

PHD THESIS SUMMARY

ETHICS IN AUDIT: PERSONAL IDENTITY OR COLLATERAL OF TRUST FOR THE PUBLIC

PHD COORDINATOR:

Prof. univ. dr. Adriana TIRON-TUDOR

PHD STUDENT:

Alexandra-Patricia ARDELEAN

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TABLE OF CONTENTS

Introduction	5
Methodology of research	11
Objective and structure of research	18
CHAPTER 1. ETHICS: CONCEPTUALIZATION	22
1.1. The Concept of Ethics and the Theories That Support It	22
1.2. Differences between ethics and morality	29
1.3. Code of Ethics: Values, Objectives and Impact.....	31
1.4. Moral development, associated with ethical reasoning and ethical decisions.....	35
1.4.1. Framework for Ethical Decision Making	35
1.4.2. Considerations on Moral Development	38
1.4.3. Kohlberg's model of moral development	41
1.4.4. The model of Rest, the follower of the Kohlberg mode.....	43
1.5. The Need for Ethics in Auditing	46
1.6. Conclusions	47
CHAPTER 2. AUDITORS' REPORTING TO ETHICS AND PROFESSIONAL DEONTOLOGY	49
2.1. Audit quality considerations	49
2.2. The Ethical-Deontology-Conduct Triptic.....	52
2.2.1. Audit ethics, deontology and conduct of auditors	52
2.2.2. The importance attached to the ethical conduct of financial auditors.....	53
2.2.3. Perceptions of audit quality based on ethical conduct of auditors	55
2.2.4. Audit trust associated with ethical conduct	58
2.3. Ethical dilemmas in audit	60
2.3.1. Ethical dilemmas amid the cleavage between private interest and public interest	60
2.3.2. Approaching ethics through the perspective of idealistic and relativistic dimensions	63
2.3.3. Personal vision for ethical dilemmas through the perspective of idealistic and relativistic dimensions	64
2.4. Independence of auditors - Summum of ethical principles.....	65
2.5. Code of Ethics and its importance for the accounting profession	70
2.5.1. Code of Ethics developed by IFAC	70
2.5.2. Code of Ethics developed by INTOSAI	72
2.5.3. Similarities between the INTOSAI Code of Ethics and the Code of Ethics developed by IFAC	74
2.5.4. The new Code of Ethics developed by IESBA within IFAC	75
2.5.5. Elements of similarity of the Code of Ethics with utilitarianism, kantian ethics and ethics of virtues.....	78
2.6. Directive 2014/56/EU	81
2.6.1. The importance of Directive 2014/56/EU.....	81
2.6.2. Professional skepticism.....	83
2.7. The moral and social responsibility of financial auditors.....	85

2.7.1. Auditor Responsibility Framework	85
2.7.1. Responsibility of the auditors' social contract	87
2.7.2. Responsibility according to the theory of the Agency and according to stakeholder theory.....	88
2.7.3. Legitimacy in auditing - following the fulfillment of social responsibility	89
2.8. Conclusions	92
CHAPTER 3. CHALLENGES OF PROFESSION, FOLLOWING AUDIT FAILURES	94
3.1. Expectation gap associated with the public confidence in auditors.....	94
3.1.1. The context of producing the expectation gap	94
3.1.1. Defining the notion of <i>expectation gap</i>	95
3.1.2. Factors that determined the expectation gap in audit	97
3.1.3. Public trust in the profession of auditors	98
3.1.4. Restoring public confidence to reconcile the expectation gap	100
3.2. Threats to Fundamental Principles and Independence in Audit.....	102
3.2.1. Audit threats according to the IFAC Code of Ethics	102
3.2.2. Audit Threats: Effects and Importance.....	105
3.2.2. Study on Interest in National Literature for Ethics and Audit Threats.....	107
3.3. Integrity of the accounting profession - engine of the fundamental ethical principles	111
3.3.1. FEE Initiative on the Principle of Integrity.....	111
3.3.1. Integrity: issues and reflections in the FEE	112
3.3.2. Analysis of respondents' answers to the principle of integrity	115
3.3.3. Conclusions following Empirical Analysis of the Principle of Integrity.....	132
3.4. Conclusions	136
CHAPTER 4. AUDITORS' COMMITMENT TO THE PUBLIC INTEREST	138
4.1. The notion of public interest in the audit	138
4.2. Commitment of auditors to the public interest	140
4.3. Antagonism and complementarity between the public interest and the private interest.....	142
4.4. Public interest in the IFAC vision	146
4.4.1. Aspects of IFAC Framework Analysis.....	147
4.4.2. Defining the notion of public interest.....	150
4.4.3. Defining the audience of the accounting and auditing profession.....	155
4.4.4. Validity of the criteria for assessing the public interest	156
4.4.5. Results of statistical analysis	161
4.4.6. Discussion following IFAC Framework Analysis	162
4.5. Conclusions	163
CHAPTER 5. MODEL SUGGESTED FOR MEASURING THE DEGREE OF MORAL DEVELOPMENT OF AUDITORS	164
5.1. Considerations regarding the relevance of the association between ethical conduct and moral development.....	164
5.2. Literature Review to Support Modeling Moral Development Level (DMD).....	168
5.3. Fundamental model based on specialized literature.....	170

5.4. Applied methodology to the suggested DMD model	172
5.4.1. Presentation of the DMD questionnaire and scale	172
5.4.2. DMD Variables	177
5.4.3. Pre-testing to determine the validity of the DMD scale.....	180
5.5. Statistical analysis of the DMD model.....	182
5.5.1. Stages of the Statistical Investigation	182
5.5.2. Analysis of the ethical cumulative level for master students in the audit specialization and for Romanian auditors	183
5.5.3. Ethical Level Analysis for US Auditors.....	196
5.5.4. Level analysis for ethical level for all respondents to this study.....	201
5.6. Conclusions	204
CONCLUSIONS.....	206
Bibliographic references	210
APPENDIX 1: NDM Questionnaire.....	220
APPENDIX 2: Graphical response analysis for all DMD 222 participants.....	222
APPENDIX 3: Characteristics of Respondents to the NDM Questionnaire.....	233

Introduction

The series of highly publicized financial scandals since the beginning of the millennium, as well as the financial crisis that resulted in the bankruptcy of prestigious banking institutions such as Lehman Brothers or Northern Rocks, have revealed that financial auditors have to follow ethical rules to remove any doubts with regards to the commitment to the public interest.

The need for ethics is confirmed both within the profession (Martin, 2007, Jaya et al., 2016) and among those in charge with regulation (IFAC, AICPA, INTOSAI). Also, auditors' compliance with ethics positively influences the perception of the beneficiaries of the audit report (Barrainkua and Espinosa-Pike, 2018). In this respect, IFAC, as a regulator of the profession at international level, issued the Code of Ethics of Professional Accountants, also applied in the work of auditors. The importance of the Code of Ethics lies in the fact that it laid the foundation for the fundamental ethical principles that come to complement audit standards, determining the audit to function as a whole.

Undoubtedly, the auditing profession is *ethical and moral*. Literature records some differences between the concepts of ethics and morals, and they are not only semantic, although they are used in a complementary manner (note that Carreira et al. (2008) considers them to be synonymous) to refer to universal values. Throughout the thesis, we use them the same way. However, we try to establish the differences between the two notions in the first chapter. Despite the fact that both ethics and morality imply a distinction between good and bad, the main difference is that morals refer to an accepted code of universal values, and ethics are associated with conduct based on personal choices. We also note that the most known ethical theories are utilitarian ethics, deontological ethics and ethics of virtues (Ardelean, 2013/d).

The expectations of the large public are consistent with the ethical values adopted and displayed during the audit engagement. Ethics, identified as a set of rules and values promoted by the profession, represents the factor that influences the moral development of auditors. We associate moral development with universal principles that determine the beliefs and opinions that drive the adoption of a course of action. Starting from the existence of a link between the moral development of the auditors and the adopted conduct, we maintain that the ethicality level predisposes them to consider the public interest at different intensity.

Framing ethics into the professional activity of auditors leads to the adoption of a set of moral values that guide the cognitive process of ethical decision-making in the audit. The moral

dilemmas generated by the conflict between the auditor's private interests and the public interest can be solved by applying the ethical framework to clarify them (Ardelean, 2013/d).

In this thesis, we conducted an investigation regarding the impact of ethics on the work of auditors, wishing to emphasize the fact that compliance with ethical norms positively influences the perception of the public. The incidence of a positive image is reflected in the trust that an audit generates, and ethical principles are based on fundamental ethical principles, and among them, integrity occupies a central place.

It was emphasized that **ethics is the central theme** of the thesis, and thus, to illustrate its importance in the auditing profession, we conducted the research so as to create a comprehensive framework regarding the place and importance of internal and external factors that exert a significant influence on the ethical conduct of auditors.

Figure no. 1 shows the *ethics framework* and the factors influencing ethics in audit. We exemplify the concepts and relationships created as follows:

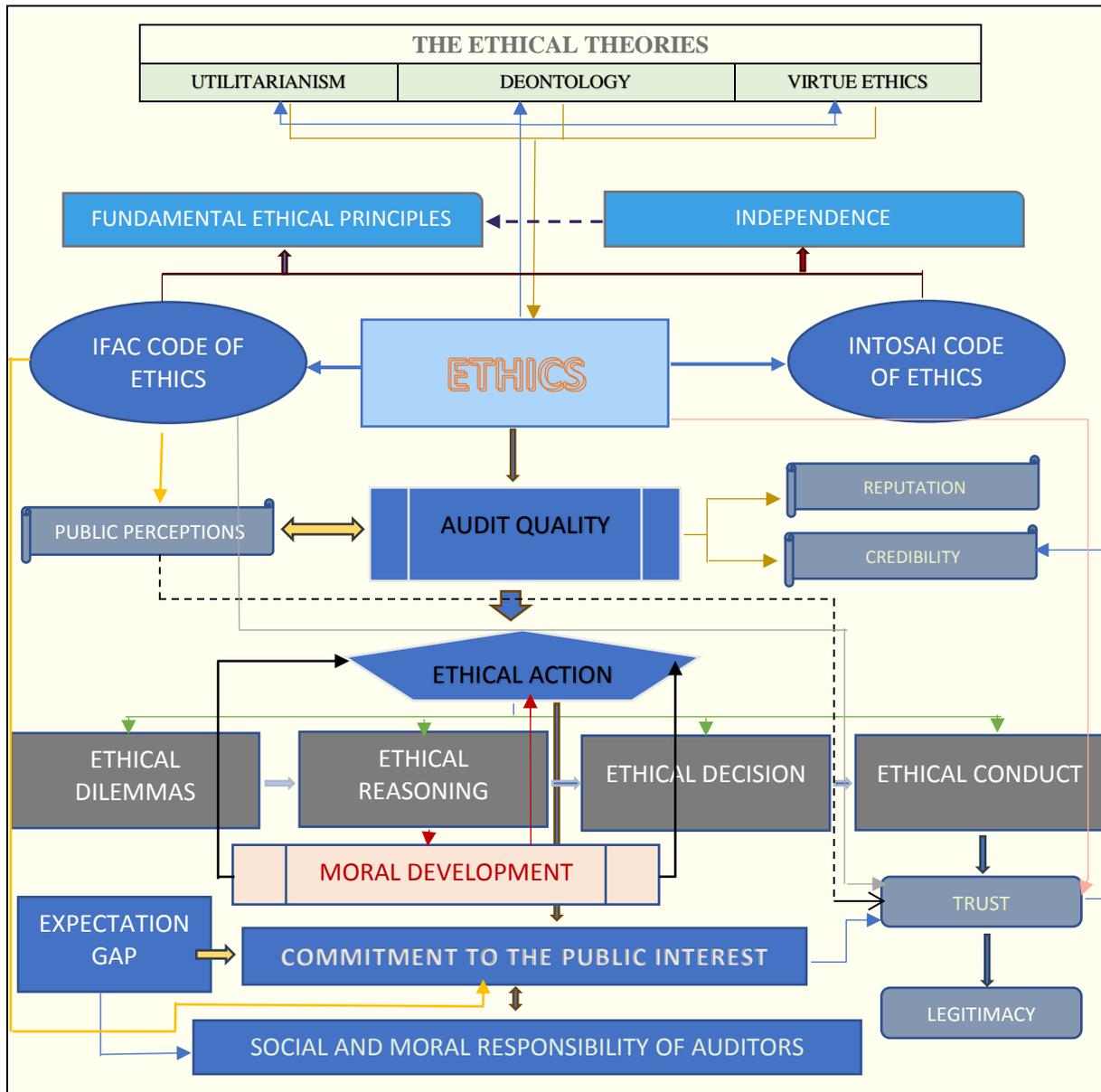
- ⇒ The conceptual framework on which the structure of the thesis is based indicates the placement of *ethics and moral values at the centre of the audit work*. We defined ethics as a set of moral values and we explained the most well-known theories of ethics, namely utilitarianism, deontology and ethics of virtues.
- ⇒ The Code of Ethics of the profession *communicates to the public the values* that guide the auditors. At the same time, the Code of Ethics *conveys a positive image* to the profession, advancing values such as integrity and trust.
- ⇒ The objective of the Ethics Code for Professional Professionals is to identify threats to compliance with fundamental principles and independence, assess the importance of threats identified, and apply security measures to eliminate or reduce threats to an acceptable level.
- ⇒ The Code of Ethics emphasizes the need for auditors to *serve the public interest* as a matter of priority.
- ⇒ *Strengthening public trust* in the profession is promoted by IFAC through high quality standards, both ethical and professional. Thus, the regulation promulgated by the profession generates legitimacy with regards to the usefulness of the audit.

- ⇒ *Independence* is the concept of maximum generalization of the fundamental ethical principles, being recognized as an essential attribute that guarantees the integrity of financial statements.
- ⇒ Ethics influence the decisions of the members of the profession, contributing to maintaining quality in the audit. High standards, built on a code of ethics, directly influence the audit quality.
- ⇒ *Audit quality*, confirmed by compliance with auditing standards, provides the public with a reliable signal, especially as the audit procedure is not easily observable by the auditor.
- ⇒ *Public perception* regarding what is the quality of an audit report has been associated with image, reputation and credibility. Positive perceptions support the credibility of the audit, and the negative ones contribute to undermining its usefulness and credibility.
- ⇒ *Trust* reflects the usefulness of the audit process, based on standards and ethical values assumed by the profession through ethical conduct.
- ⇒ As public confidence is conditioned by the *perception of an audit quality* that meets its reasonable requirements, it is essential that the auditors, in a competent and ethical manner, support a high level of audit quality.
- ⇒ Ethical action is determined by an ethical process formed of four sequences: identifying the *ethical dilemma*, *ethical reasoning* that will materialize in the *ethical decision*, and finally, *ethical conduct* representing the purpose of the ethical reasoning process. Most ethical dilemmas involve opposition between the private interest and the public interest.
- ⇒ Ethical reasoning cannot be achieved without a high level of ***moral development***.
- ⇒ The level of moral development will practically indicate the conduct to be adopted and the ethicality level. Moral development implies ethical action.
- ⇒ In order to respond to the queue of the responsibilities assumed by the profession, we support the profession's *commitment to protect the public interest*.
- ⇒ The notion of public interest occupies a fundamental place in the profession, and the consideration of the public interest in the audit engagement is essential to maintain a trustworthy relationship with the public. Thus, the legitimacy of the audit is strengthened.

- ⇒ Auditors have a *social responsibility* and at the same time a *moral responsibility* to reveal the truth of the financial statements. Responsibility for the public interest is inherent in the profession as it is part of the auditors' commitment to create public value, based on the expectations of the public.
- ⇒ The recognition of the value of ethics in the audit activity is transposed by the public trust. The trust conferred is a symbol of the efficiency by which the outcome of audit work is reflected in the soundness of the role the auditors play within the capital market.

The ethical conduct defines auditors mainly because they represent and serve the general interest of society, not their private interest. The basis of ethical conduct is the principle of integrity on which we conducted a statistical analysis of frequencies, and the support for this analysis is formed of the answers received to the study initiated by FEE. The objective of the FEE initiative is to establish the centrality of the principle of integrity in relation to the other principles. The results obtained establish a homogenous definition of integrity based on honesty and reliability, they embed integrity in a central role for achieving ethical conduct, identify threats that can prevent ethical conduct, and how to implement integrity. Clarifying these aspects of integrity is done to strengthen the confidence in the moral qualities of the auditors. Therefore, the principle of integrity channels the other fundamental principles for the purpose of adopting professional ethical conduct in accordance with the expectations of commitment and honesty of the public (Ardelean, 2014/b).

Figure no. 1. Ethics framework - factors that influence the ethical conduct of auditors



Ethics, supported by ethical behaviour, therefore, is of fundamental importance to both the profession and the public as it represents assurance of compliance with the values the public expects from an audit. The legitimacy of the auditors, as experts, derives from the status of trustworthy agents of the company, so the concern for the public interest must occupy a central place when accepting an audit engagement.

Criticisms have highlighted that it is not enough for auditors to focus on the accuracy and relevance of financial statements, but also to take into account the overall impact that the audit report has on third parties. The most appropriate way to reconcile public expectations is to adopt a line of ethical conduct, so that the perception of the quality of the audit is positively improved.

The crises that have exposed the pre-eminence of individual interest have been fuelled by the neglect of public interest. The consequences were the decrease in public confidence in the auditors' competence and willingness to represent their interests on the basis of the trust agreement between the parties. Therefore, renewing commitment to the public interest is likely to result in a strengthening of public confidence in the profession. Priority consideration of public interest should not be perceived as an aspiration driven by criticism, but rather as the purpose of the audit itself. By establishing this legitimate objective, the profession strengthens its authority, which is why it is the IFAC initiative in this respect. Thus, examining the applicability of the public interest reflects the assumed commitment of the profession to protect it not to avoid sanctions, but to reveal a real commitment on the part of the auditors of their responsibilities.

The IFAC Code states that the profession's objective is to protect the public interest. In the past, several attempts to define the axiom of public interest have been initiated (Baker, 2005; Dellaportas and Davenport, 2008), which reveals interest in the scientific environment as well as in the bodies dealing with regulation and professional bodies to provide a widely recognized interpretation of this notion. The complexity and the need to be universally acknowledged and accepted made it difficult to adopt, but IFAC, through the framework it has issued, has laid solid foundations so that this desideratum will be met. The importance of the IFAC initiative must be appreciated in a context where strengthening public confidence in the profession is an essential step in strengthening the legitimacy of the profession. The IFAC framework shows a strong conceptual basis for the notion of public interest, seeking to embrace the complex concepts that make up it.

The auditor will seek to respect and assimilate the moral values described by ethical rules (Cheffers and Pakaluk, 2007), since the honesty and integrity of the auditor are transposed into the perception of the public by the level of trust that is given to them. In this respect, the Code of Ethics issued by IFAC describes the five principles of ethics, namely integrity, objectivity, professional competence and due care, confidentiality and professional conduct. These fundamental principles are optimally applied by auditors to identify those threats that may compromise the compliance of an audit process to avoid them. Also, the IFAC Code of Ethics describes some specific situations that illustrate the framework that may pose threats to the auditors.

The moral soundness of auditors is quantified through ethical conduct, and the central vector is integrity. This principle of the IFAC Code highlights the need for honesty and reliability in

auditing. In Chapter 3, we conducted an investigation into a study by the FEE (Federation of European Accountants). The definition of integrity was approved by the majority of respondents, a majority agreed with placing it in the middle of professional conduct, after the study the most appropriate means for integrity implementation were set up, and the main purpose of the statistical analysis was to determine the opportunity to hierarchize fundamental ethical principles. In this way, the integrity of integrity has been confirmed in relation to the other fundamental principles. Clarifying the status of the principle of integrity in ethical conduct aims at reconciling the image of the public with the requirements of the profession in order to increase confidence in the viability of the audit (Ardelean, 2014/c).

Defining ethical conduct from an ethical perspective appears as a requirement of the public. The determined level of moral development can be used to predict future conduct linked to the audit process. Thus, the implementation of a stairway on the moral development of auditors results in the confirmation of the proposed model. The scale is based on the ethical dimensions: egoism, deontology and utilitarianism. We conducted the Two-Step Cluster Statistical Analysis based on the data gathered from the application of the students' test to the audit specialization at FSEGA Cluj-Napoca, the auditors from Romania members of CAFR and a small number of auditors from the United States. The utility of determining the ethical profile lies in the fact that it makes it possible to identify patterns of conduct likely to manifest itself during an audit engagement. By integrating the results into the formula that sets the DMD (Degree of Moral Development) index, the moral profile is established. The results of the investigation validate the model designed to measure the degree of moral development of the auditors.

The design of the model of DMD we suggest starts from the interest that characterizes moral development as presented by Lawrence Kohlberg (1984). This is: sequential, irreversible, intercultural and integrative, and stagnation is possible. We admit that these characteristics of moral development are indicative of the auditors' predisposition to assimilate ethical values and principles within cultural education and ambiance and to bring them closer. This means that the establishment of ethical standards raised by the profession necessarily leads to their application at a high level.

Moral development is associated with moral reasoning that influences ethical decisions given that there is a correlation between judgment and action. The cognitive moral development presented by Kohlberg (1984) comprises three stages: the preconventional level, the conventional level, and the postconventional level. Each stage hierarchizes sensitivity to the public interest from the least

significant (preconventional) to the most extensive (postconventional level). In fact, people with low levels of moral development are inclined to comply with at least the conventional level to be accepted by the group, especially as the auditing profession sets high standards for its members (Brown et al., 2007). And Vyakarnam et al. (1996) are of the opinion that auditors tend to choose to apply technical skills when faced with ambiguous morality. Compliance with professional ethics (integrated into the Code of Ethics developed by IFAC) is a mandatory condition for being part of the profession.

Thus, ethical conduct stemming from an advanced moral conscience stems from the application of ethical principles, not to avoid sanctions. Awareness of the auditor's professional contribution to society as a whole, and not just to the direct beneficiaries of the audit (Bédard, 2001), should prevail. Confidence undermined by the predominance of private interests (O'Regan, 2010) can be restored by adopting an ethical approach. Therefore, financial interests should not be above the public interest, but rather the achievement of a common denominator will lead to a balance between them, thus creating the credibility of the profession (Dellaportas and Davenport, 2008).

Research Methodology

The methodology of scientific research involves the passage of the research stages, from identifying the research issue to the objective of the research, the analysis of the scientific observations and the causal relationships that are formed, until the results of the research are presented.

The methodology implies an **epistemological positioning** that supports research by understanding the reality of the phenomena investigated. In the thesis I mainly applied the positivist and constructivist approach.

The construction of the thesis reveals a **type of approach**:

- ✓ **Constructivist**, because it begins with the need for ethics, its importance for the profession, its influence on the perception of the public, and continues to present the fundamental principles evoked by the Code of Ethics by supporting the importance of the integrity principle as a pillar of the audit and the threats that can prevent compliance audit, arguing that the ethics applied to its highest values contribute to strengthening the moral status of auditors. At the same time, based on some ethical models of moral reasoning, we have devised the model on moral.

- ✓ *Analytical*, because it is based on a critical investigation regarding ethics in the activity of auditors and threats that may lead to ethical failures, and the presentation of moral reasoning models is the basis for creating the DMD model. Analytically, we analysed the IFAC framework on public interest, as well as the study initiated by FEE to establish integrity as a central principle among the fundamental ethical principles.

At the same time, the approach is both deductive and inductive.

- ✓ It is *deductive* because we explain a reality of the profession, the need for ethics and commitment to the public interest, based on precise data such as the existence of a code of ethics or threats that affect the reputation of the auditors.
- ✓ It is *inductive* because, based on empirical data, we reach conclusive results with regards to the place and importance of the integrity principle within the ethical conduct of the profession, as well as the creation of a moral development model for auditors. A deductive approach corresponds to a quantitative method, while an inductive approach corresponds to a qualitative method.

During the process of scientific accumulation and analysis of specialized literature we proceeded to identify the research area of the thesis, the personal contribution consisting of:

- interpreting the data and presenting our personal vision on the subject of the research,
- the proposal for a personal vision of managing moral dilemmas by establishing the elements of similarity between the Code of Ethics of the profession and the known ethics theories,
- the statistical analysis performed on the integrity principle of the FEE study to determine whether it can be highlighted as a central principle among the fundamental principles of ethics,
- analytical and empirical analysis of the IFAC framework on the definition of a unanimously accepted definition for the public interest,
- statistical analysis consisting of a sample of articles from the national literature to determine the interest for the threats to a quality audit and to the expectations of the public,
- establishing auditors' commitment for the public interest as well
- the analogy between the three ethical dimensions and the moral development levels developed by Kohlberg, these being integrated into the DMD (degree of moral

development) scale, which is the basic element of the original model for measuring the moral development of auditors.

Consequently, **the research thesis presents various methodological aspects**, due to the multitude of the approach of ethics.

Objective and Structure of Research

The thesis *aims to determine the role of ethics in the audit*, namely *how auditors identify with ethical conduct* and apply it in the audit work. Also, building trust in the profession is a pressing focus for regulators, but also for the auditing profession. The goal is to *regain public confidence, because the effectiveness of the audit depends directly on trust*. The way this can be done is ethical. Ethics is the primary element that gives credibility to the audit report and supports the reputation of the auditors, so we present the importance of ethical conduct in the audit engagement.

Starting from the fact that various scandals as well as the financial crisis involved the auditors, a situation was created for debating ethical issues. The follow-up to audit failures was the increase in regulation and supervision (Kandemir, 2013) and calls for increased attention to West's (2018) education programs, noting that it is still unclear whether these measures are capable of avoiding other crises in accounting and auditing or if implemented effectively. In this context, we considered it necessary to address not only conceptually the notion of ethics by comparing it to the moral one, but to include it in the audit profession and to determine the impact of the ethical perception that beneficiaries have on the quality of the audit opinion. At the same time, the impact of ethical perceptions also spills over the image and reputation of the auditors. We wanted to highlight this as an argument for the need for ethics in auditing at the highest values.

We aim to point out how *ethics contributes to maintaining the positive perception of the general public and brings legitimacy to auditors*. We also want to show the role of ethics in ensuring the social responsibility of auditors and how it can constitute a barrier capable of neutralizing threats to the objectivity and independence of auditors. Both the ethics and the threats to the auditors have repercussions on the credibility of the audit report.

Also, the analysis of the principle of integrity and the support we give to the hierarchy of ethical principles by placing the principle of integrity at the top of the hierarchy is at a time when it is

necessary to credibly pursue ethical auditors' professional action. Thus, we intend to emphasize that it is ethics that combats conflicts of interest and implicitly threats to auditors advocating not for better regulation of ethics in the audit profession but for professional awareness of the need to acquire the set of ethical values and its implementation in the framework of the commitments assumed for ethical responsibility.

The thesis is *structured in six sections* which equate to the delimited chapters. These chapters are preceded by an introduction highlighting the topics to be discussed during the research, a section devoted to research methodology, the presentation of research objectives, and the recall of some of the debates in the literature on ethical issues of financial auditors.

- ⇒ The *first chapter* presents the concept of ethics, the definition of ethics, as well as the dominant ethical theories. Also, in the conceptual way we have shown the importance and values promoted by an ethics code. We have also presented the notion of moral development based on the theories of Kohlberg and Rest.
- ⇒ The *second chapter* addresses ethics in the audit work, the importance of the IFAC Code of Ethics, the need to respect fundamental ethical principles, the quality of the audit, as well as the perceptions of the quality of an audit and how its credibility is affected. Here too, we are talking about managing ethical dilemmas, independence as a summum of ethical principles, we present a comparison between the IFAC Code of Ethics and the INTOSAI Code of Ethics and the moral and social responsibility of auditors.
- ⇒ In *chapter three*, we have stopped on the challenges of the profession, amid audit failures. Thus, we approached the notion of queue and we determined that in order for the waiting gap to be reduced, the public expectations must adapt to the reality of the audit. We also point out that trust in auditors contributes to their legitimacy. Also, in this section, we conducted an empirical study to determine the national interest for the threats posed by the post-financial financial crisis. The final part of the chapter ends with an analysis of the FEE study on the importance of the ethics principles for their profession and their hierarchy.
- ⇒ *Chapter four* of the thesis addresses the auditors' commitment to the public interest, the way in which private interest and public interest are complemented or denied. We analyse the IFAC's public interest, which establishes the need for public service responsibility.

⇒ *Chapter five* of the thesis presents a proper moral development model for auditors, showing that moral development is a concept that can be quantified and applied to auditors to determine their ethicality level.

The thesis is motivated by the *importance of ethics* in fulfilling the audit engagement and its role in positively *enhancing the reputation of the auditors and the credibility* of the audited financial statements. As a result of the financial scandals that questioned the ethics of auditors by late reactions in reporting the difficulties that led to bankruptcies or restructurings, the thesis advocated for the strengthening of ethics and morality among auditors as a way to get closer to the ideal of the profession which awaits the audit beneficiaries. The perception of the credibility of an audit is also measured by the integrity and independence of the auditors, and their maintenance at a high level confirms the quality required in the audit, determined in addition to professional technical skills and proper ethical enforcement.

The interest of the thesis is that it *focuses on the importance of ethics for auditors*, the way in which ethical dilemmas are addressed, the way in which threats to the application of fundamental ethical principles, the manner in which the auditors commit to the public interest, and their ethicality level. As noted by Fogarty and Rigsby (2010, p. 327), the audit does not only involve technical skills but also a "social process". We agree with the social dimension that the audit incorporates, especially as it addresses not only direct beneficiaries but also the public as a whole.

CHAPTER 1. ETHICS: CONCEPTUALIZATION

The importance of the first chapter is to present ethics in the audit activity as the nucleus that allows the adoption of decisions that respond to universal values of good and fair.

Starting from the consideration that individual moral development is the one that weighs when making a decision involving a conflict of ethics, the Kohlberg model developed remains a reference point for research into moral development that is significant for ethics. Thus, Kohlberg's model of six stages of moral development postulates that high ethical principles are the ideal level that an individual can achieve and correspond to the post-conventional stage of moral development. This stage implies recognition of the need to apply ethical principles and values at the highest level in order to respond adequately to the demands of society.

One of the thinkers who were concerned about the study of human character was Aristotle who noticed that "we are what we do repeatedly" (Hooper and Xu, 2012). In this respect, from the point of view of the universal moral values of good and fairness, the more such values are practiced in the professional activity, the more the auditor is subjected to the inclination to exercise ethical judgments without vices and deficiencies.

Ethical reasoning is based on reason best illustrated by Kant, while ethical values provide ethical motivation, allowing auditors to place public interest beyond their private interest.

Kohlberg's model suggests that personal moral development can evolve through ethical control mechanisms, encouraging auditors (by extrapolating Kohlberg's audit model) to advance autonomously to the postconventional level. Achieving this level is the goal of educational programs in the audit as all the qualities and principles will be brought together to protect the public interest altruistically. But since situations involving ethical decisions are rather complex, influenced not only by individual but also external differences, the sophistication of the individual decision-making process is of vital importance.

CHAPTER 2. REPORT OF THE AUDITORS ON ETHICS AND PROFESSIONAL DEONTOLOGY

In the second chapter, the impact assessment of the auditor's challenges on the quality of the audit, and some of the obvious consequences, were the subject of study of this segment of the thesis (Ardelean, 2014/a). The motivation for research is to determine how quality is perceived in the audit as a result of the added value generated by ethical conduct, especially to enhance the auditor's reputation in a positive manner and the credibility of the audited financial statements.

Thus, we have identified how the perceived quality of audit based on ethical conduct of auditors influences the overall perception of the audit. Through an argumentative analysis we wanted to determine how ethical conduct contributes to maintaining the positive perception of the general public. We present our personal vision of the relationship that is likely to form between quality in the audit and elements that enable it to be determined, such as the credibility and reputation of the auditors. We maintain that the perception of quality in the audit is a credibility and reputation function, and maintaining them at a high level confirms the quality required in the audit, determined in addition to professional technical skills and due application of ethical norms.

We aim to establish the optimal way of solving ethical dilemmas by applying a framework that allows them to decode them and to guide auditors in choosing the type of ethical decision. In this sense, we have established the pattern through which we can overcome the moral impasse. The personal contribution is mainly found in the form of the proposed ethical dilemmas (Ardelean, 2013/d).

Within this chapter we show the impact of the presence of values and ethical principles on the quality of auditors' conduct. The profession of auditors, together with regulatory bodies, is concerned with encouraging a high quality of audit, mainly through the promotion of audit standards, and the IFAC and INTOSAI Ethics Codes perform this mission. Starting from the relativistic and idealistic theories, we determined the influence of these theories on the ethical dilemma solutions in the audit. We have established the importance of independence for the profession and we have established that it is the corollary of ethical principles. We have shown that positive perceptions of audit quality contribute to the credibility of the audit. Finally, we confirm the moral and social responsibility of auditors to protect the public interest.

CHAPTER 3. CHALLENGES OF PROFESSION, FOLLOWING AUDIT CHALLENGES

Integrity appears to be the engine that drives the other core principles of the IFAC Code, we have conducted a content analysis and empirical analysis for editorial purposes on various aspects related to the integrity principle. By analysing the frequencies, we aimed to determine the centrality of integrity in relation to the other fundamental principles, we identified the threats to an ethical conduct and the ways to implement integrity within an organization (Ardelean, 2014/c).

Under Chapter Three, we have determined that the challenges that auditors face during an audit are diverse, which is why we stopped our research and audit threats. Under Chapter Three, we have made a classification of these threats, highlighted by the IFAC Code of Ethics and which are supposed to be neutralized by ethical conduct. We sought to determine the possible link between the interest in the threats to the auditor profession and the influence of the post-crisis financial crisis in the academic and professional environment in Romania, examining the approaches and ideas expressed on this subject. The purpose of this analysis was to determine the intensity of interest in the academic and professional environment in the period following the financial crisis on the threats the auditors face during the audit process. The sample served as a research tool, and the analysis and interpretation of the results allowed us to validate the assumptions made.

Therefore, in the third chapter we conducted a frequency analysis to determine whether the integrity principle can be placed at the top of the ethics principles hierarchy by investigating the answers provided by different institutions, professional bodies and individuals at the FEE initiative. Besides integrity, the objective of the analysis was to establish the influence of the perception of the profession's integrity on individual integrity, if there is consensus to clarify the ethical climate in an organization through the presence of a code of ethics and the effectiveness of a disciplinary process for ethical attitudes an investigation into the categories of threats likely to negatively affect the ethical decision.

Integrity is predominantly associated with honesty and reliability, "two reference attributes designed to create trust" (Ardelean, 2014/c). The advancement of integrity as a central principle implies the impulsion of ethical conduct at a time of balance for the profession, in that integrity fulfils a catalytic role for other ethical principles (Ardelean, 2014/c).

CHAPTER 4. AUDITOR'S COMMITMENT FOR PUBLIC INTEREST

Mintz (2018, p. 22) states that the term of public interest was first defined by the AICPA Code of Conduct in 1988: "Members must accept the duty to act in such a way as to serve the public interest". The commitment of auditors to the public interest is achieved through the quality of the audit that implies respecting the ethical values of the profession. Conduct that is not based on public interest, creates insecurity and obvious distrust. Questions were raised on the ability and willingness of auditors to meet their responsibilities to serve the public as a result of financial scandals, which questioned their social role as well as their usefulness (Chambers, 2013). These crises were mainly fuelled by the precedence of private interests (Doron, 2013) and by the "loss of the meaning of the public mission". The direct consequence was the diminishing of public confidence in the position of auditors of general interest advocates. Appropriately, it is expected that the renewed commitment to public interest will restore public confidence (Mednick, 1991; Mintz, 2018). In recent years, this confidence has been enhanced through an ethical approach to audit, transposed by the Code of Ethics of the profession.

Strengthening public confidence in the profession is promoted by IFAC through the promotion of high-quality standards, both ethical and professional. High standards, built on an ethics code, directly influence the quality of the audit and, consequently, the credibility of the audit is strengthened (Dellaportas and Davenport, 2008). This clearly indicates that the regulation promulgated by the profession has a positive effect because it generates public legitimacy about the audit, based on the fact that supervision counterbalances the client's ascendance.

As a result, in this chapter we show the need for auditors to engage in public interest to contribute to the credibility of the profession. In this regard, we have conducted an analysis of the IFAC framework which aims to establish a unanimous definition for the public interest.

The harmony between public interest and private interest can be achieved provided auditors act as referees between customer requirements and expectations expressed by the public (Fogarty and Rigsby, 2010). Moreover, the alignment between private interest and public interest is on the trajectory of expectations from the auditing profession, as this involves the removal of conflicts of interest (Moore et al., 2006), which deeply undermines the validity of an audit.

CHAPTER 5. MODEL SUGGESTED FOR MEASURING THE DEGREE OF MORAL DEVELOPMENT OF AUDITORS

The final part and the fifth chapter of the thesis corresponds to the development of a model created to measure the degree of moral development of the auditors. Ethics in auditing is profoundly attached to auditors as a human component of the audit process, which is why the model we developed to determine the ethical profile through an analysis of the degree of their moral development represents an input in the efforts to channel the ethical conduct of the profession.

Starting from the well-known theories on the moral development of Kohlberg (1984) and Rest (1986), we developed a scale designed to measure the moral development of auditors. This segment of the thesis does not only capture previous efforts, but continues them on the basis of three ethical dimensions, namely egoism, deontology and utilitarianism in the development of the DMD questionnaire. The manner in which auditors relate to public interest is a specific intention of the DMD scale. In addition, the inclusion of the three ethical dimensions within the scalar framework constitutes the originality of the DMD scale, and the objective of analogy with the Hurtt scale (2010) is to acquire legitimacy for the scale of moral development.

As we have already stated, the main purpose of the investigation is the elaboration and validation of the scale, whose role is to measure the degree of moral development of the auditors (more precisely the stage of their ethics), assessing their ability to conduct moral reasoning in the interest of the general public.

At the basis of the DMD Model and Stair Building, a questionnaire addressed to auditors was made to measure the ethicality level. We considered it necessary to develop a scale on moral development as it is designed to measure distinctly the degree of morality of auditors based on three ethical dimensions and three variables that indicate the pertinence of the ethical action.

To establish the ethical profile of an auditor, we performed a Two Step Cluster analysis in SPSS v20. The analysis of the data was based on the nationally conducted investigation, and in order to consolidate the conceived model, we applied the DMD questionnaire and a group of auditors from the United States. The results of statistical analysis designate different ethical profiles, so this model can be used as a way of verifying the degree of moral development for auditors, and is likely to indicate a future action pattern.

CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

In the thesis we approached the ethics in the auditing profession. Starting from the ethical theories that are embedded in the Code of Ethics of the profession, from quality to audit, from decision models that highlight the process of ethical reasoning required for ethical decision-making and ethical conduct in ethical dilemmas, from the fundamental principles of ethics and the independence of auditors, we have determined that the responsibility of the auditors remains social and moral, and the serving of public interest is the necessary condition for reconciling the waiting queue. We have argued that a high level of moral development ensures the adoption of decisions impregnated by objectivity and honesty. At the same time, we have established that the profession promotes ethical conduct, as part of its identity, because only by applying ethical principles and values, auditors can convey confidence in the usefulness of the audit. The challenges that the profession has overcome, audit failures or financial crises can only be overcome by promoting ethics and ethical action within the profession. Ethics remains the link between the profession and the public, which, through trust, gives it credibility and legitimacy, because public interest remains at the core of the profession's concerns (IESBA, 2019). Maintaining the trust that the public confers on the profession remains an imperative from the perspective of both the profession and the public, and the regulatory bodies of the profession ensure that the implementation of ethics is carried out in a consistent manner. The contribution of the research thesis to the literature is precisely the fact that it highlights the connection that ethics creates between the trust of the public and the profession.

This thesis highlighted the links between concepts such as ethics and morality in audit work, stood on the Ethics Code and drew a parallel between it and ethics theories, such as utilitarianism, Kantian deontology and ethics based on virtues and ethical qualities. Adoption of ethical decisions can be made according to models such as those developed by Kohlberg or Rest. Also, in the thesis I approached the role of the auditors in the context of their social responsibility, presenting in chapter three the threats that may negatively affect compliance with the fundamental principles of audit. The empirical analysis of a hierarchy of audit principles has determined the importance of each principle, the integrity of auditors being considered to be paramount to audit work and to ensure the independence of auditors.

The FEE study addressed the threats to the ethical conduct that were the subject of the debate in which the respondents participated, the conclusion being that the call to conscience is needed

to suppress them. The analysis shows that the threats, as presented by the IFAC Code, are pertinent and cover the area of pressures likely to generate ethical slippages. This is in line with the acknowledgment of the global-wide authority of the IFAC Code (Ardelean, 2014/c).

Ethical conduct is deeply influenced by moral development that can be associated with one of the dominant ethical dimensions, namely egoism, deontology and utilitarianism. Hence, the auditors will consider either their own interests, either the rules established by the profession or the public interest. Accordingly, the argument behind the decision is the justification of avoiding sanctions, complying with rules, or finally achieving principles that promote fair universal value. In this note, belonging to the auditing profession who has embraced high ethical standards is likely to outline the moral development of auditors who initially will be willing to embrace the ethical approach of egoism and to bring them to the conventional level. Although there are few peoples that reach the upper level of moral development, most education attains at least the conventional level, which means that if the profession sets high ethical standards, they will be met.

The developed model of measuring the moral development of auditors, without calling it an exhaustive model, can be applied to members of the profession to determine the ethicality level required for acceptance in the profession. We also propose that these morality tests be frequently applied to members of the profession, and if the results are unsatisfactory to adopt education programs in this respect.

The relevance of the implemented investigation is to highlight that moral development can be tested and that our tool can be used effectively for auditors. The moral development scale was designed to expose auditors to non-ethical conduct. Given the recognition of the possibility of evolving through education, the ethical profile identified is relevant for relevant measures to be taken. Finding the degree of moral development is followed by an increase in ethics, amid progress made by the profession in search of public credibility.

The final conclusions point to the fact that the professional ethics rules reflected in the Code of Ethics developed by IFAC have a positive impact on the auditor's ethical conduct and the perception of their social responsibility, as well as the protection of the public interest. Equally, in addition to the ethical regulations adopted within the profession, the ethical and moral quality of auditors make a significant contribution to conducting a qualitative and effective audit for all users. The need for ethics is no longer to be proven, being the necessary element in

supporting the credibility of the audit report by providing the public with the integrity and independence of auditors.

Finally, we note that the research in this doctoral thesis can be continued on two main lines: firstly, the pattern of ethical dilemmas could be extended into a model that measures the level of idealism and relativism of auditors. Secondly, the DMD model could be applied in different countries so as to determine whether the cultural component significantly influences the ethicality level of the auditors.

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