

UNIVERSITI TEKNOLOGI MARA

**ETHICAL DECISION MAKING OF
MALAYSIAN EXTERNAL AUDITORS**

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of the requirements for the degree of
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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledge as referenced work. This topic has not been submitted to any other academic institution or non-academic institution for any other degree or qualification.

I, hereby, acknowledged that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.


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ABSTRACT

Numerous incidences of unethical behaviours of auditors being reported globally have marked significant dishonours to the auditing profession. The incidences of audit failures have brought the issues of auditors' ethical decision making quality and independence to the forefront and closely scrutinized. In auditing profession, the ethical decision making is a complex process due to the auditors' fiduciary obligation to their audit clients and public. The requirements to meet the expectations of these two parties serve as the point where the auditors' conflicts could arise thus providing threats to auditors' independence. Despite increased attention from practitioners and scholars in enhancing the ethical values within the auditing profession, the incidences of some wrongdoings involving the auditors stand as evidences that they are continuously making questionable professional judgments that have ethical overtones. A few studies conducted on the auditors' ethical decision making provides a limited of ethical decision making models to explain certain effect of antecedent factors on the auditors' ethical behaviour. Hence, based on the social cognitive theory (Bandura, 1986); Rest Theory (1986) and Jones (1991) Model, this thesis addresses this shortcoming by taking into account the combination effect of individual, professional environment and contextual factors on the auditors' ethical decision making. The purpose of this thesis is twofold and was utilized with a-two studies. The first study is used to answer the question of to what extent does the rigorousness of different types of auditors' independence threats could influence the auditor's ethical judgments. In addition, the moderating effect of auditors' experience and mediating effect of moral intensity on auditors' ethical judgments are also scrutinized in this study. Secondly, this thesis addressing the relatively unexplored factors of individual and contextual effect on the auditors' ethical decision making process. Specifically, the second study examines the extent of simultaneous effects of the self-interest threat (identified from the first study), moral intensity and personal ethical orientation on the auditors' ethical behaviour through the multiple stages of the ethical decision making process. Overall, results of this thesis through the analysis of ANOVA and Structural Equation Modelling confirm the effect of the antecedent factors and the complexity of processes in auditors' ethical decision making. This thesis provides a significant contribution to the existing knowledge in the ethical decision making area by extending the ethical framework within the auditing profession. This thesis provided some evidences on the interaction effects of the different types of auditors' independence threats and auditors' experience, the mediating effects of the moral intensity and the simultaneously effects of auditors' personal ethical orientation, self-interest threat and moral intensity on auditors' ethical decision making process. The findings reported in this thesis would be very useful to those in auditing profession as well as academia in the effort to improve the credibility and viability of the auditing field. In addition, the findings could also be of importance in providing guidelines for audit firms in developing and enhancing better ethical programs in order to promote and encourage auditors' ethical decision making.

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