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Moderation testing of dysfunctional audit behavior: internal auditor factors on audit quality

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Abstract

Research aims: The objective of this study is to examine the impact of auditor ethics, auditor professionalism, and dysfunctional audit behavior on the quality of audits, considering dysfunctional audit behavior as a potential moderating factor.

Design/Methodology/Approach: The research utilized a sample of auditors from public accounting firms across Java, employing convenience sampling through smartPLS 3 software, with a total of 256 auditors participating.

Research findings: The findings revealed that both auditor ethics and professionalism positively contribute to audit quality. In contrast, dysfunctional audit behavior shows no significant effect on audit quality, nor does it moderate the beneficial effects of auditor ethics and professionalism on audit quality. These results underscore the significance of auditor ethics and professionalism in enhancing the quality of financial report audits.

Theoretical contribution/ Originality: The research outlined herein seeks to explore the impact of auditor ethics and professionalism on audit quality, considering the potential moderating effect of dysfunctional audit behavior.

Practitioner/Policy implication: The study's implications are straightforward: Auditor ethics and professionalism are vital for the production of high-quality financial statement audits.

Research limitation/Implication: While dysfunctional audit behavior appears to have no significant effect, it remains crucial for public accounting firms to monitor such behaviors. As a result, there is a need for public accounting firms to prioritize ongoing professional education to uphold and reinforce the standards of ethics and professionalism among auditors.

Keywords: Audit Quality; Dysfunctional Audit Behavior; Ethics; Professionalism



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Introduction

As businesses evolve, it becomes imperative for management to adapt, particularly to safeguard shareholder interests. The financial statements of a company serve as a tool for this purpose, reflecting management's stewardship of the company's operations over a given time frame (Ong et al., 2022). Effective and clearly articulated financial statements are instrumental in guiding corporate decision-making (Yulianti et al., 2022). To ensure the reliability and precision of financial statements, they must undergo independent auditing (Meidawati & Assidiqi, 2019); as an autonomous entity, the public accounting profession is obligated to enhance its performance to deliver trustworthy audit results to stakeholders (Hamdani et al., 2020). Audits play a crucial role in reducing

information asymmetry and curtailing managerial actions that deviate from financial accounting norms (Alsughayer, 2021). The creation of high-quality audited financial statements necessitates adherence to ethical standards and professionalism by auditors.

Moreover, auditors must comply with the auditing and professional standards established by the Indonesia Institute of Certified Public Accountants (IAPI) (Astuty et al., 2022), aiming to curtail any dysfunctional audit practices. Numerous regulations, such as the public accountants' code of ethics, auditing standards, and quality control standards, dictate the conduct of auditors during audits. Nonetheless, compliance with these regulations does not inherently ensure the quality of the financial statements produced. Instances in Indonesia, such as the audited financial statements of PT Hanson International Tbk in 2019 by the Public Accountant Office (KAP) Purwantono Sungkoro and Surja, PT Garuda Indonesia in 2019 by KAP Tanubrata, Sutanto, Fahmi, Bambang & Partners, and PT Sunprima Nusantara Financing in 2018 by KAP Satrio, Bing, Eny & Partners, exemplify the occasional shortfall in audit quality (Untari, 2023).

From the discussed cases, it is apparent that auditors struggle to fulfill their role as independent entities responsible for generating high-quality audit reports. Should such incidents persist, auditors risk losing credibility with users of financial statements due to their inability to certify the absence of significant inaccuracies. This could stem from a deficiency in auditor ethics and professionalism, along with the occurrence of dysfunctional audit behavior during the audit process (Meidawati & Assidiqi, 2019; Yulianti et al., 2022).

Auditor ethics is a key determinant of audit quality. The ethical conduct of auditors has been a cornerstone of the public accounting profession for a long time. The public accountants' code of ethics underscores principles like integrity, objectivity, competence, and confidentiality (Yulianti et al., 2022). Auditors must adhere to these ethical standards and norms in all auditing endeavors. Studies have found that auditors with a robust ethical foundation are likely to conduct superior audits (Nguyen et al., 2020). Auditor ethics contribute to the development of professional skepticism, heightened awareness of ethical dilemmas, and more prudent auditing judgments (IAI, 2020). Therefore, the ethical values upheld by auditors are instrumental in shaping both the audit process and its outcomes. However, research findings on the impact of auditor ethics on audit quality are mixed. Some studies (Hau et al., 2023; Meidawati & Assidiqi, 2019; Suryaningsih & Khabibah, 2022; Yulianti et al., 2022) suggest a positive correlation between auditor ethics and audit quality, while others (Lamba et al., 2020; Mardiati & Pratiwi, 2019) report no significant relationship.

Auditor professionalism, defined by an auditor's knowledge, skills, and experience, is a pivotal factor affecting audit quality. The technical proficiency of auditors is crucial in identifying significant discrepancies in client financial statements (Ong et al., 2022). Auditors with high technical competence can devise effective audit strategies and gather pertinent evidence in line with professional norms (Nguyen et al., 2020). Therefore, it is anticipated that greater auditor professionalism will lead to enhanced audit quality. Nonetheless, research findings on this subject are mixed. Studies by Hamdani et al. (2020),

Kartika and Pramuka (2019), and Yulianti et al. (2022) suggest that auditor professionalism positively impacts audit quality, whereas Noverini et al. (2020) and Rosliana (2019) did not find a significant effect of auditor professionalism on dysfunctional audit behavior.

Dysfunctional audit behavior is another factor that can impact audit quality. Actions like premature sign-off, underreporting of time, and diminishing the thoroughness of quality review procedures deviate from established professional standards (Ong et al., 2022). Astuty et al. (2022) determined that such dysfunctional behaviors generally have a negative association with audit quality. To maintain effective and high-quality audits, auditors need to steer clear of and minimize these behaviors. Studies indicate that dysfunctional audit behavior leads to a decline in audit quality and impairs the detection of financial reporting inaccuracies (Ong et al., 2022). Research by Asriningpuri and Gruben (2021), Dewi and Dewi (2022), Putu et al. (2020), and Yulianti et al. (2022) found that dysfunctional audit behavior diminishes audit quality. Conversely, research by Hamdani et al. (2020) reported that dysfunctional audit behavior does not influence audit quality.

Therefore, this study examines the role of dysfunctional audit behavior (DAB) as a moderating variable in the relationship between auditor ethics and professionalism in audit quality. DAB, which includes practices such as premature signing and untimely reporting, has been identified as a factor that can significantly reduce audit effectiveness and auditors' ability to detect errors (Donnelly et al., 2003b; Otley & Pierce, 1996).

Although the negative impact of DAB has been recognized, its role as a moderator in the context of ethics, professionalism, and audit quality has not been fully explored. This study, thus, aims to fill this gap by focusing on how DAB may affect the strength or direction of the relationship between these variables. The selection of DAB as a moderator is based on theoretical frameworks that suggest that DAB may alter the relationship between independent and dependent variables rather than acting as an intermediary mechanism (Baron & Kenny, 1986; Majidah et al., 2016).

Hence, since the authors are looking at how DAB changes the relationship between ethics/professionalism and audit quality rather than being a step in the causal pathway, it makes sense to use it as a moderator. This approach can provide insights into whether the effects of ethics and professionalism on audit quality are stronger or weaker when DAB is present. It is a way to understand the conditions under which auditor ethics and professionalism are most likely to lead to high audit quality (Majidah et al., 2016; Rivaldi et al., 2022).

The practical contribution of the research is that identifying the moderating role of DAB can significantly improve audit practices. Audit firms can develop better strategies to mitigate the negative effects of DAB by implementing stricter controls and providing targeted training to reduce its occurrence. In addition, regulators can use these insights to formulate policies that address the root causes of DAB, such as excessive time pressures and unrealistic budget constraints. These measures can help create a more robust and ethical audit environment.

Furthermore, the theoretical contribution is that including DAB as a moderating variable can improve audit quality models, allowing researchers to develop more comprehensive frameworks that better explain variations in audit quality. This deeper understanding of the factors that influence audit outcomes can lead to more effective interventions and improvements in audit practices. In addition, the insights can open up new avenues of research, such as exploring other potential moderating variables or examining the interplay between multiple moderating factors. This can contribute to a richer and more nuanced understanding of the audit process.

Literature Review and Hypotheses Development

This research uses the attribution theory developed by Fritz Heider to explain the logic of the study (Rivaldi et al., 2022). Attribution theory can provide a relevant perspective in explaining how auditor ethics, auditor professionalism, and dysfunctional audit behavior influence audit quality. Attribution theory explains how humans explain the behavior of others or themselves. This theory focuses on an individual's interpretation of what causes people to behave in a certain way in a situation. The causes of this behavior are categorized into two, namely internal (dispositional) attribution and external (situational) attribution. Internal attribution refers to individual characteristics such as personality traits, attitudes, or abilities believed to cause the behavior. Meanwhile, external attribution refers to situational factors beyond the individual's control that influence their behavior. The relevance of attribution theory to this research is that ethics and professionalism are internal factors; if ethics and professionalism are high, it will improve audit quality. Likewise, dysfunctional audit behavior is an internal factor, which means if the auditor's dysfunctional audit behavior is high, it will reduce audit quality (Yulianti et al., 2022).

Auditor Ethics and Audit Quality

Ethics is the core concept underlying the behavior of accountants in carrying out their duties and responsibilities. Arens et al. (2017) define ethics as the consideration of values about right and wrong that individuals use in making decisions. Auditor ethics refers to the values and moral principles that guide the actions of auditors. The auditor's code of ethics emphasizes the importance of values such as integrity, objectivity, professional competence, confidentiality, and professional conduct. Auditors who have high ethical commitments, such as integrity, objectivity, and strong professional skepticism, are expected to be more careful and thorough in performing audits (IAI, 2020). Therefore, when auditors have high ethical standards, they are considered capable of producing quality audits (Meidawati & Assidiqi, 2019). This is because in performing an audit, the procedures are based on the code of ethics of public accountants. Based on attribution theory, auditor ethics is considered a skill or attitude that is believed to produce a behavior. If auditors have a good attitude, it will result in good behavior. Thus, if auditors behave following the public accountant code of ethics, it can produce behavior that is consistent with producing quality audits. Thus, if auditors have high ethics, it will result in high-quality audits. This is because in performing audit procedures, they maintain

professional ethics (Meidawati & Assidiqi, 2019). Therefore, they are expected to produce higher-quality audits. Research conducted by Hau et al. (2023), Meidawati and Assidiqi (2019), Suryaningsih and Khabibah (2022), and Yulianti et al. (2022) obtained results that auditor ethics positively affect audit quality.

H₁: Auditor ethics positively affect audit quality.

Auditor Professionalism and Audit Quality

Professionalism refers to an individual's commitment to knowledge, technical skills, and high standards in the performance of work (Hall, 1968). Auditor professionalism is characterized by the possession of technical qualifications, professional skepticism, and internal motivation to conduct audits according to standards in the public interest. Professional auditors are characterized by adherence to technical auditing standards, strong motivation, and commitment to audit quality. Auditors with a high level of professionalism are expected to be able to conduct audits following standards and to produce high-quality audits (Kartika & Pramuka, 2019). This is because they perform audit procedures following applicable standards (Hamdani et al., 2020). Based on attribution theory, if the auditor has a good attitude, it will result in good behavior. One of them is to have a professional attitude so that it can produce quality audits. Therefore, if the auditor has high professionalism, it will result in high audit quality. This is because they will adhere to the applicable auditing standards when performing audit procedures (Kartika & Pramuka, 2019). Therefore, they are expected to produce higher-quality audits. Studies conducted by Hamdani et al. (2020), Kartika and Pramuka (2019), and Yulianti et al. (2022) found that auditor professionalism has a positive effect on audit quality.

H₂: Auditor professionalism positively affects audit quality.

Dysfunctional Audit Behavior and Audit Quality

Dysfunctional audit behavior refers to auditor actions that deviate from applicable professional standards, such as premature sign-off, underreporting, and reduction of quality procedures (Donnelly et al., 2003b). These behaviors result from the time and cost pressures of the audit (Donnelly et al., 2003a). Dysfunctional behaviors such as early sign-off and underreporting of time are deviations from applicable auditing standards (Donnelly et al., 2003a, Donnelly et al., 2005). These behaviors are thought to impair the effectiveness of the audit process and thereby reduce audit quality (Putu et al., 2020). Based on the attribution theory, if auditors have a good attitude, it will result in good behavior and vice versa. Dysfunctional audit behavior is considered bad behavior because it performs the audit by omitting or ignoring audit procedures. Thus, if the auditor has a very deviant audit behavior, it will result in low audit quality. This is because in performing audit procedures, the auditor uses behavior that deviates from audit procedures. Therefore, the resulting audit quality will be poor. Research conducted by Asriningpuri

and Gruben (2021), Dewi and Dewi (2022), Putu et al. (2020), and Yuniarti (2012) uncovered that dysfunctional audit behavior negatively affects audit quality.

H₃: Dysfunctional audit behavior negatively affects audit quality.

Dysfunctional Audit Behavior as a Moderator

Audit quality is defined as the probability that an auditor will find and report violations in the client's accounting system (Ong et al., 2022). Audit quality is largely determined by technical competence, compliance with professional standards, and an auditor's independent attitude in conducting audits and formulating audit opinions (Watkins et al., 2004). In other words, audit quality depends on the extent to which auditors can conduct audits objectively and thoroughly according to standards. Auditor ethics (Hau et al., 2023; Meidawati & Assidiqi, 2019; Suryaningsih & Khabibah, 2022) and auditor professionalism (Hamdani et al., 2020; Kartika & Pramuka, 2019; Yulianti et al., 2022) have been proven to positively affect audit quality. Auditors with high ethics and professionalism are expected to conduct audits more carefully and according to standards, thus producing quality audits. However, previous studies also exhibit that auditor ethics (Lamba et al., 2020; Mardiaty & Pratiwi, 2019) and professionalism (Noverini et al., 2020; Rosliana, 2019) alone do not guarantee audit quality. Ethical and professional auditors are still vulnerable to deviant behavior that damages audit quality, such as premature sign-off, underreporting of time, and alteration of procedures. Even though auditors have high ethics, dysfunctional behavior is suspected to weaken the positive influence of these ethics on audit quality.

H_{4a}: Dysfunctional audit behavior weakens the positive influence of auditor ethics on audit quality.

H_{4b}: Dysfunctional audit behavior weakens the positive influence of the auditor's professionalism on audit quality.

Based on the development of hypotheses, the research framework is illustrated as follows (Figure 1).

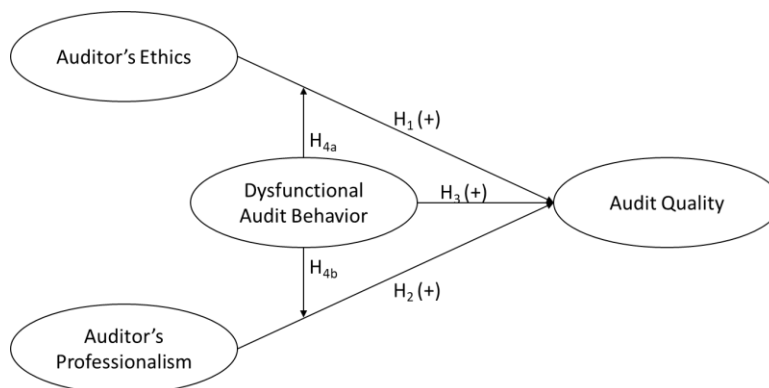


Figure 1 Research Model

Research Method

This quantitative study used primary data obtained through distributed questionnaires. The research population included auditors working in public accounting offices throughout Java Island, consisting of Jakarta, Banten, West Java, Central Java, East Java, and D.I Yogyakarta, registered in the Indonesia Stock Exchange. Based on the emails sent to each public accounting office, 256 questionnaire responses were received. The sampling technique used was convenience sampling, i.e., the selection of samples based on data availability. This is because the exact number of auditors working in public accounting firms throughout Java is unknown.

The research instrument used in this study was a Likert scale of 1-5, where a score of 1 indicates "Strongly Disagree," a score of 2 indicates "Disagree," a score of 3 indicates "Neutral," a score of 4 indicates "Agree," and a score of 5 indicates "Strongly Agree." The minimum sample size was determined using (Hair et al., 2014), which involves multiplying the number of variables by the number of question indicators used. Therefore, the minimum sample size used was 4 times 27 question indicators, which equals 108 respondents. Meanwhile, Figure 2 shows the results of G*Power with the research model, with three predictor variables. Then, the minimum number of samples obtained based on the G*Power application was 77. Hence, the number of samples 256 is sufficient to meet the minimum number of samples according to the indicators of Hair et al. (2014) and G*Power (see Figure 2).

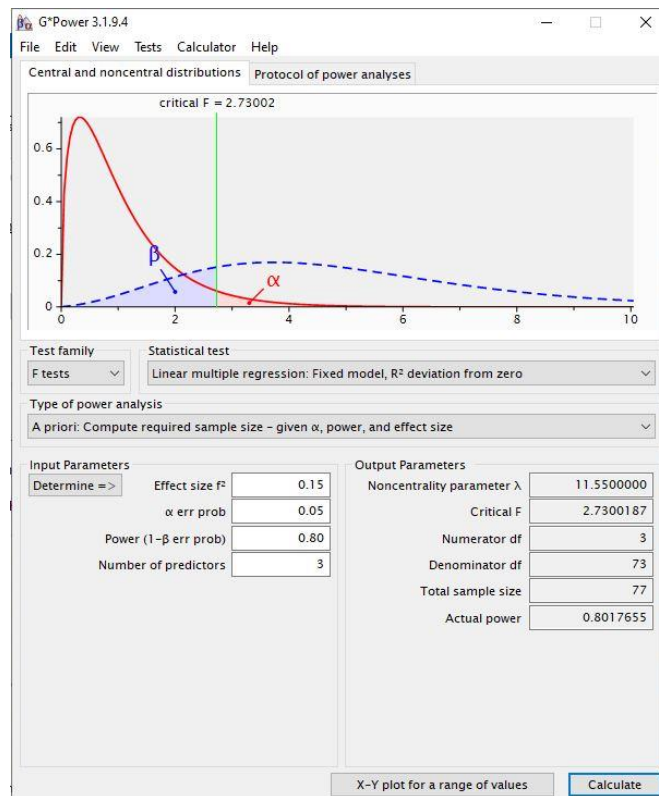


Figure 2 G*Power Analysis

Table 1 details the operational definitions of the research variables, namely auditor ethics, auditor professionalism, dysfunctional audit behavior, and audit quality. Table 1 also shows the variable indicators and sources used in the study.

Table 1 Operational Definitions

Variable	Operational Definitions	Variable Indicators	Source
Auditor Ethics	Characteristics that individuals have in the community that form norms and rules that become normative in one's life	Professional responsibilities; Community interests; Integrity; Objectivity; Confidentiality	Meidawati and Assidiqi (2019); Yulianti et al. (2022)
Auditor Professionalism	The assessment of an individual's perception of their profession as evidenced by their behaviors and attitudes	Devotion; Social responsibilities; Autonomy; Confidence in professional regulation; Relationships with colleagues	Hamdani et al. (2020)
Dysfunctional Audit Behavior	Deviant behavior that can directly or indirectly reduce audit quality	Reporting audit time that is shorter than the actual time; Premature termination of audit procedures; Shallow review of client document; Reduced audit work	Hau et al. (2023)
Audit Quality	Audited financial statements that are relevant to decision-making	Misstatement detects; Compliance with auditing standards; Precautionary principle	Ong et al. (2022)

The analysis method used in this research was Structural Equation Modeling-Partial Least Square (SEM-PLS). PLS-SEM is great for building research models using highly complex latent variables. It is also perfect for testing complex relationships with many constructs and indicators (Ghozali & Latan, 2016). The stages of data analysis include testing the outer model and the inner model. The outer model test consists of a convergent validity test, discriminant validity test, and reliability test. Meanwhile, the inner model test encompasses the coefficient of determination test, path coefficient test, and hypothesis test (Ghozali & Latan, 2016).

Result and Discussion

Respondents Characteristics

The number of questionnaires distributed to respondents was 256. The questionnaires were distributed via email to each public accounting office. Therefore, the responses received could be processed in their entirety.

Table 2 Respondents Characteristics

Demographic Characteristics	Quantity	%
<i>Gender</i>		
Male	157	61.3
Female	99	38.7
<i>Age</i>		
20 – 30 years old	168	65.6
31 – 40 years old	32	12.5
41 – 50 years old	29	11.3
> 50 years old	27	10.5
<i>Education</i>		
Undergraduate	5	2
Graduate	199	77.7
Master	47	18.4
Doctor	5	2
<i>Experience</i>		
1 – 5 years	183	71.5
6 – 10 years	42	16.4
11 – 15 years	15	5.9
> 15 years	16	6.3
<i>Position</i>		
Junior Auditor	36	14.1
Senior Auditor	159	62.1
Manager	14	5.5
Partner	47	18.4

Table 2 shows the demographics of the research respondents. Based on gender, most of the respondents were male. This may indicate that they are often task-oriented when conducting audits, so they can contribute to a high level of objectivity, which is an important component of audit quality (Saeed et al., 2023). Based on age, most of the respondents were between 20 and 30 years old. This indicates that auditors in their 20-30 years old have up-to-date knowledge, especially in terms of accounting and auditing standards. Young auditors also tend to follow standard audit procedures, so the resulting audit quality is good. In terms of education, most of the respondents had a bachelor's degree. This shows that the respondents have an accounting foundation that can be used to produce quality audits. In terms of work experience, the majority of respondents had 1-5 years of work experience. The range of experience is 1-5 years. Based on position, most respondents held the position of senior auditor. This indicates that auditors have a great deal of experience in various industries and types of audits, which enhances their ability to assess risks. This enhances their ability to assess risks, detect anomalies, and exercise more accurate professional judgment in producing quality audits.

Descriptive Statistics

Based on Table 3, it is revealed that the auditor ethics variable had an actual mean value greater than the theoretical mean, i.e., 37.09 greater than 24. This indicates that, on average, auditors have a high level of ethics. Next, the auditor professionalism variable had an actual mean greater than the theoretical mean, i.e., 32.68, greater than 21. This

implies that auditors have a high level of professionalism. Furthermore, the dysfunctional audit behavior variable had an actual mean value greater than the theoretical mean, i.e., 27.73, greater than 18. This suggests that the auditors who are respondents have a high level of dysfunctional audit behavior. Lastly, the audit quality variable had an actual mean value smaller than the theoretical mean. This means that the auditors who are respondents have a low level of audit quality.

Table 3 Descriptive Statistics

Variables	N	Theoretical			Actual			Deviation Standards
		Min	Max	Mean	Min	Max	Mean	
Auditor Ethic	256	8	40	24	28	40	37.09	3.153
Auditor Professionalism	256	7	35	21	35	35	32.68	2.575
Dysfunctional Audit Behavior	256	6	30	18	30	30	27.73	2.493
Audit Quality	256	6	30	18	30	30	15.15	4.214

Non-Sampling Bias Test

The non-biased test is used to determine whether two unrelated samples have different mean values; if the significance value is greater than 0.05, it can be said that the mean of each variable has the same variance (Ghozali, 2021).

Table 4 Non-Sampling Bias Test

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Auditor Ethic	0.007	0.933	-0.159	254	0.874	-0.069	0.436	-0.927	0.788
Auditor Professionalism	0.829	0.363	0.076	254	0.940	0.027	0.356	-0.674	0.728
Audit Quality	0.102	0.750	-1.540	254	0.125	-0.528	0.343	-1.203	0.147
Dysfunctional Audit Behavior	0.810	0.369	-1.277	254	0.203	-0.741	0.580	-1.884	0.402

Based on Table 4, it can be seen that the significance value of each variable was greater than 0.05. It can be concluded that the respondents' answers to each variable were the same.

Convergent Validity

The convergent validity test is conducted to determine whether a questionnaire is valid or not. A questionnaire is said to be valid if it shows an outer loading value greater than 0.70 and can also be seen from the Average Variance Extracted (AVE) value which is above 0.5 (Ghozali & Latan, 2016). The results of the convergent validity test can be seen in Table 5.

Table 5 Convergent Validity

Variable	Item	Loading	AVE
Auditor Ethic	As an auditor, I am responsible for the results of my audit.	0.808	0.596
	As an auditor, I must be responsible when the audit results need improvement.	0.746	
	As an auditor, I must be professional.	0.746	
	As an auditor, I must provide the best professional services for service users and the public.	0.744	
	As an auditor, I will not be pressured into doing something I believe is wrong.	0.789	
	As an auditor, I must be impartial.	0.800	
	As an auditor, I must be objective and free from conflicts of interest.	0.719	
	As an auditor, I must be confidential unless I am told otherwise.	0.816	
Auditor Professionalism	As an auditor, I use all my skills to audit.	0.738	0.594
	As an auditor, I must be truthful about the audit results.	0.777	
	As an auditor, I help people trust the financial statements presented by management.	0.740	
	As an auditor, I decide what to do based on what I find during the audit.	0.821	
	As an auditor, I must follow regulations, standards, ethics, and quality control.	0.819	
	External auditors can only express an opinion on the fairness of financial statements.	0.786	
Dysfunctional Audit Behavior	I did not follow the audit program.	0.750	0.681
	If I do not document all the audit procedures, I cannot give an opinion on a financial report.	0.871	
	As an auditor, I do not have to test more when I find something questionable.	0.850	
Audit Quality	Audit quality is about finding material misstatements	0.782	0.686
	As an auditor, I can detect errors in financial statements if I know what I am doing.	0.828	
	An audit is high-quality if it meets the standards.	0.810	
	If I follow the audit standards, the audit will be good.	0.872	
	As an auditor, I must be careful when making decisions during an audit.	0.832	
	The precautionary principle is about doing your job well and producing good audit quality.	0.841	

Table 5 shows that all question items in this study had an outer loading value greater than 0.5. This means that this study met the requirements for the convergent validity test.

Discriminant Validity

The evaluation of the measurement model used to see the validity discrimination is obtained by testing the average variance extracted (AVE) based on Fornell & Larcker criteria (Hair et al., 2021). The resulting average variance extracted value must be greater than 0.5 (Ghozali & Latan, 2016).

Table 6 Discriminant Validity

Variable	Auditor Ethics	Auditor Professionalism	Dysfunctional Audit Behavior	Audit Quality
Auditor Ethic	0.772			
Auditor Professionalism	0.711	0.771		
Dysfunctional Audit Behavior	-0.094	-0.105	0.826	
Audit Quality	0.576	0.662	-0.135	0.828

Note: Numbers formatted in **bold** are AVE square root values.

The results of the discriminant validity test shown in Table 6 indicate that the square root of the AVE value for each construct was greater than the correlation value. This means that this study met the discriminant validity test requirements.

Reliability Test

A questionnaire is considered reliable if the respondents' answers to the questions are consistent or stable. A questionnaire is said to be reliable if it shows Cronbach's alpha and composite reliability values greater than 0.70 (Ghozali & Latan, 2016).

The reliability test results listed in Table 7 show that each variable had a Cronbach alpha and composite reliability value greater than 0.70. From these results, it can be concluded that this research instrument had good reliability and was consistent in measuring the constructs.

Table 7 Reliability Test

Variable	Alpha's Cronbach	Composite Reliability
Auditor Ethic	0.903	0.922
Auditor Professionalism	0.886	0.911
Dysfunctional Audit Behavior	0.775	0.865
Audit Quality	0.908	0.929

Hypothesis Testing

Based on Table 8, the results of this study indicate that auditor ethics had a positive effect on audit quality. Furthermore, auditor professionalism had a positive effect on audit quality. Then, dysfunctional audit behavior had a negative effect on audit quality. Meanwhile, dysfunctional audit behavior did not weaken the positive influence of auditor ethics and auditor professionalism on audit quality.

Table 8 Hypothesis Testing

		Path Coefficient	t-statistic	P-value	Conclusion
AE → QA	H ₁	0.208	2.568	0.011	Supported.
AP → QA	H ₂	0.512	6.634	0.000	Supported.
DAB → QA	H ₃	-0.063	1.615	0.107	Not supported.
AE*DAB→QA	H _{4a}	0.064	0.695	0.487	Not supported.
PA*DAB→QA	H _{4b}	-0.064	0.393	0.694	Not supported.
Adjusted R Square				0.456	

Note: AE = Auditor Ethic; QA = Audit Quality ; AP = Auditor Profesionalism; DAB= Dysfunctional Auditor Behaviour.

In addition, the hypothesis testing revealed that the coefficient of determination (Adjusted R-Square) was 0.456, meaning that the variables used in the study (auditor ethics, auditor professionalism, and dysfunctional audit behavior) can explain 45.6% of the variance in the dependent variable, while other variables outside of this study explain the remaining 54.4%.

Discussion

The Effect of Auditor Ethics on Audit Quality

Table 8 reveals a significant positive correlation between auditor ethics and the quality of audits. In essence, auditors with higher ethical standards tend to produce audits of superior quality. Participant responses suggest a high level of auditor ethics, which correlates with the high quality of financial statement audits produced. This aligns with attribution theory, which posits that both internal and external factors influence behavior. In this context, auditor ethics serve as an internal motivator for quality audit production. The study concludes that auditor ethics are crucial in generating high-quality financial statement audits within an organization. The respondent profiles further corroborate this, predominantly senior auditors with 1-5 years of experience, underscoring the long-standing emphasis on work ethics within the public accounting profession. The code of ethics for public accountants highlights key ethical principles—integrity, objectivity, competence, and confidentiality—which auditors must adhere to in all auditing tasks. Auditor ethics fundamentally guide an auditor's conduct in fulfilling their professional duties and responsibilities. Therefore, high ethical standards among auditors are indicative of compliance with the code of ethics, leading to high-quality audit outcomes. This research supports the findings of Hau et al. (2023), Meidawati and Assidiqi (2019), Suryaningsih and Khabibah (2022), and Yulianti et al. (2022), which suggest that an auditor's ethical standards are directly proportional to the quality of financial statement audits they produce.

The Effect of Auditor Professionalism on Audit Quality

Table 8 affirms that auditor professionalism significantly enhances audit quality. In essence, the greater an auditor's professionalism, the better the quality of the financial reports they audit. This conclusion is bolstered by the respondents' generally high scores. The data also reflects that most respondents are senior auditors with 1-5 years of

experience, indicating they possess the necessary expertise to conduct high-quality financial report audits. This finding is consistent with attribution theory, which suggests that both internal and external factors influence behavior. In this case, auditor professionalism—an internal factor—encourages behaviors that yield high-quality audit reports. The study deduces that auditor professionalism is a critical component in generating high-caliber financial reports within an organization. Professional auditors are distinguished by their compliance with audit technical standards, robust motivation, and dedication to audit quality. Consequently, an auditor's level of professionalism is directly proportional to the quality of their audit work. This research corroborates the findings of Hamdani et al. (2020), Kartika and Pramuka (2019) and Yulianti et al. (2022), which indicate that heightened auditor professionalism correlates with improved quality of audited financial reports.

The Effect of Dysfunctional Audit Behavior on Audit Quality

Table 8 suggests that dysfunctional audit behavior does not significantly impact the quality of audits. This observation implies that the level of dysfunctional behavior, whether high or low, does not correlate with the quality of the audit outcomes. Descriptive analysis reveals a tendency among auditors to acknowledge the presence of dysfunctional audit behaviors, as indicated by the high average scores reported. Conversely, the lower average scores related to audit quality suggest a divergence from the indicators of high-quality audits, with audit quality averaging at 15.15 compared to the higher average of 27.73 for dysfunctional behavior. This finding diverges from attribution theory, which attributes behavior to a mix of internal and external factors, with dysfunctional audit behavior being an internal factor. However, the data indicates that such behavior does not necessarily degrade audit quality. The study posits that the strong commitment of professional auditors to maintaining audit quality likely mitigates the potential negative effects of dysfunctional behavior, even in the face of pressure from clients or superiors (Asriningpuri & Gruben, 2021). The entrenched professional standards and ethical codes within the auditing profession serve as a deterrent against such deviations. This conclusion is in line with the research by Hamdani et al. (2020) and Tianingsih et al. (2022), which also found no significant link between dysfunctional audit behavior and audit quality.

Dysfunctional Audit Behavior Moderates the Positive Influence of Auditor Ethics and Auditor Professionalism on Audit Quality.

Table 8 reveals that dysfunctional audit behavior does not moderate the impact of auditor ethics and professionalism on audit quality. Ethics and professionalism are fundamental values deeply rooted in auditors' practices, guiding them to uphold professional standards even under pressure. The inherent nature of these values often outweighs the circumstantial tendencies of dysfunctional behavior in influencing audit quality. Ethical and professional auditors are consistently capable of delivering high-quality audits, regardless of situational deviations. While dysfunctional behavior may be more pertinent during the audit consideration phase, it does not substantially diminish the overall audit quality. Thus, auditors with strong ethical and professional principles can resist pressures

and maintain high-quality audit standards, safeguarding the audit process against the potential negative effects of dysfunctional behavior (Dewi & Dewi, 2022).

DAB does not moderate the relationship between auditor ethics, auditor professionalism and audit quality. It is consistent with findings from similar studies in the field. For instance, a study published in the *Universal Journal of Accounting and Finance* found that independence and time budget pressure had a significant effect on audit quality, while Machiavellian characteristics had no significant effect. Moreover, the influence of these characteristics, along with independence and time budget pressure on audit quality, was not moderated by DAB (Rivaldi et al., 2022). Similar results conducted by Yulianti et al. (2022) indicate that dysfunctional audit behavior is unable to moderate auditor ethics on audit quality.

In the Indonesian context, research shows that DAB does not moderate the effect of audit quality. This can be explained by several factors specific to the Indonesian audit environment. First, high work culture and time budget pressures often lead auditors to engage in dysfunctional behavior directly without moderating the relationship between other variables and audit quality (Donnelly et al., 2003a, 2003b). Second, existing regulations and policies may not be strong enough to address or mitigate the impact of DAB, making its influence more visible as an independent rather than a moderating variable (Asriningpuri & Gruben, 2021; Dewi & Dewi, 2022; Putu et al., 2020; Yuniarti, 2012).

The novelty of this study lies in the finding that DAB does not serve as a moderating variable in the Indonesian context, in contrast to previous research perspectives that emphasize the moderating role of DAB. This study provides new insights into that in the Indonesian auditing environment, DAB has a more significant direct impact on audit quality and is, therefore, more appropriately used as an independent variable. These findings open opportunities to develop more effective strategies and policies to address DAB and improve audit quality in Indonesia.

Conclusion

The study's outcomes clearly demonstrate that the ethical conduct and professional demeanor of auditors significantly contribute to the enhancement of audit quality. On the other hand, the presence of dysfunctional audit behavior does not notably influence the quality of audits, nor does it alter the beneficial effects of ethical and professional practices in auditing. The findings suggest that future investigations should employ purposive sampling and incorporate interview methods in data collection to minimize response biases. With an adjusted R-square value of 45.6%, the study indicates that subsequent research might explore additional variables, such as auditor competence, independence, and professional skepticism, which could potentially improve audit quality.

The study's implications are straightforward: auditor ethics and professionalism are vital for the production of high-quality financial statement audits. While dysfunctional audit behavior appears to have no significant effect, it remains crucial for public accounting firms to monitor such behaviors. As a result, there is a need for public accounting firms to prioritize ongoing professional education to uphold and reinforce the standards of ethics and professionalism among auditors. This research is expected to be literature material for similar research.

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Conflicts of Interest

The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.



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