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## **AN ASSESSMENT OF THE FACTORS AFFECTING THE ETHICAL JUDGMENT OF AUDITORS TO PREVENT FRAUDULENT ACTIVITIES**

**M Ramen  
B Jugurnath  
H Gunnoo**

*University of Mauritius*

### **Abstract**

*This paper puts forward an integrated framework model which provides a profound understanding on the motives behind the auditor's ethical judgements. It shows an examination of the several factors that would influence the auditor's ethical judgement such as personal values, professional commitment, organisational ethical culture, ethical orientation, cognitive moral reasoning and development. The study is based on the framework considered by Shaub (1989). A survey was carried out and questionnaire was administered on a sample 141 auditors from different audit firms in Mauritius. Different statistical tests were performed to identify the most important impact components on the ethical judgement of auditors. The study reveals that Mauritius is very much aware of the growing importance of ethics due to some recent scandals. It is imperative that all the auditors follow the codes of ethics and put it in practice by giving the right judgement. It also sheds light on the importance different factors such as personal values, professional commitment, organisation culture, ethical orientation and cognitive moral on ethical judgment of auditors. All factors are equally examined and they are found to contribute positively on the ethical judgement of auditors. However, the personal values reveal to be relatively the primary factor.*

**Keywords:** *Auditors, Ethical Judgment, Personal Values, Professional Commitment, Ethical Orientation and Cognitive Moral Reasoning and Development.*

### **Introduction**

Auditing is a private or public service that authorises financial statements of entities, thereby reassuring the public and the stakeholders. Fahimeh & Mahdi (2013) stated that auditors have ethical obligations towards all those concerned with the audit process and are required to perform their tasks with utmost honesty, objectivity and independence. Furthermore, according to Karajeh (2004), the auditor's professional conduct has proved to be a key role in validating the integrity of financial accounts and to increase the level of confidence amongst the users of accounts. Kennedy (2004) claimed that several famous scandals such as Enron, WorldCom and Arthur Anderson, were examples of 'bad' companies. According to Elias (2004), the collapse of these large organisations had a significant impact on the financial stability of the countries, affecting the stakeholders involved therein. As a result, these events highlighted the gap that existed between public expectations and the role of the auditor. Duska (2005) stressed on the trust that the society places on the role of independent auditors should be considered, as this enables the effective functioning of the financial markets and economic systems. Hence, the auditing profession has started to focus more on ethics due to financial scandals in corporate entities. It is considered that a range of factors would contribute to the ethical judgement of auditors such as personal values, professional commitment, organisation culture, cognitive and moral development and ethical orientation.

## Objectives

This paper provides a deep understanding on the factors affecting the ethical judgement of auditors when facing ethical dilemmas with the following research objectives:

- To identify the factors that would contribute to auditors' ethical judgement;
- To assess the extent to which these factors would influence the auditors' functions; and
- To develop an integrated framework for the assessment of the ethical judgement of auditors.

## Literature Review

Lee (2009) defined ethics as part of an ideology that appertained to the moral sense of human behaviour towards the rightness and wrongness of actions and their resulting consequences. Ethics refer to standards of behaviour that indicate how one should act rightly based on specific values, moral duties and virtues in different situations. Ferrell, Gresham, and Fraedrich (1989) defined ethics in almost the same way: it acts as the framework which helps to distinguish right from wrong and if someone acts ethically, success is guaranteed. As stated by Velasquez *et al* (2008), ethics consists of the standards of conduct generally acceptable by the society. Nowadays, ethics has become an important aspect in the accounting and auditing profession. Without ethics, it has been observed that there is misuse of powers and indiscretion by individuals in performing their organisation roles..

Cheffer & Pakaluk (2007) affirmed that the success factor of auditors is calculated by the aspect of ethics and morality that is applied during an audit. Ethical decision-making refers to the methods and rationale of accountants and auditors to evaluate among the factors such as moral, virtue and right dimension when faced with ethical dilemmas to make the best decision. Kohlberg (1986) defined three levels of moral development namely pre-conventional, conventional, and post-conventional. Pre-conventional level explains the concept of self-caring that is, when an individual takes care of himself/herself. At the conventional level, one incorporates the norms about caring for others before oneself. Lastly at post-conventional level, an individual decides about the rules he/she adopted in the conventional stage and balances between caring for himself/herself and caring for others. Each level has two distinct stages which examines the reason for an individual's moral perception.

Auditing is an ethically dubious profession where the auditors' major responsibility is to assist and provide assurance to the clients and express an independent opinion on the financial statements. Moreover, Finn (1988) identified that auditors are often faced with ethical conflicts where their concerns towards a group of people must be incoherent with their duties to another one. Similarly, Solomon (1990) agreed that auditors face ethical dilemmas such as receiving extensive client fees for both auditing and non-auditing services and they are still expected to give an independent statement. The auditor, in certain situations, may fear to lose its reputation from being overly lenient on giving any audit judgement. Therefore, management usually appoints an auditor based on whether the latter abides with the Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS), for the verification of the company's accounts. Waples (1991) stated that the auditor is required to consider the welfare of the stakeholders' interests.



Trotman (1998) asserted that in auditing, ethical judgement research forms part of a behavioural decision section where the opinions and judgements of groups are taken into consideration to plan and devise decisions. Solomon & Trotman (2003) defined 'judgement' as the personal opinion made as a prologue to taking actions. Furthermore, Sparks & Pan (2010) observed ethical judgement as the personal interpretation of a person and to what extent he/she considers an action or behaviour as ethical or unethical.

Abdolmohammadi and Wright (1987), Bonner (1994), Solomon & Shields (1995) found that the more complex and ambiguous the audit task structure is, more ethical judgement is required. Furthermore, the auditors are perceived to be uncomfortable in dealing with ambiguity and tend to be more conservative in their judgements in misstatement cases (Pincus, 1990; Nelson & Kinney, 1997). However, professional judgement does not always imply that the auditor can reach conclusions on his own.

The impact of personal values on ethical decision making had been carefully analysed in many experiential literatures such as Frederick & Weber (1987), Hunt *et al.* (1989) and Rokeach (1973). Nevertheless, Fritzsche (1995) pointed out that the role of personal values was still unclear within organisation. Personal values are peoples' internal conception of what is right, important, beneficial or useful to them. Posner & Schmidt (1996) explained values as lying 'at the core of personality, influencing the choices individuals make and the way individuals and organisations alike invest their time and energy.'

Cileli (2000) appraised that values may last for long but however are not utterly permanent and hence, it may be altered to adapt to changes of a growing society. According to Laroche *et al.* (2001) and Ho & Lin (2008); Mingzhi (2008), the importance of personal values has been found in the business and accounting literatures for many years. The possible connection between auditor's ethical judgement and personal values has been affirmed through researches carried out by Au & Wong (2000) and Jadallah & Dehni (2008).

Aranya *et al.* (1981) and Ferris *et al.* (1984) defined professional commitment as the active and corresponding participation and collaboration towards a particular work or job. The word 'commitment' itself means that the person must believe in and accept the firm's values and goals and express the desire to make significant efforts in achieving them. Sorensen (1974) observed professional commitment as a means where individuals express their loyalty towards their work and they distinguish them among others through their profession. They accept the profession's ethics and goals and adopt it as their norms. According to Aranya, Pollock, and Amernic (1981) and Ferris *et al.* (1984), a higher sense of responsibility and ethical reasoning are expected from auditors who have a professional commitment. Moreover, they should be willing to retain their membership in the firm and correctly perform their duties.

Elias(2008) stated that professional commitment refers to individuals that become attached to their job . As a result, there is improvement in work performance, a relatively low level of turnover and increasing job satisfaction among employees.(Suddaby *et al.*, 2009). Professional commitment encourages the individuals to incorporate work in their life and this result in a higher level of job satisfaction and greater enthusiasm in the profession. According to Doughtie (2015), the ethics compliance program helps them tremendously to approach any dilemma or task with a standard behaviour involving a high level of professionalism and integrity.

Douglas *et al.* (2001) asserted that ethical culture also known as organisational culture is one of the major factors that impacts the auditors' ethical considerations in the decision-making process and which prevents unethical events from occurring. Cohen *et al.* (2007) claimed that ethical values were correlated with common understanding and thus it is important to understand cultural influences prevailing in different countries. Lampe and Sutton (1992) asserted that the factors depend on the distinct cultures prevailing in different countries and thus it influences the auditor's judgments differently in order to achieve a specified audit quality. Ampofo *et al.* (2011) agreed that ethical culture incorporates the extent to which ethical behaviour is encouraged and rewarded by the organisation.

Okpara & Wynn (2008) observed that organisational commitment has obtained great interest due to its considerable impact upon work attitudes, such as job satisfaction, performance and level of turnover. The key to a good performance was to have a positive and strong ethical culture in the organisation, this helped the employees to achieve brilliantly their goals (Kandula, 2006). Thus, it was observed that organisational culture had a direct relationship with performance management. The research of Lok & Crawford (2004) stated that different organisational culture could affect organisational commitment and job satisfaction. According to Doughtie (2015), culture is effective in an entity where one can comfortably speak out their views on ethical issues and eventually resolves them.

Clikeman *et al.* (2001) noted that ethical orientation simply implies an individual who can make a judgement to identify the ethical nature of a specific situation. Similarly, Sullivan (2007) defined ethical orientation by the way a person intends to view ethics and how he perceives an ethical judgement. The Cambridge Advanced Learner's Dictionary (2008) defined orientation as a person's way of doing things, their personal views or beliefs and their different tastes and habits. Ethical orientation has become the main driver to enlighten the role of an auditor's job independence and job quality. Hence, ethical orientation can simply be explained by the moral values that a person adopts when he/she should distinguish between right or wrong and good and bad. However, differences in ethical orientation can result in certain disagreements because each person perceives an ethical situation differently and the varying opinions and judgments can bring two persons into conflict.

Forsyth's (1980) taxonomy of ethical ideologies has demonstrated the differences in moral judgements of auditors when faced to ethical issues (Arrington & Reckers, 1985; Douglas *et al.*, 1999; 2000). Forsyth's taxonomy described a person's ethical orientation by two factors namely relativism and idealism. Idealism can be defined as the degree to which someone believes that if the right behaviour is adopted, the outcomes will always be positive while relativism referred to the rejection of absolute moral rules to guide behaviour. He discussed the four distinct ethical ideologies as follows:



**Table 1: Taxonomy of ethical ideologies**

	High Relativism	Low Relativism
High Idealism	<p>Situationist: Reject Moral rules; advocates a contextual analysis of morally questionable actions</p>	<p>Absolutist: Uses inviolate, universal moral principles to formulate moral judgements.</p>
Low Idealism	<p>Subjectivist: Argues that moral judgements should depend primarily on one's own personal feelings</p>	<p>Exceptionist: Admits that exceptions must sometimes be made to moral absolutes</p>

*Source: Adapted from Forsyth (1980, 1992)*

It is prerequisite for professional auditors to understand ethical orientation as it helps them to achieve their auditing duties and responsibilities. As a result, the audit quality is enhanced, effectiveness and efficiency is guaranteed, followed by audit success. Greenfield *et al.*, (2008) studied the correlation between ethical orientation and effective decision making. It has been observed that higher ethical orientation is positively linked to an independent audit report and enables the auditors to achieve a good audit quality. Hence, ethical orientation can be measured by an Ethics Position Questionnaire (EPQ). It is a process used to predict the moral values linked to ethical judgment. The EPQ consists of a set of 20 questions which is equally divided into 10 idealism scales and 10 relativism scales.

Piaget' theory (1932, 1966) believed that the cognitive structures were natural, hierarchical and culturally universal. Trevino (2013) affirmed that cognitive development theory concentrates on the cognitive aspect in deciding the right moral behaviours. Further studies from Jordan, Brown, Trevino and Finkelstein (2013) stated that the Cognitive Development Model (CDM) was explained by the relationship between leader and follower. The follower will perceive the leader with high CMD be an ethical leader. Moreover, Latif (2000) observed that the cognitive moral development theory assumes that individuals when confronted to ethical dilemmas, are expected 'to do the right thing' due to their prominent level of moral development. This study used cognitive development theory to relate exposure to ethical judgements.

Hunt & Vitell's (1986) theory of ethics mentioned that moral reasoning and ethical judgements were correlated. Grover (1993) pointed out that unethical behaviour is common among auditors who has a low level of moral reasoning whereas the individuals with a high cognitive moral development are perceived to do the right things and in an ethical manner. Ponemon & Gabhart (1994) also noticed the relationship between an auditor's moral development and independent judgements. The ethical reasoning process is related to the conscious mind of an individual where he/she must confront ethical conflicts and problems in his/her daily activities.

Rest's (1986) Defining Issues Test (DIT) was the most frequently utilised for the measure of moral development in accounting and in other disciplines (Louwers *et al.*, 1997 and Rest *et al.*, 1999). However, in this study Jones model (1991) will be used to measure the moral intensity dimensions. Jones (1991) identified six variables of each ethical issue known as Moral Intensity factors that impacts the ethical decision making process. The variables differ from person to person and are as follows:

**Table 2: Components of Moral Intensity**

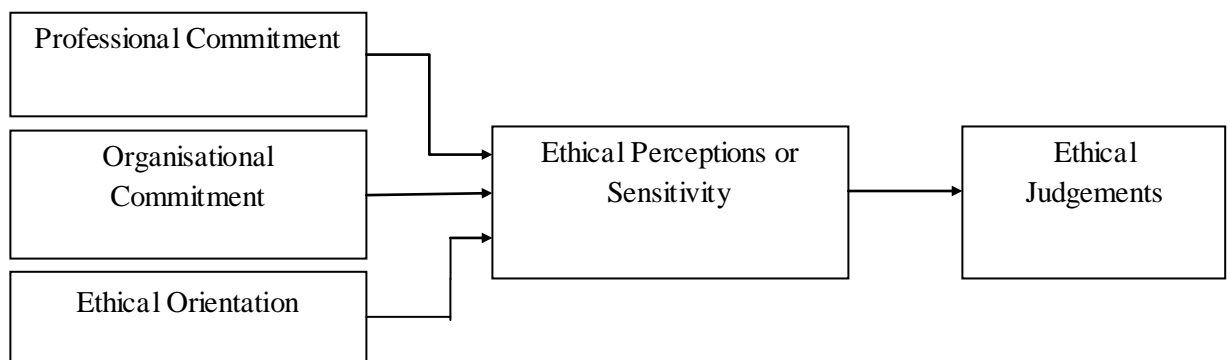
Moral of intensity factors	Description
Magnitude of consequences (MC)	The sum of harms and benefits resulting from a given action.
Social consensus (SC)	The degree of general agreement about the problem
Probability of effect (PE)	The probability of harms or benefits actually happening.
Temporal immediacy (TI)	The length of time between the action and the onset of the consequences.
Proximity (PX)	The feelings of nearness that the decision-maker has for the victims
Concentration of effect (CE)	An inverse function of a number of people affected by the act

Source: Jones (1991) *Moral Intensity*

Jones & Huber (1992), Singer & Singer (1997) and Morris & McDonald (1995) examined the connection between ethical decision process and moral intensity and concluded that social consensus and magnitude of consequences were the major determinants of moral intensity. Likewise, Barnett and Valentine (2004) affirmed that magnitude of consequences and social consensus shows a positive link with ethical judgement. Marilyn *et al.* (2010) defined auditor's independence as the proof of their integrity and objectivity. According to Ponemon & Gabhart (1990), the level of moral development can be linked with the tendency to breach independence rules. Hansen (2010) recognised that threats to independence are circumstances that could harm an auditor's independence. Nasser *et al.* (2006) also stated that the auditor's independence is an influential factor that highly impacts on ethical judgement of auditors.

### Conceptual Framework

This framework was conducted by Shaub (1989). The theoretical model in Figure 1 presents an approach to examining the impact of professional commitment, organizational commitment, and ethical orientation on auditors' ethical perceptions and ethical judgements.



Source: Adapted by Shaub (1989)

## Proposed Framework of Auditors Ethical Judgement

After considering the conceptual framework of the previous studies, the following proposed framework is investigated.

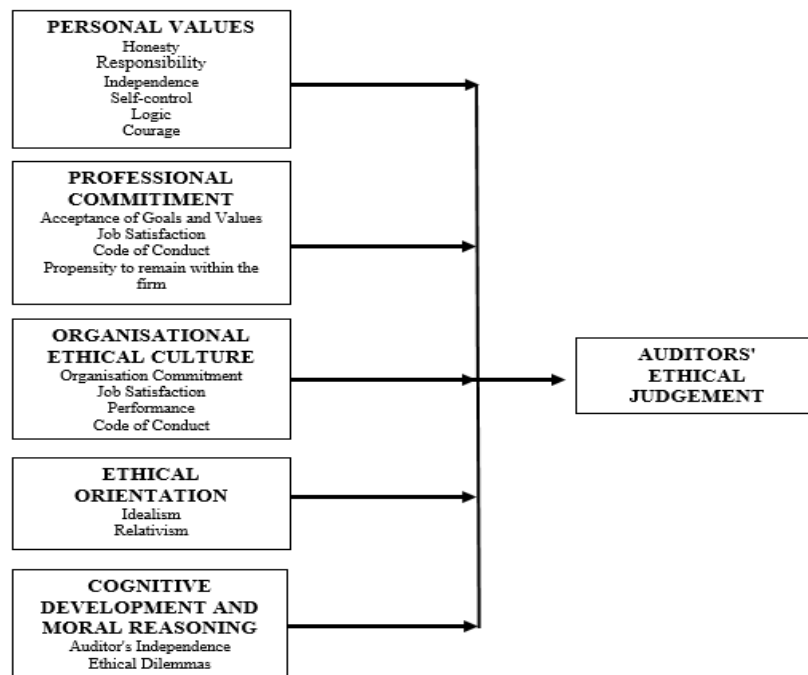


Figure 2: Proposed Framework

### Methodology

For this study, the target population will be the internal and external auditors from both private and public firms in Mauritius. The sample frame has been defined as reachable audit companies in the private and public sector. As such, the sample comprise of 200 (both internal and external) auditors. However, due to resource constraints, a sample of 141 auditors were surveyed. A questionnaire was designed with each section dealing with a specific factor affecting auditor's ethical judgement. The study is based on the framework considered by Shaub (1989).

### Data Analysis and Findings

#### Demographic Analysis

There are 104 private and 37 public firms and with 73 internal and 68 external auditors (ranging from Audit Junior, Audit Senior, Audit Manager, Audit Partner to Audit Director). The majority of auditors work in the Non-Big-Four firms (54%) and the rest working in Big-Four firms (25%), Management Companies (4%) and others (24%).

#### Reliability Analysis

Table 6 lists the Cronbach's alpha coefficients, where all 2 variables exceed the benchmark 0.70 while the rest (0.6) are acceptable and can be used for further analysis.



Table 6: Cronbach's Alpha Coefficients

Factors	Number of Items	Cronbach's Alpha
Personal Values	6	0.735
Professional Commitment	8	0.613
Organisational Ethical Culture	8	0.626
Ethical Orientation	8	0.733
Moral Reasoning and Auditors' independence	5	0.618

### Factor Analysis

#### Assessment of Auditors' Personal Values

The KMO value was found to be 0.713 while the Bartlett's test shows a significance level of less than 0.05 ( $p = 0.000$ ). Thus, we can proceed with factor analysis. The Varimax rotation method was used. Two components under the 'Assessment of Auditors' Personal Values' were extracted representing 74.449% of total variance. The rotated component matrix was further used to better illustrate the findings as shown in table below.

Table 1: Rotated Component Matrix for Personal Values

	Component	
	Integrity	Authority
B1. Courage: Standing up for your beliefs	.934	
B3. Independence: Self-reliant; Self sufficient	.922	
B2. Honesty: Sincere; Truthful	.821	
B4. Logic: Dependable; Reliable	.786	
B5. Responsibility; Dependable; Reliable		.846
B6. Self- Control; Restrained; Self discipline		.807

The extraction method used was Principle Component Analysis. Six variables of personal values were classified under 2 components. The first component was renamed as 'Integrity'. It consists of the values that the auditors will consider most important when giving an ethical judgement. The variable becomes more important when the component loadings are highest. Hence, the first variable 'Courage' is more important to component 1. The second component was renamed as 'Authority'. It describes the variable 'responsibility' and 'self-control' which the auditors should possess as quality to make decisions.

#### Professional Commitment of Auditors

With KMO at 0.631 and sig. at 0.000, we can thus proceed with the factor analysis. Three main components were extracted representing a total cumulative variance percentage of 59.923.



**Table 2: Rotated Component Matrix for Professional Commitment**

	Component		
	Employee's Loyalty	Responsibility towards work	Competence
C6. I am proud to be a member of this profession and would like to retain this membership.	.796		
C3. I perform work from which I can achieve a personal sense of accomplishment.	.692		
C8. I have a thorough understanding of the Professional Code of Conduct.	.686		
C2. I am willing to put extra effort to meet the goals and demands of the audit clients.		.812	
C1. I am committed to the auditing profession.		.662	
C7. My performance improves as this profession really inspires the very best in me.			
C4. Ready to do any type of job assignment in order to keep working in auditing areas.			.847
C5. My sense of professional commitment disallows me to act unethically.			.737

The rotation component matrix has grouped all the 8 variables into 3 main components as shown in the table 2. Component 1 was termed as 'Employee's Loyalty' whereby, the statements C6, C3 and C8 have been grouped. C6 was clearly the most important one because it shows the auditor's commitment towards their work. Furthermore, Component 2 was named as 'Responsibility towards work'. Statement C2 and C1 falls under Component 2. It groups all the statement that depicts the willingness to perform their duties in the most efficient way. Lastly, Component 3, renamed as 'Competence', comprises of statements C4 and C5. It explicitly explains the relation with ethical behaviour and professional commitment, as the employees will adopt ethical values to retain their membership within the firm.

#### **Ethical Culture of the Organisation**

The KMO was 0.666 and Barlette's test significant value was less than 0.05 ( $p = 0.000$ ). Factor analysis was used. As in the previous example, three components were extracted representing 62.174% of the total variance.

**Table 3: Rotated Component Matrix for Ethical Culture**

	Component		
	Ethical Compliance	Employee's Commitment	Ethical Development
D7. Employee's job satisfaction is closely related to ethical culture.	.829		
D5. Top managers of my organisation guide decision making in an ethical direction.	.797		
D1. Ethical behaviour is the norm in my organisation.	.608		
D2. Employees who violate the professional code of ethics get punished.		.834	
D3. I feel proud to form part of this organisation culture.		.701	
D6. Professional ethics code requirements are consistent with informal organisational norms.			.788
D8. Ethical culture plays a vital role in enhancing work performance.			.685
D4. Management in my organisation stress on the need to conform to ethical conduct.			

Statements D7, D5 and D1 fall under the first component. Component 1 was termed as 'Ethical Compliance' as the statements explain the ways employees are encouraged to abide by the ethical rules and the organisation culture plays a role in doing so. Furthermore, D7 has the highest loading among the two others, meaning it is considered the most important among the two others. On the other hand, D2 and D3 lie under component 2. Component 2 was called 'Employee's Commitment' as the statements define how well the employees adopt the organisation's ethical culture. Finally, the third component was renamed as 'Ethical Development'. It shows that the organisation promotes ethical values among its employees.

#### **Ethical Orientation of Auditors**

The KMO is 0.692 and was found to be significant with  $p < 0.000$ . Three components were extracted 67.4% of the total variance.

**Table 4: Rotated Component Matrix for Ethical Orientation**

	Component		
	Moral Principles	Tolerance	Perception
E3. The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.	.838		
E4. The dignity and welfare of people should be the most important concern in any society.	.823		
E5. There are no ethical principles that are so important that they should be part of any code of ethics.	.612		
E2. Risks to another party should never be tolerated, irrespective of how small the risk might be.		.756	
E8. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.		.750	
E1. Your actions should never intentionally harm another even to a small degree.		.687	
E6. Questions of what is ethical can never be resolved since what is moral or immoral is up to the individual.			.772
E7. Moral standards are personal rules which indicate how a person should behave, and are not to be applied in making judgement of others.			.702

The rotated component matrix table shows that the first component, termed as 'Moral Principles', comprises of three factors. Moral principles classified the statements where the auditors show their ability to act morally in the society by taking care of other people's benefits and feelings too. The second construct was renamed as 'Tolerance' and is grouped into three factors E2, E8 and E1. This implies the capability to accept other people's opinions and to express one's judgment when wrong things are being done. Lastly, the third component comprises of 2 statements. The suitable name give was 'Perception'. Moral standards are closely to what one consider personally as ethical or unethically.

#### **Assessing Auditor's Moral Reasoning through Auditor's Independence**

A KMO of 0.615 and Barlette's sig value of 0.000 were obtained, implying we can carry on with factor analysis. Two components were extracted representing 64.5% of the total variance.

**Table 5: Rotated Component Matrix for Auditor's Moral Reasoning**

	Component	
	Auditor's Independence	Dilemmas
F5. If I am removed from the audit assignment due to disagreement regarding the application of accounting standards, my independence would be impaired.	.796	
F1. If I have one client, who makes up 25% of the annual fee income of my firm, my independence would be impaired.	.784	
F4. If I advocate my client in some cases against him, my independence would be impaired.	.745	
F3. If I have the same audit client for more than 8 years, my independence would be impaired.		.824
F2. If I purchase a holiday deal from my client and they offer me a special discount, my independence would be impaired.		.773

Table 5 shows the first construct which was renamed by 'Auditor's independence' consists of all statements relating to the importance of identifying the situations where the auditor's independence can be impaired. On the other hand, the second component was termed as 'Dilemmas'. The threat of familiarity and hospitality was showed in the second construct.

### Factor Loadings

The Factor loading table is used to match the correlation between the variables and its factors. It is much easier to interpret and to determine which factor has most impact on the ethical judgement of an auditor. It is derived by using the loadings in the Rotated Component Matrix tables from factor analysis. Straub *et al.* (2004) affirmed that the values used for factor loadings, should be greater or equal to 0.40.

**Table 7: Factor Loadings**

Variable	Item	F. Loading
Personal Values	B2. Honesty: Sincere; Truthful	0.821
	B1. Courage: Standing up for your beliefs	0.934
	B4. Logic: Dependable; Reliable	0.786
	B3. Independence: Self-reliant; Self sufficient	0.922
	B5. Responsibility; Dependable; Reliable	0.846
	B6. Self- Control; Restrained; Self discipline	0.807
Acceptance of Goals and Values	C2. I am willing to put extra effort to meet the goals and demands of the audit clients	0.812
	C1. I am committed to the auditing profession	0.662
Job Satisfaction	C3. I perform work from which I can achieve a personal sense of accomplishment	0.692



	C7. My performance improves as this profession really inspires the very best in me	
Propensity to remain within the firm	C4. Ready to do any type of job assignment in order to keep working in auditing areas	0.847
	C6. I am proud to be a member of this profession and would like to retain this membership	0.796
Code of conduct	C5. My sense of professional commitment disallows me to act unethically	0.737
	C8. I have a thorough understanding of the Professional Code of Conduct	0.686
Organ. Commitment	D3. I feel proud to form part of this organisation culture	0.701
Code of Conduct	D4. Management in my organisation stress on the need to conform to ethical conduct	
	D5. Top managers of my organisation guide decision making in an ethical direction	0.797
	D6. Professional ethics code requirements are consistent with informal organisational norms	0.788
	D2. Employees who violate the professional code of ethics get punished	0.834
	D1. Ethical behaviour is the norm in my organisation	0.608
Job Satisfaction	D7. Employee's job satisfaction is closely related to ethical culture	0.829
Performance	D8. Ethical culture plays a vital role in enhancing work performance	0.685
RELATIVISM	E6. Questions of what is ethical can never be resolved since what is moral or immoral is up to the individual	0.772
	E5. There are no ethical principles that are so important that they should be part of any code of ethics	0.612
	E8. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action	0.750
	E7. Moral standards are personal rules which indicate how a person should behave, and are not to be applied in making judgement of others	0.702
IDEALISM	E4. The dignity and welfare of people should be the most important concern in any society	0.823
	E1. Your actions should never intentionally harm another even to a small degree	0.687
	E2. Risks to another party should never be tolerated, irrespective of how small the risk might be	0.756
	E3. The existence of potential harm to others is always wrong, irrespective of the benefits to be gained	0.838
Auditor's Independence	F4. If I advocate my client in some cases against him, my independence would be impaired	0.745

	F5. If I am removed from the audit assignment due to disagreement regarding the application of accounting standards, my independence would be impaired	0.796
	F1. If I have one client, who makes up 25% of the annual fee income of my firm, my independence would be impaired	0.784
Ethical Dilemmas	F2. If I purchase a holiday deal from my client and they offer me a special discount, my independence would be impaired	0.773
	F3. If I have the same audit client for more than 8 years, my independence would be impaired	0.824

It can be deduced that for Personal Values, most auditors agreed that the factor 'Courage; Standing up for you own beliefs' is the most important among others, to consider when making an ethical judgement as it has the highest loadings. The second most important variable that was taken into consideration was 'Independence; Self-Sufficient and Self-reliant', which most auditors consider as a fundamental value that any auditor should possess. They followed the rule of: 'an auditor should not only be independent but should also be seen as independent' (Cohen & Bennie, 2006; Mautz & Sharaf, 1961). The least important factor for personal values was 'Logic: Dependable; Reliable'. The auditors gave priority to other values.

With respect to Professional Commitment of Auditors, most auditors agreed that C4 has a greater effect on auditors when they make decisions. They expressed their tendency to remain within the audit firm by performing any work related to auditing field. This also shows that they will act ethically to retain their membership in the audit profession. The second highest loading was statement C2 which states that the auditors are motivated to increase their work performance by retaining their client and meeting their needs and demands. The lowest loading corresponds to statement C1. This maybe because this statement was confusing for the auditors and being committed to the auditing profession may have another meaning for them.

The most important factor is statement D2 which explains the ethical culture prevailing in the organisations. If most junior and senior auditors agreed with the fact that unethical behaviours is not tolerated in their organisations, this clearly means there is a healthy ethical environment in the workplace where they are thoroughly encourage to act in the best interest of others. D1 was however, the least important one and the main reason different firms adopting different cultures whereby one firm abides to an ethical culture whereas another does not. The auditors do not consider ethics to be part their organisation culture.

The ethical orientation of auditors where most auditors choose the idealism approach and ranked E3 and E4 the two highest factors to consider. E3 has the highest loadings where ethical orientation can be explained by one should never harm another person and even if this act brings benefits to himself. In other words, one must always act ethically and in the benefit on others. They agreed that other person's benefit is as important as their firms' aims and objectives.

## CONCLUSION

This study assessed and examined deeply all the factors affecting the ethical judgement of auditors and what do they consider most important when making the right ethical decision for their firm. From the findings of this research, we found that Mauritius is very much aware of the growing importance of ethics due to some recent scandals. Hence, it is imperative that all the auditors follow the code of ethics and put it in practice by giving the right judgement. Moreover, this research analysed in depth the importance the factors; personal values, professional commitment, organisation culture, ethical orientation and cognitive moral reasoning have on the auditors. The most surprising outcome was that the auditors considered personal values as the primary factor. This means that the values are the most powerful tool to judge any unethical situation. In addition, all the factors were equally examined and related to auditor's ethical judgement. The results showed a positive impact for each of them. Most of the auditors showed a link between their professional commitment and organisations culture. By following the ethical standards, they are likely to trust and despite, having different cultures in every organisation, their focus remains on behaving ethically and aiding to the code of conduct.

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