency on auditors' ethical judgment in the context of fraud investigation. Data were collected from 65 professional investigative auditors working at the Audit Board of the Republic of Indonesia (BPK RI). The data were analyzed using partial least squares structural equation modelling (PLS-SEM). The results indicated that emotional intelligence and competency had a significant positive effect on auditors' ethical judgment, whilst moral courage did not show any significant direct effect. Additionally, competency was found to moderate the relationships between emotional intelligence and moral courage with auditors' ethical judgment, thereby amplifying their interaction effects on auditors' ethical judgement in conducting fraud investigation. The study is based on a relatively small sample, limited to auditors in a specific professional and regional context, which may affect generalizability. Future research could expand the sample size and examine additional contextual variables such as organizational culture or regulatory environment to deepen the understanding on auditors' ethical judgment. This study contributes to the behavioural auditing literature by providing empirical evidence on how personal and professional attributes interact to shape auditors' ethical judgment in fraud investigation.

Keywords: Ethical Judgment, Emotional Intelligence, Moral Courage, Competency, Auditors, Fraud Investigation

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INTRODUCTION

Financial fraud remains a major threat to economic systems, undermining organizational integrity and public confidence. Even with tighter regulations and more sophisticated audit techniques, fraud continues to underscore the difficulties auditors face in identifying and reporting unethical practices (ACFE, 2022). Investigating fraud demands more than technical knowledge; it requires sound ethical judgment and a high degree of professional skepticism (Científico et al., 2024; Verwey & Asare, 2021). However, many auditors may face ethical dilemmas that challenge their ability to act objectively particularly when pressured by management, clients, or other parties involved (Brivot et al., 2023; Jiang et al., 2021; Tormo-Carbó et al., 2024). While previous research has explored factors that influenced ethical judgment in auditing such as professional codes, regulatory frameworks, and organizational culture, littles is known about how psychological traits shape ethical responses among those entering the profession (Carrera & Van Der Kolk, 2021; Nguyen, 2023; Shirowzhan & Fakhari, 2024).

Psychological traits such as emotional intelligence and moral courage play a critical role in shaping auditors' ethical judgment, especially during fraud investigation. Emotional intelligence supported auditors in regulating their emotions, understanding others' perspectives, and managing social dynamics skills that are vital when navigating ethically complex or emotionally charged situations (Huyen et al., 2023). Moral courage, on the other hand, empowered auditors to uphold ethical principles even in the face of personal or professional risk, enabling them to confront misconduct and maintain integrity under pressure (Hannah et al., 2011; Supriyadi, 2020). Although each trait contributed independently to ethical behavior, the combined influence on auditors' ethical judgment remained underexplored, particularly in high-pressure audit environments where ethical stakes are high (Kapend et al., 2024; Sahla & Ardianto, 2022; Verwey & Asare, 2021).. Meanwhile competency as a profesional trait that included technical expertise, ethical reasoning, and sound professional judgment was another key factor in determining how auditors recognized and responded to fraud. Competency was often considered a foundational requirement, and it may also act as a moderating factor that strengthens or weakens the influence of emotional intelligence and moral courage on auditors' ethical judgment.

This study addressed a critical gap by examining how these psychological and professional traits shaped auditors' ethical judgment in fraud investigation. A survey-based approach applied for this study aimed to provide empirical evidence on their direct and indirect effects, offering practical insights for auditors, regulators, and professional bodies to enhance ethical conduct, fraud detection, and competency development programs.

LITERATURE REVIEW

Theoretical Frameworks

This study was theoretically grounded on Rest's (1986) Four-Component Model of Moral Behavior and Bandura's (1986) Social Cognitive Theory, offering a comprehensive framework for understanding auditors' ethical judgment in fraud investigation. The Rest's model outlined four key psychological components i.e. moral sensitivity, moral judgment, moral motivation, and moral character which together explain how individuals recognized ethical issues, made ethical judgment, and carriedout ethical actions (Morton et al., 2006; Schwartz, 2016). Bandura's Theory added depth by emphasizing the role of self-efficacy, social learning, and the dynamic interaction between personal, behavioral, and environmental influences (Bandura, 1978,1991; Schunk & DiBenedetto, 2020). Together, these theoretical frameworks suggested that ethical behavior resulted not only from individual traits but also from learned experiences and the surrounding context.

In relation to Rest's and Bandura's theoretical frameworks, previous studies have shown that emotional intelligence, moral courage, and competency were essential factors that could shape auditors' ethical judgment during fraud investigation. Emotional intelligence enhanced moral sensitivity and judgment, allowing auditors to interpret ethical dilemmas and effectively manage interpersonal challenges (Bar-On, 2004; Salovey & Mayer, 1990). Moral courage supported moral motivation and character by enabling auditors to uphold ethical standards under pressure (Hannah et al., 2011; Sekerka et al., 2009). Competency not only directly enhanced auditors' ethical judgment and strengthens self-efficacy - a key concept in Social Cognitive Theory that gave auditors confidence to act

on their ethical convictions - but also moderated the impact of emotional intelligence and moral courage, reinforcing their influence on auditors' ethical judgment (Al-Zoubi & Al-Tahat, 2025; Oyerogba, 2021; Sulistyawati et al., 2024). This study further explored the application of Rest's and Bandura's theoretical frameworks in examining emotional intelligence, moral courage and competency in the context of auditors' ethical judgement in fraud investigation.

Effect of Emotional Intelligence on Auditors' Ethical Judgment

Emotional intelligence refers to an individual's ability to recognize, understand, and manage their own emotions while perceiving and responding to others' emotions (Gómez-Leal et al., 2021; Salovey & Mayer, 1990; Zehndorfer, 2020). Research suggests that emotional intelligence enhanced auditors' ability to assess ethical dilemmas, apply professional skepticism, and resist external pressures that could lead to unethical behavior (Salovey & Mayer, 1990). In the auditing profession, auditors often encountered ethical dilemmas over interpersonal conflicts, pressure from clients or management, and high-stakes ethical judgment. Hence, auditors with higher emotional intelligence were better equipped to handle these challenges, as they can regulate their emotions, maintain objectivity, and respond to ethical issues with professionalism and integrity (Hazgui & Brivot, 2022; Yulianti et al., 2023). Auditors who manifested mature emotional intelligence were in better position to exercise a more sound and principled ethical judgment.

Emotional intelligence significantly enhanced auditors' ability to detect fraud. Auditors with higher emotional intelligence are better at recognizing fraud cues, managing their own emotions, and understanding the emotions of others, which helps them identify suspicious behaviors and navigate complex social situations within organizations (Huyen et al., 2023; Yulianti et al., 2023) . Specifically, emotional intelligence reduced behaviors that compromised audit quality and indirectly boosted fraud detection by promoting ethical conduct and professional commitment (Yulianti et al., 2023). Based on this understanding, the following hypothesis was proposed:

H_1: Emotional intelligence has a positive effect on auditors' ethical judgment in fraud investigation.

Effect of Moral Courage on Auditors' Ethical Judgment

Moral courage is defined as the ability to take ethical actions despite facing personal risk, pressure, or negative consequences (Khelil, 2023; Supriyadi, 2020). Those with higher moral courage were more likely to uphold ethical standards, report misconduct, and made objective decisions, even when faced with adversity. Research has indicated that moral courage strengthened auditors' ethical judgment by enabling them to resist external pressures and remain committed to professional integrity (Brivot et al., 2023; Pimentel et al., 2022) Auditors with strong moral courage were more willing to challenge unethical behaviors, question suspicious transactions, and adhered to ethical guidelines, even when these tenacity may lead to personal or professional risks. Conversely, auditors with low moral courage may be more susceptible to ethical compromises, choosing to overlook fraud or unethical practices because of fear of retaliation or job security concerns (Khelil et al., 2016, 2018). Hence, moral courage embodied auditors' fortitude in upholding ethical principles, enabling sound judgment even when confronted with pressure, ethical dilemma, or professional risks that could jeopardize their stake.

Auditors often encountered ethical dilemmas in which reporting fraud or financial misstatements may result in conflicts with management, loss of client relationships, or professional repercussions. In such situations, moral courage became critical (Khelil, 2016, 2018; Supriyadi, 2020). In the context of fraud investigation, moral courage enabled auditors to resist pressure from management, challenged attempts to conceal financial misconduct, and continue reporting irregularities even when such actions carried personal or professional risks. Moral courage involves intervening against norm violations (like fraud) despite risks. Dispositional self-efficacy and low moral disengagement facilitated such interventions (Baumert et al., 2013,2023). Based on this understanding, the following hypothesis was proposed:

H_2: Moral courage has a positive effect on auditor's ethical judgment in fraud investigation.

Effect of Competency on Auditors' Ethical Judgment

Competency is a fundamental attribute that influences an auditor's ability to make sound ethical judgment, particularly in fraud investigation. It encompasses technical expertise, experience, and the ability to effectively apply professional standards in complex audit situations. Auditors with high competency are better equipped to assess financial irregularities, recognize ethical dilemmas, and make informed decisions that align with regulatory and ethical guidelines (Alias et al., 2019; Vo & Lê, 2022). This suggested that competency was not just a technical requirement but also a crucial factor in shaping auditors' ethical judgment.

Research has indicated that auditors with higher levels of competency demonstrated stronger ethical judgment because they possessed a deeper understanding of fraud detection techniques, risk assessment models, and professional codes of conduct. Competent auditors were more likely to exercise professional skepticism, critically evaluate evidence, and withstand external pressures that may compromise their ethical standards (Khairunnisa et al., 2025; Sweeney & Costello, 2009; Sulistyawati et al., 2024). Prior research has suggested that auditors with greater competency exhibited higher confidence in addressing ethical dilemmas, strengthening their professional skepticism and ethical judgment (Carrera & Van Der Kolk, 2021; Nguyen, 2021). By contrast, auditors with lower competency may struggle to identify fraudulent activities, misinterpret financial information, or fail to recognize ethical conflicts, leading to weaker ethical judgments. Based on this understanding, the following hypothesis was proposed:

H_3: Competency has a positive effect on auditors' ethical judgment in fraud investigation.

The Moderation Effect of Competency on the Relationship between Emotional Intelligence and Auditors' Ethical Judgment

Auditors with higher levels of competency are better positioned to leverage their emotional intelligence to make sound ethical judgments. Competency, which includes technical knowledge, auditing skills, and professional experience, provides a solid foundation to understand the

broader implications of ethical issues. When auditors possess strong emotional intelligence, such as the ability to recognize emotions, manage interpersonal relationships, and empathize with stakeholders who have high competency, they integrated these emotional insights with their technical understanding to assess ethical dilemmas accurately and respond appropriately (Abdolmohammadi & Thibodeau, 2003; Goleman, 1995). Their advanced competency enabled them to interpret emotional cues in the context of complex audit situations, enhancing their ability to act with integrity and uphold professional standards.

By contrast, auditors with lower competency found it difficult to apply their emotional intelligence effectively, even if they are emotionally aware. A lack of technical expertise impaired their ability to connect emotional awareness with ethical judgment, leading to uncertainty in evaluating ethical risks or taking appropriate action (Libby & Frederick, 1990). These auditors may recognize ethical concerns but struggle to fully understand their implications or resolve them within the scope of the auditing guidelines. As a result, emotional intelligence alone may not be sufficient to ensure ethical behavior unless it is supported by a strong level of competency. This highlights the importance of comprehensive auditor training programs that develop both emotional intelligence and technical capabilities to ensure sound ethical judgment.

This study proposed that competency moderated the relationship between emotional intelligence and auditors' ethical judgment. Specifically, auditors with higher competency levels were expected to leverage their emotional intelligence more effectively in their ethical judgment. By contrast, auditors with lower competency may struggle to apply their emotional intelligence effectively because of a lack of technical expertise. Therefore, the following hypothesis was formulated:

H_4: Competency moderates the relationship between emotional intelligence and auditors' ethical judgment, such that the positive effect of emotional intelligence on auditors' ethical judgment is stronger for auditors with higher competency.

The Moderation Effect of Competency on the Relationship between Moral Courage and Auditors' Ethical Judgment

Competency serves as a key moderating factor in the relationship between moral courage and auditors' ethical judgment. Moral courage empowers auditors to confront unethical behavior and make principled decisions, and its effectiveness in ethical judgment is significantly enhanced when coupled with high levels of professional competency. Auditors with strong technical skills and a deep understanding of auditing standards are more capable of accurately identifying ethical issues and navigating complex regulatory environments. This enables them to apply moral courage more strategically and effectively, ensuring that their ethical actions are grounded in both moral principles and professional expertise (Hannah et al., 2011).

However, auditors with lower levels of competency may struggle to operationalize their moral courage in practice. Even when they possess the inner resolve to do what is right, a lack of technical knowledge or familiarity with professional frameworks may hinder their ability to appropriately assess ethical situations or determine the best course of action (Libby & Thorne, 2007). In such cases, moral courage without adequate competency may lead to uncertainty, hesitation, or even misjudgment in high-stakes ethical judgment. This suggested that competency not only supported ethical awareness but also provided the practical tools necessary to effectively act on moral convictions. Therefore, enhancing auditors' competency was crucial for ensuring that moral courage translates into consistent, informed, and ethical judgment.

This study proposed that competency moderated the relationship between moral courage and auditors' ethical judgment. Specifically, auditors with higher competency levels were expected to apply moral courage more effectively to ethical judgment. Based on this understanding, the following hypothesis was proposed:

H_5: Competency moderates the relationship between moral courage and auditors' ethical judgment, such that the positive effect of moral courage on auditors' ethical judgment is stronger for auditors with higher competency.

CONCEPTUAL FRAMEWORK

As illustrated in Figure 1, Path a represented the direct effect of emotional intelligence on auditors' ethical judgment, indicating that auditors with higher emotional intelligence were better equipped to navigate ethical dilemmas and make sound ethical decisions during fraud investigations. Path b reflected the influence of moral courage on auditors' ethical judgment, suggesting that auditors who exhibited greater moral courage were more inclined to uphold ethical standards, even in the face of potential personal or professional risk. Path c illustrated the influence of competency on auditors' ethical judgment, indicating that auditors with higher levels of competency demonstrated stronger ethical judgment because they possessed a deeper understanding of fraud detection techniques, risk assessment models, and professional codes of conduct.

Competency plays a critical moderating role in these relationships. Path d demonstrated that competency enhances the impact of moral courage on auditors' ethical judgment, ensuring that auditors with high competency levels were better equipped to act ethically despite external pressures. Similarly, path e indicated that competency strengthens the relationship between emotional intelligence and auditors' ethical judgment, reinforcing the ability of emotionally intelligent auditors to manage stress, interpersonal conflicts, and ethical dilemmas effectively.

Finally, the dotted line represents potential control variables, such as gender, which may influence auditors' ethical judgment outcomes. This framework provided a comprehensive approach to understanding how moral courage, emotional intelligence, and competency interacted to shape auditors' ethical judgment in fraud investigation.

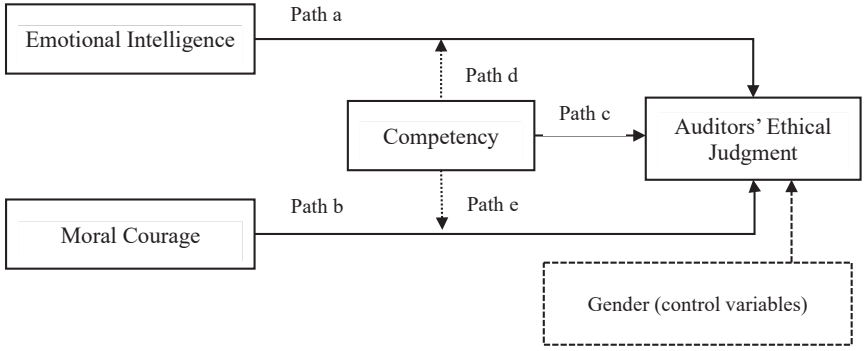

Figure 1: Conceptual Framework of the Study

RESEARCH METHODOLOGY

This study employed a quantitative research design using a survey-based approach to examine the effects of moral courage, emotional intelligence, and competency on auditors' ethical judgment in fraud investigation. A structured questionnaire was used to collect data from 65 professional investigative auditors working on the Audit Board of the Republic of Indonesia (BPK RI). This study followed a cross sectional design, allowing for the analysis of relationships between variables at a specific point in time

Population and Sampling

The subjects in this study were professional investigative auditors working at the Audit Board of the Republic of Indonesia (BPK RI). They were purposefully selected based on their direct involvement in and expertise in auditing, particularly in investigative and fraud related engagements. This selection ensured that each participant possessed the relevant knowledge and competence to evaluate ethical issues in the context of fraud investigation. The target population comprised of 150 auditors. The study successfully collected responses from 65 participants, resulting in a response rate of approximately 43%. This sample size was considered adequate for conducting valid statistical analyses and hypothesis testing, especially given the specialized and expert nature of the respondent group.

Data Collection Method

Primary data were collected through an online survey distributed via professional audit networks, regulatory bodies, and academic collaborations. The questionnaire was designed to measure key constructs using a 7-point Likert scale (ranging from 1 = Strongly Disagree to 7 = Strongly Agree). The survey consisted of multiple sections covering demographic information, moral courage, emotional intelligence, competency, and auditors' ethical judgment.

Measurement of Variables

The survey instrument was developed by incorporating constructs that were adopted and adapted from previously validated scales in ethics, psychology, and auditing literature as shown in Table 1.

Table 1: Measurement of Variables

Variable	Operational Definition	Measurement	Source of Reference
Emotional Intelligence	EI refers to an individual's ability to recognize, understand, and manage their own emotions while also perceiving and responding to the emotions of others (Salovey & Mayer, 1990)	Wong and Law Emotional Intelligence Scale (WLEIS) – a self-report instrument measuring perceived emotional abilities.	(Wong & Law, 2002);
Moral Courage	It is defined as the ability to take ethical actions despite facing personal risk, pressure, or negative consequences (Khelil, 2023)	4-item scale assessing interpersonal courage, ethical commitment, moral responsibility, and risk-taking under pressure.	(Hannah et al., 2011)
Competency	Competency is a fundamental attribute that influences an auditor's ability to make sound ethical judgments, particularly in fraud investigations. It encompasses technical expertise, experience, and the ability to apply professional standards effectively in complex audit situations (Alias et al., 2019; (Carrera & Van Der Kolk, 2021)	Categorical variable based on educational attainment: Bachelor's (S1), Master's (S2), and Doctorate (S3).	(Chen et al., 2020; Chui et al., 2022)
Auditors' Ethical Judgment	Auditors' Ethical judgment in audit refers to the process by which auditors make decisions that align with ethical standards, professional responsibilities, and the public interest when faced with dilemmas or conflicts during their work (Ponemon, 1990)	Scenario-based evaluation covering integrity, objectivity, professional due care, resistance to pressure, and ethical judgment in dilemmas.	Developed by researchers based on professional audit standards

Control Variables

Gender was included as a control variable to ensure the validity of the study, as they may influence auditor ethical judgment. Controlling these factors helped isolate the effects of moral courage, emotional intelligence, and competency on auditors' ethical judgment. Gender was included as a control variable since studies, such as those by Carrera & Van Der Kolk, (2021; Lasthuizen & Badar, (2023) had indicated that gender differences may affect ethical judgment. Some studies suggested that female auditors may exhibit higher ethical sensitivity in certain situations, which could influence their judgment.

Data Analysis Techniques

This study employed Structural Equation Modeling (SEM) using Partial Least Squares (PLS-SEM) to test the proposed hypotheses and evaluate the relationships betweenmoral courage, emotional intelligence, competency, and ethical judgment. The PLS-SEM approach was chosen because of its ability to handle complex models, assess latent constructs, and provide robust results with small sample sizes.

The data analysis process consisted of the following key steps:

1. First, descriptive statistics were used to summarize the respondents' demographic characteristics and the distribution of key variables. This included measures such as the mean, standard deviation, and frequency distributions, which helped provide an overview of the dataset and identify any potential outliers or inconsistencies (Villarreal-Zegarra et al., 2019).

2. Second, reliability and validity tests were conducted to ensure the robustness of the measurement model. Cronbach's Alpha and Composite Reliability (CR) were used to assess internal consistency, ensuring that the constructs were reliably measured (Hair et al., 2019) yet concise, overview of the considerations and metrics required for partial least squares structural equation modeling (PLS-SEM. Additionally, Average Variance Extracted (AVE) was evaluated to confirm convergent validity, while the Fornell-Larcker criterion was

applied to test discriminant validity, ensuring that the constructs were distinct from each other.

3. Third, hypothesis testing was conducted using SEM, focusing on the direct effects of moral courage, emotional intelligence, and competency on auditor ethical judgment. The Path coefficients and their significance levels were examined using bootstrapping resampling techniques, which enhanced the robustness of the findings.

4. Finally, moderation analysis was performed to assess the role of competency in influencing the relationships between moral courage, emotional intelligence, and auditor ethical judgment. Interaction effects were analyzed by incorporating moderation terms into the structural model and testing their statistical significance. This step helped to determine whether competency strengthened or weakened the impact of moral courage and emotional intelligence on auditors' ethical judgment.

DISCUSSION OF FINDINGS

Respondents Profile

As shown in Table 2, this study involved 65 investigative auditors from the Audit Board of the Republic of Indonesia (BPK RI). The sample was fairly balanced by gender, with 31 female respondents (47.7%) and 34 male respondents (52.3%). The age distribution showed that most people were between the ages of 31 and 40 (43.1%) and between 41 and 50 (41.5%), with smaller percentages under 30 (10.8%) and over 50 (4.6%). Regarding educational background, 78.5% held a master's degree, 15.4% held a bachelor's degree, and 6.2% held a doctorate. Although 44.6% of participants came from non-accounting fields, the majority (55.4%) had accounting backgrounds. Most respondents (35.4%) had 6–10 years of experience, followed by those with 1–5 years (24.6%), less than 1 year (18.5%), 11–15 years (15.4%), and more than 16 years (6.2%). Senior associate auditors madeup nearly half of the current workforce (47.7%), followed by associate auditors (24.6%), junior auditors (16.9%), and expert auditors (10.8%).

Table 2: Respondents Profile

Sample	65		
	Details	Frequency	Percentage (%)
Gender	Male	34	52.3
	Female	31	47.7
Age	<30 years	7	10.8
	31-40 years	28	43.1
	41-50 years	27	41.5
	51 years and above	3	4.6
Highest academic qualification	Bachelor degree	10	15.4
	Master Degree	51	78.5
	PhD/DR.	4	6.2
Educational background	Accounting	36	55.4
	Non accounting	29	44.6
Years employed as an auditor in BPK	Less then 1 years	12	18.5
	1-5 years	16	24.6
	6-10 years	23	35.4
	11-15 years	10	15.4
	16 years and above	4	6.2
Present position level in BPK	Junior auditor	11	16.9
	Associate auditor	16	24.6
	Senior associate auditor	31	47.7
	Expert auditor	7	10.8

Descriptive Analysis

Based on Table 3, which presented the descriptive statistics for the study variables, data were collected from 65 investigative auditors working on the Audit Board of the Republic of Indonesia (BPK RI). The results indicated that the respondents exhibited relatively high levels of ethical judgment (M = 6.34, SD = 0.71), emotional intelligence (M = 6.13, SD = 0.69), and moral courage (M = 6.03, SD = 0.88), suggesting strong self-perceived emotional and ethical capacities. Furthermore, all variables showed skewness and kurtosis values within acceptable thresholds (skewness = -0.96, kurtosis = 0.70), emotional intelligence (skewness = -0.49, kurtosis = 1.13), and moral courage (skewness = -0.85, kurtosis = 0.69) indicating that the data distribution approximates normality.

Table 3: Descriptive Analysis of the Variables

	Constructs	Mean	Standard Deviation	Skewness	Kurtosis
Dependent variable	Auditors' Ethical Judgment	6.34	0.71	-0.96	0.70
Independent variable	Emotional Intelligence	6.13	0.69	-0.49	1.13
	Moral Courage	6.03	0.88	-0.85	0.69
	Competency	3.32	0.73	-0.59	0.59

Reliability and Validity Analysis

Reliability and validity tests confirmed the robustness of the measurement model. The Cronbach's Alpha and Composite Reliability (CR) values for all constructs exceeded the recommended threshold of 0.70, indicating high internal consistency (Hair et al., 2019)yet concise, overview of the considerations and metrics required for partial least squares structural equation modeling (PLS-SEM. The Average Variance Extracted (AVE) values were above 0.50 for all constructs, confirming strong convergent validity. Furthermore, the Fornell-Larcker criterion analysis established that each construct was distinct, ensuring discriminant validity.

Table 4: Reliability Test -Cronbach's Alpha

	Cronbach's Alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Auditors' Ethical Judgment	0.889	0.915	0.923	0.750
Emotional Intelligence	0.854	0.859	0.891	0.578
Moral Courage	0.862	0.865	0.897	0.592

Table 4 presents the reliability and validity results showing that all three constructs of auditors' ethical judgment, emotional intelligence, and moral courage demonstrate strong measurement quality. The Cronbach's Alpha values ranged from 0.854 to 0.889, indicating solid internal consistency. Both forms of composite reliability (ρ_a and ρc) exceeded the recommended threshold of 0.70, confirming that the constructs were measured reliably. Furthermore, Average Variance Extracted (AVE) values were all above 0.50 (ranging from 0.578 to 0.750), providing evidence of acceptable convergent validity. These findings confirmed that the measurement model was reliable and valid, supporting its use in structural model assessment.

Table 5: Discriminant Validity Fornell-Larcker Criterion

	Auditor's Ethical Judgment	Emotional Intelligence	Moral Courage	Competency	Gender (Control Variable)
Auditor's Ethical Judgment	0.866				
Emotional Intelligence	0.723	0.760			
Moral Courage	0.602	0.664	0.769		
Competency	0.219	-0.007	0.243	1.000	
Gender (Control Variable)	0.384	0.151	0.233	0.170	1.000

Table 5 reports the assessment of discriminant validity using the Fornell-Larcker criterion. The results showed that the square root of the Average Variance Extracted (AVE) for each construct was greater than its correlations with other constructs, confirming adequate discriminant validity. Specifically, Auditors' Ethical Judgment (0.866), Emotional Intelligence (0.760), Moral Courage (0.769), and Competency (1.000) all demonstrated higher square root AVE values compared to their correlations with other variables. This indicated that each construct was empirically distinct and captured a unique aspect of the conceptual framework.

Hypothesis Testing

As shown in Figure 2, the PLS-SEM results revealed that all hypothesized relationships were positive and statistically significant, supporting the study's theoretical framework.

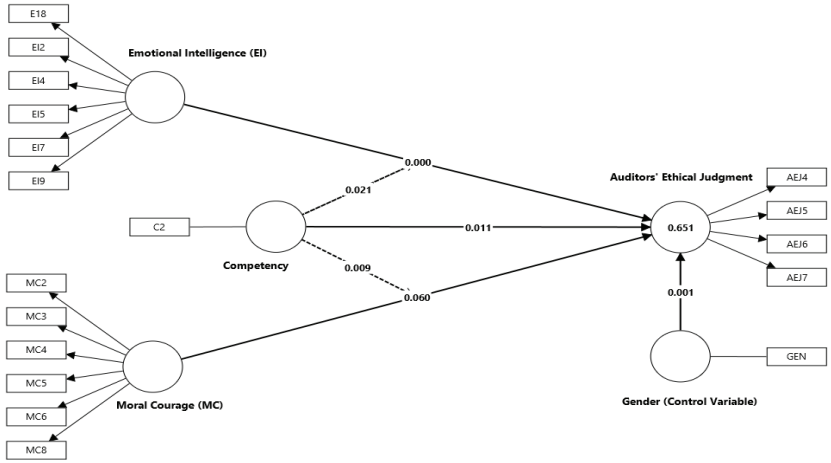

Figure 2: Bootstrapping PLS-SEM Results

Table 6: Path Coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Emotional Intelligence -> Auditors' Ethical Judgment	0.530	0.524	0.107	4.948	0.000
Moral Courage -> Auditors' Ethical Judgment	0.197	0.204	0.127	1.551	0.060
Competency -> Auditors' Ethical Judgment	0.204	0.204	0.088	2.302	0.011
Competency x Emotional Intelligence -> Auditors' Ethical Judgment	-0.219	-0.241	0.107	2.044	0.021
Competency x Moral Courage -> Auditors' Ethical Judgment	0.266	0.277	0.113	2.363	0.009
Gender (Control Variable) -> Auditors' Ethical Judgment	0.231	0.231	0.077	3.010	0.001

Note: Adjusted R-square 0.651

The structural model results, including the R^2 and adjusted R^2 values for the dependent variable, auditors' ethical judgment. SmartPLS analysis revealed that the model explained 65.1% of the variance ($R^2 = 0.651$; adjusted $R^2 = 0.643$) in auditors' ethical judgment, indicating strong explanatory power. Table 6 presents the path coefficients of the structural model, highlighting the relationships between the key variables. Among the key predictors, emotional intelligence exerted the most substantial influence ($\beta = 0.530$, $p = 0.000$), underscoring its critical role in ethical judgment within the auditing profession. This finding aligns with previous research that highlights the importance of emotional awareness, empathy, and self-regulation in addressing ethical challenges (Goleman, 1995; Salovey & Mayer, 1990)

Emotional intelligence enhanced auditors' ethical judgment by improving their ability to recognize, regulate, and apply emotions effectively in complex professional environments (Huyen et al., 2023; Yulianti et al., 2024). Core Emotional Intelligence competencies including self-awareness, emotional regulation, interpersonal skills, and adaptability strengthened ethical reasoning by enabling auditors to manage stress, resist undue influence, and foster strong professional relationships (Mishra et al., 2022). Additionally, Emotional Intelligence contributed to professional skepticism

by supporting critical thinking, objective evaluation, and effective communication (Cilliers, 2023). This emotional agility helped auditors maintain impartiality when facing ethical dilemmas, contributing to higher audit quality and long-term sustainability (Hurtt et al., 2013). Existing research further suggested that that Emotional Intelligence had a greater impact on audit performance than many other traits (Zhao et al., 2022).

In contrast, Moral Courage did not exhibit a statistically significant direct effect on auditors' ethical judgment ($\beta = 0.197$, $p = 0.060$), despite its established theoretical relevance. This suggested that while moral courage was widely recognized as essential in ethical discourse, it may not independently influence auditors' ethical judgment in practical auditing contexts (Sekerka & Bagozzi, 2007). One possible explanation was that ethical judgment in auditing often occurred within structured, rule-based environments shaped by organizational culture, professional standards, and hierarchical influences (Nguyen, 2023; Vo & Lê, 2022) In such settings, auditors may depend more heavily on competencies such as technical expertise, emotional intelligence, and professional skepticism to navigate ethical issues (Hartmann et al., 2023; Seguí-Mas et al., 2023; Tschakert et al., 2020). Moreover, moral courage was conceptually more aligned with ethical action than with ethical judgment. This reflected the willingness to act upon ethical decisions, particularly under pressure or in the face of personal risk, rather than the cognitive process of forming those decisions (Hannah et al., 2011). This distinction may explain why its direct statistical impact on auditors' ethical judgment was limited in empirical findings, even though it played a critical role in translating ethical intent into ethical behavior.

Competency also had a statistically significant positive effect on auditors' ethical judgment ($\beta = 0.204$, $p = 0.011$), indicating that technical knowledge and professional expertise were critical for making sound ethical judgment. This supporteds the notion that ethical behavior relied not only on intent but also on the ability to interpret and apply ethical principles effectively in practice (Cieslewicz et al., 2021; Sweetman & Newman, 2020). Auditor competency strengthened ethical judgment by equipping professionals with the knowledge, skills, and judgment required to identify and respond appropriately to ethical issues (Shafer et al., 2001). Competent auditors were better positioned to understand complex regulatory environments, detect warning signs of unethical conduct, and apply ethical

standards consistently and precisely. Their technical expertise, supported by professional experience and critical thinking, enabled them to navigate ambiguous situations with greater confidence and integrity (Sabir et al., 2025). Conversely, a lack of competency can lead to misinterpretation of ethical guidelines, poor judgment, and an increased risk of ethical breaches (García-Fernández et al., 2025).

Specifically, competency negatively moderated the relationship between emotional intelligence and auditors' ethical judgment (interaction $\beta = -0.219$, $p = 0.021$). This finding suggested that as competency increased, the positive influence of emotional intelligence on auditors' ethical judgment diminished slightly. One possible interpretation was that highly competent auditors may have reliedmore on technical knowledge, professional standards, and regulatory frameworks, thereby reducing the role of emotional or interpersonal factors in ethical judgment (Libby & Thorne, 2007; Kvitsiani et al., 2020).

Auditors with elevated levels of competency were more likely to engage in rule-based, analytical reasoning, drawing on established codes of ethics and formal procedures when evaluating ethical dilemmas (Hardiningsih et al., 2022; Sabir et al., 2025). This structured approach may reduce the influence of emotional intelligence, as ethical deliberation becomes more grounded in objective criteria and less reliant on empathy, emotional awareness, or interpersonal dynamics. In such contexts, emotional intelligence may be perceived as less central to ethical judgment, particularly when ethical standards prescribe specific courses of action (Mahanta & Goswami, 2020; Van Pham & Tran, 2024).

By contrast, competency positively moderated the relationship between moral courage and auditors' ethical judgment (interaction $\beta = 0.266$, $p = 0.009$). This indicated that the influence of moral courage on auditors' ethical judgment becomes stronger when accompanied by high levels of professional competence. Competency enhanced an auditor's capacity to transform ethical intentions into sound, well-reasoned decisions (Hannah et al., 2011, Jamil et al., 2022). While moral courage reflected the willingness to confront unethical behavior and uphold ethical principles despite potential risks, competency provided the technical knowledge, critical thinking abilities, and professional judgment required to accurately assess complex

situations and apply relevant standards (Sekerka & Bagozzi, 2007; Solichin et al., 2022). Without sufficient competency, morally courageous auditors may misjudge ethical risks or misapply professional guidance, undermining the effectiveness of their ethical stance. Competency strengthened the impact of moral courage by ensuring that ethical actions were not only principled but also informed and defensible within professional contexts (Libby & Thorne, 2007). Thus, competency served as a crucial link between ethical intent and effective ethical judgment.

CONCLUSIONS, IMPLICATIONS AND LIMITATIONS

This study provided evidence that auditors' ethical judgment in fraud investigations arose from the combined influence of emotional, moral, and professional attributes. Emotional intelligence appeared to be the strongest predictor, suggesting that auditors who can regulate emotions, interpret interpersonal cues, and manage stress were better able to form sound ethical judgments in complex fraud contexts. Competency also demonstrated a significant direct contribution, reinforcing the central role of knowledge in shaping ethical judgment. While moral courage did not exhibit a direct statistical effect, its impact becomes meaningful when moderated by competency, indicating that ethical conviction translates into higher-quality judgment only when auditors possess the professional expertise to act upon their moral intentions. These findings supported the interactionist view that ethical judgment was neither purely cognitive nor purely dispositional but a function of intertwined psychological capacities and technical proficiency.

The findings offer several theoretical implications. First, they extended Rest's Four-Component Model by illustrating that emotional intelligence enhanced moral sensitivity, which in turn influenced ethical judgment more strongly than moral courage alone. Second, the results aligned with Social Cognitive Theory by demonstrating that auditors' self-efficacy shaped through competency enhanced the usefulness of emotional and moral traits in ethical evaluation. Third, the moderation patterns suggested that competency acted as a boundary condition through which psychological traits exerted their influence. High competency strengthened the effect of moral courage but diminished the influence of emotional intelligence, implying that auditors differentially relied on emotional cues or moral conviction depending on

their technical mastery. This contributed to behavioral auditing research by explaining why auditors with similar psychological traits may arrive at different ethical conclusions depending on their competence level.

Practically, the results showed the need for holistic auditor development programs. Regulators and audit institutions should design competency frameworks that integrated ethics, emotional, and fraud detection training. Emotional intelligence should not be trained in isolation but incorporated into programs that strengthen fraud risk sensitivity and ethical judgment under pressure. Similarly, fostering moral courage among auditors required pairing ethical awareness with technical training to ensure that ethical intentions are supported by professional capability. Audit organizations may also consider assessment tools that captured both emotional and technical dimensions of ethical judgment to better identify training needs and enhance audit quality.

This study was not without limitations. The sample was relatively small and drawn from a single national audit institution, which may limit generalizability to other jurisdictions or private-sector audit environments. The cross-sectional design restricted causal inference, and the use of self-report measures may have introduced bias despite validated instruments. Future research could employ longitudinal or experimental methods, broaden samples across regulatory contexts, and incorporate organizational factors such as ethical culture or audit firm pressures to enrich understanding of auditors' ethical judgment.

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