

The Influence of Auditors' Moral Disengagement on Audit Quality in Medium and Large-Sized Firms in the United States: A Focus on Ethical Decision-Making

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Moral disengagement in auditors is a critical factor when shaping choices made during audit services and audit quality. Each component of ethical disengagement, judgment, and audit reliability can be broken down into factors that further affect the overarching relationship. Data shows that as an auditor's moral disengagement increases, less ethical choices are made. This inverse relationship substantiates the need for a higher standard of training that focuses on increasing the elements that positively influence the performance of an audit in larger firms. Lack of high-quality audits from Big Four firms in the U.S. decreases trust and leads to audit results.

Keywords: auditor, ethical decision-making, moral disengagement, audit quality, big four firms

INTRODUCTION

Moral disengagement and ethical decision-making are intertwining factors that deeply affect audit quality. These concepts have been studied separately in the past with many other variables. However, to fully understand the impact both components have on audit performance, ethical disengagement and decision-making should be focused on simultaneously. Applying previous findings to the U.S. could close a gap that most authors have cited as being present.

Research Gaps

While numerous reports have explored auditor moral disengagement within large firms, limited attention has been given to medium and small-sized firms. Economic pressures and ethical cultures may differ significantly between firm sizes, determining performance. This paper aims to address this gap by focusing on audit professionals in these firms within the U.S. context, where regulatory frameworks and industry expectations differ from those in other countries.

In addition to firm size, differing regulatory bodies and cultural differences contribute to the U.S. context being underexplored within existing reports. In studies performed abroad, such as those by Kamarudin et al. (2022) and Pattiasina et al. (2021), ethical values can differ and the oversight bodies have a larger involvement in implementing moral training in those firms. The rest of the world complies with the International Financial Reporting Standards (IFRS), which could be a reason why the U.S. is underexplored. Changes can be made in U.S. firms to enhance the relationship between regulators, firms, and training practices to streamline expectations and reduce investigative gaps that exist regarding moral disengagement.

MORAL DISENGAGEMENT

Moral disengagement theory is grounded in cognitive psychology; its application in auditing contexts also intersects with organizational behavior theories, such as those related to ethical climate and corporate governance (Treviño et al., 2000). This theoretical integration highlights the multifaceted nature of an audit staff's choices.

Moral disengagement, defined in multiple ways, was initially conceptualized around 1986. The concept describes a person's ability to act unethically by ignoring internal moral standards (Newman et al., 2020). Numerous investigations have since examined this concept, applying it to various careers including auditing. The concept of moral disengagement is still evolving.

The roots of the phenomenon date back to 1986 and have evolved to fit modern-day needs over time. Bandura's 1986 conceptualization emphasized the way people think when justifying unethical acts while creating distance from the moral consequences. The authors declared that the current literature is overly liberal by encompassing a wide range of topics while relying on a narrow definition of moral disengagement. The expanded definition by Schaefer and Bouwmeester (2021) added trait-like and state-like aspects. A better understanding of the topic can be reached by providing a broader definition of the concept that distinguishes the two elements added. The comprehensive definition sets the stage for further exploration into the types of constructs involved.

Concepts of Moral Disengagement

The distinction between the two elements of moral disengagement has not previously been differentiated in past literature. Schaefer and Bouwmeester (2021) defined the two aspects and explained the differences between the process moral disengagement versus the habit to morally disengage. This distinction is important to fully understand the phenomenon as a whole, and how it shapes audit reliability.

Process Moral Disengagement

Process moral disengagement is a state-like construct, meaning it is temporary and often situation-dependent. The concept details how "morally good" people can behave unethically (Schaefer & Bouwmeester, 2021). As it is situationally dependent and determined by external factors, it is a reasoning process through which people (auditors) rationalize unethical actions or behaviors. While this concept is a thought process, the second concept is described as a habit.

The Propensity to Morally Disengage

In contrast, the propensity to morally disengage is a trait-like construct. Schaefer and Bouwmeester (2021) declared that this concept is supporting evidence for "bad apple" arguments. The propensity to morally disengage is a trait-like concept; this "trait" will not change over time. If an auditor makes unethical choices, it is because that team member was inclined to do so.

Upon differentiating the two constructs, the phenomenon discussed in this paper encompasses both behaviors. Referring to the difference between the concepts while understanding the elements being discussed could provide further clarification. Implementing solutions to improve ethical disengagement and choices among audit staff is crucial for producing reliable audits. Determining the underlying elements of moral disengagement will lead to improved comprehension of the connections of the overarching topic.

Morally Based Factors

Moral disengagement determines audit effectiveness. Notably, authors Rezman et al. (2023) emphasized an inverse connection; when an auditor's moral disengagement is high, the audit quality decreases. If this situation happens in the workplace, a negative impact on the credibility of the audit could happen. Other components of ethical disengagement determine audit performance as well.

Moral Courage and Competence

Moral courage and ethical culture shape the construct and contribute to determining the effectiveness of an audit. According to the findings by Wali and Bouhelh (2023), when an auditor's moral courage is strong, Reduced Audit Quality Acts (RAQA) happen less often. Although further discussed later in this paper, RAQAs are affected by moral courage and moral disengagement. Disengagement and courage act as opposites; as an audit staff's moral courage increases, disengagement decreases, thus increasing audit reliability. Along with moral courage, competence is another vital factor that influences audit performance.

The moral competence of an audit professional also determines the decision process and audit effectiveness. The higher moral competence and reasoning an auditor possesses, the higher the quality of the audit produced (Sari et al., 2021). The moral compass of the professional encourages making ethical choices which is easier when the auditor is of higher moral competence. Increasing the number of moral decisions made increases the reliability of the audit. Along with competence, independence and ethics are concepts involved in audit standards.

Competence, ethics, and independence all contribute to audit effectiveness concurrently. Prawiranegara (2023) found that each factor contributes to audit quality individually and simultaneously, with the factors showing a strong relationship to audit reliability. These factors reduce the level of ethical disengagement displayed by influencing the staff's decision-making, thereby improving the performance of the audit. Additional elements contribute to moral disengagement and audit standards as well.

The Gatekeeper Function and Narcissism

Both the gatekeeper function and narcissism contribute to audit quality. Particularly, Johnson et al. (2021) investigated the role of auditor and client narcissism in the "gatekeeper" function of financial reporting. That is, keeping material fraud out of financials. The role of audit staff and client narcissism enables a decrease in professional skepticism, acting as a bias along with ethical disengagement to cloud audit team judgment. This shows examiners make less ethical choices when at a higher level of moral disengagement. The findings presented could help to close the gap between the subjects of auditor moral disengagement and ethical judgment.

Auditor Skepticism

Along with previously mentioned factors, audit quality is directly affected by professional skepticism. Johnson et al. (2021) investigated the interdependence between auditor moral disengagement and audit staff skepticism. The results showed that client risk was found to be significantly lower by audit examiners with higher disengagement than those who were not. These results suggest that morally disengaged team members are more likely to produce less effective audits and make less ethical choices.

The findings by Johnson et al. (2021) and Schaefer and Bouwmeester (2021) present different yet supportive aspects of moral disengagement. The findings establish that an auditor's ability to disengage from the moral implications of a dilemma is guided by internal and external traits and pressures. Organizational culture, client relationships, and professional skepticism can further shape the process of moral decision-making during the audit. Considering how internal and external elements shape audit staff behaviors is an important implication that suggests a need for further reports into these influences.

ETHICAL DECISION-MAKING

In tandem with moral disengagement, making ethical choices is crucial in influencing audit quality. Ethical decision-making is the process of deciding on a course of action when an issue is presented in the

context of the four-step decision-making process (Kamarudin et al., 2022, Nawfel, 2021). In the audit world, ethical judgment is imperative to audit performance; the four-step decision process elaborates on the connection.

Rest's Four-Component Model of Ethical Decision-Making

The four-component model was first developed in 1986 by James Rest, which involves the four psychological processes said to be used when making moral decisions. To act according to this model, a person must have ethical sensitivity to an issue, make a moral judgment of the issue, have ethical intention, and act on that intention during the situation (Kamarudin et al., 2022). An auditor's job involves making judgments about a multitude of things that could determine the audit outcome. Following this model helps to mitigate factors that could negatively shape assurance quality.

Ethics Based Factors

Additionally, several factors can affect the reliability of services such as audit staff independence, firm ethical climate, and professional decision-making. Established by Mardawi et al. (2023), a comprehensive overview of audit ethics research was compiled through the analysis of 114 articles from the years 1980 through 2021. In this compilation, these factors are mentioned as elements that directly impact audit effectiveness. The findings suggest that these factors are well-studied in large firms and expose a need for such examination in small or medium-sized organizations. Finding solutions to closing this could further clarify the importance of making ethical choices regardless of firm size.

Public Accounting Oversight Board

The Public Company Accounting Oversight Board (PCAOB) has made many rulings that demonstrate a relationship between the factors previously mentioned and moral decision-making. Researchers Dharmasiri et al. (2022) investigated the PCAOB's reasonings for sanctions imposed on both accounting firms and individuals for issues regarding Big Four and non-Big Four firms. These issues include violations of audit standards, independence concerns, and the manipulation of audit evidence, with higher penalties being imposed on firms or individuals associated with the latter. The implications encapsulate a large and medium firm perspective promoting an in-depth examination of moral decision-making and disengagement.

Continuing, PCAOB inspections positively shaped the effectiveness of audits from Big Four firms. PCAOB inspections increased Big Four firms' audit quality compared to non-Big Four firms (Khurana et al., 2021). As demonstrated, the PCAOB inspections benefit Big Four firms by increasing the reliability of assurance services provided. Both ethical choices and disengagement are affected by the findings; increased PCAOB scrutiny could increase ethical behaviors and decrease moral disengagement.

The hiring of former PCAOB employees could present an independence concern, especially if these employees were hired to mitigate PCAOB inspection issues. There was no significant connection between an improvement in audit quality and the number of former PCAOB employees hired at a firm (Hendricks et al., 2022). Both Big Four firms and the PCAOB can still regulate audit effectiveness according to the proper standards while maintaining some level of independence. The delicate balance between enhancing audit reliability and maintaining independence within the auditing ecosystem can still be properly upheld by the PCAOB.

Given the inverse connection between moral disengagement and audit quality, auditing firms need to create stronger ethical cultures and policies to mitigate disengagement. This could include regular ethics training, increasing professional accountability, and fostering an organizational culture that values ethical behavior over profitability. Additionally, policy changes including more stringent audits and reporting requirements from the PCAOB could act as deterrents for unethical behavior for individuals and firms alike.

Organization Ethics

An organization's code of conduct further determines ethical decision-making and therefore audit quality. The study incorporated ethical orientations and used years of experience as a variable in the research. Results from the review show that auditors with an idealistic ethical orientation behave more

ethically than professionals with a relativistic perspective (Ramadhanti et al., 2022). Those with a relativistic perspective tend to act differently depending on the situation, and situation-dependent judgments are not always ethical. An organization's ethical culture also guides ethical orientation and choices, although inconsistent results have been noted. Using experience as a moderating variable was not shown to affect ethical behavior. Despite this, the results showed that a strong ethical culture in an organization partnered with experience yields professionals who behave ethically.

An auditor's ethical behavior shapes audit reliability, and corporate ethical values participate in the relationship. Findings by Sarwar et al. (2024) reflected a strong parallel association between audit quality and ethical behavior, and the moderating variable further enhanced the connection. The authors discuss the implications of the investigation being used to improve ethical standards in audit practice. The integration of ethics training into organizational systems is recommended. However, organizational ethics are not limited to the behaviors of an individual.

Additional Firm Factors

Mergers can contribute to the ethics of a firm. Christensen et al. (2023) examined the implications of mergers between small firms. Findings indicate that mergers harm the audit quality of small firms; firm ethics decreased during the periods mergers took place. This reflects a breakdown in ethical choices directly shaped by mergers. Although mergers can shape firm ethics, this is a limiting factor.

In addition, a lack of attention to the Ethical Code can cause a collapse in ethical behaviors within firms. An investigation by Tache (2022) concluded that the largest fraud incidents were signed by Big Four firms in the U.S. The lack of ethical behavior showed a disregard for the Ethical Code and in turn, negatively shapes audit services. To effectively combat a lack of moral judgment, strengthening reporting standards is suggested.

The Strength of Audit Reporting Standards (SARS) contributes to the ethical judgment of a firm. The report by Guidara et al. (2022) encompassed 125 countries including the U.S.; researchers found a correlation between SARS and sustainability. There was a specific focus on ethical choices in this study, and the report showed that this correlation was more significant in countries that had firms with high moral judgments or behaviors.

More auditors with the Certified Public Accountant (CPA) designation could be hired to further increase audit effectiveness in Big Four firms. The CPA qualification and audit quality have a strong association; the American Institute of Certified Public Accountants (AICPA) shares that the CPA qualification includes an ethics exam (Nagy et al., 2023). The CPA qualification is highly regarded in the accounting community due to the rigorous testing and pre-qualifications needed to earn the designation. Professionals with a CPA working for Big Four firms significantly increase the firm's audit performance. Along with organizational culture, a professional's choices can help determine the reliability of assurance services provided.

Auditor Ethics

As with moral disengagement, numerous elements have been studied and shown to affect ethical decision-making. One example was shown in an investigation performed by Yulianti et al. (2022), where the relationship between audit quality, professionals' ethics, and professionalism was analyzed. A strong association was found to be present, with audit standards being positively guided by both an auditor's ethics and professionalism. Used as a variable, dysfunctional audit behavior was found to significantly decrease the connection between audit services and professionalism. There was no effect of dysfunctional audit behaviors on the association between professional ethics and audit effectiveness. Due to independence concerns within this report, the relationship could benefit from the investigation.

Furthermore, a professional's ethical predisposition has a role in moral judgment. Dong et al. (2021) described the difference between two ethical predispositions: formalism, and utilitarianism. Focused on formalism and its effect on unethical judgment, results yielded several interdependencies to examine; the findings showed a correlation between moral disengagement and unethical judgment. This negatively affects audit quality as professionals that are morally disengaged and more likely to make unethical choices.

Formalism showed an inverse association with moral attentiveness, which in turn, increased moral disengagement. Applying the knowledge of these correlations to accounting firms in the U.S. could increase moral attentiveness thus effectively decreasing moral disengagement and decision-making. Moral attentiveness, or moral awareness, is also guided by auditor experience and gender.

Auditor Experience and Gender. Experience and gender guide a professional's moral awareness and judgment. The amount of experience and gender shape a professional's moral awareness and judgment, with female auditors displaying higher levels of moral awareness than their male counterparts (Carrera & Van Der Kolk, 2021). Ethical reasoning varies based on an auditor's gender and experience, with female professionals often making better ethical decisions. Despite this, mitigating variables such as gendered socialization and power dynamics in male-dominated industries mean not all studies show this correlation. Societal norms, professional dynamics, and gendered experiences in the workplace also contribute to variations in moral behavior. Integrity, unlike experience or gender, is a well-studied, unwavering factor that directly determines audit quality.

Auditor Integrity. Professional integrity can affect audit reliability. Kertarajasa et al. (2019) researched the roles of multiple factors, such as audit ethics, quality, and integrity. The findings suggest that assurance standards are heavily determined by integrity as well as other internal and external elements. It is strongly suggested that auditors have high moral values as this factor can positively contribute to the effectiveness of assurance services.

Although integrity should be present, professionals can still act ethically in the face of moral dilemmas. Even if audit staff do not recognize a threat to independence, there is still a choice to act morally (Kamarudin et al., 2022). Findings showed while some did not recognize a threat to independence - which poses a problem in giving an unbiased opinion - the staff acted ethically despite the presented issue. A suggestion was made to increase the organization's ethics policies and enforce ethics training to increase auditor competence in these situations.

Auditor Competence and Professional Commitment. Competence is commonly studied with professional commitment, and professional commitment affects moral choices. Auditors with a higher level of professional commitment are less likely to make unethical decisions (Lowe et al., 2023). Staff dedicated to providing assurance services and upholding good ethical standards are more likely to make ethical judgments because of that responsibility.

Moreover, competence also contributes to moral disengagement. Professional competence and independence influence moral choices. Pattiasina et al. (2021) explained that as staff independence and competence increase, so does audit quality. Although ethics were not found to affect auditor competence in this investigation, the authors cited the organization's strong firm ethics as the reason the relationship was not present in this particular study. The acknowledgment made by the authors about the ethical climate further expands how competence and commitment intersect with the moral climate and organizational culture to guide audit staff behavior.

The personal and organizational factors interact in an audit professional's everyday life. The study by Treviño et al. (2000) demonstrated the magnitude of developing a reputation for ethical leadership in tandem with a reward system: increased loyalty, employee commitment, and better auditor ethics. This can be achieved by rewarding ethical behaviors or goals, punishing unethical behaviors, and most importantly, modeling moral behaviors as a person and as a manager. Establishing such a reputation, regardless of position within an organization, effectively integrates the previously mentioned factors, demonstrating the interconnectedness of ethical decision-making across all levels—from governing bodies to individuals.

Finally, while moral decision-making is a distinct concept, it is indisputably related to assurance quality. The staff's ability to make moral choices contributes to the reliability of the audit. Kamarudin et al. (2022) found that auditors' judgment has a direct impact on the performance of the audit. This breakdown in reliability and trustworthiness undermines the services audit professionals are supposed to provide. By studying the overarching concepts together, these concerns can be managed.

OVERALL RELATIONSHIP

Ethical disengagement and choices equally contribute to audit reliability. Budisusetyo (2018) studied the relationship between an auditor's moral character and personal ethical decision-making. Through investigation using an organization's ethical climate and firm competition as variables, potential determinates of moral character were identified. Using the findings to inform professional bodies about results could have a positive impact on improving the moral character of staff. The variables are observed to have an impact on both assurance effectiveness and ethical issues. Continuing, moral disengagement and ethical decision-making should be studied with other mitigating elements.

Reduced Audit Quality Acts (RAQA)

Moral disengagement and ethical judgment determine the occurrence of Reduced Audit Quality Acts (RAQA). In a review by Hyatt et al. (2024), the previous literature presented concludes that higher morals and ethics decrease the likelihood a professional commits an RAQA. Engaged audit staff make ethical decisions that increase audit performance by participating in the audit.

As with other concepts discussed in this paper, many underlying elements contribute to the occurrence of an RAQA. Hyatt et al. (2024) specifically cited several mechanisms that lead to moral disengagement. Justification, euphemistic labeling, displacement and diffusion of responsibility, and disregard for consequences are only a few of the elements the authors examined. These elements all cause staff to rationalize the unethical decision-making process leading to greater RAQAs and higher moral disengagement. When using these factors to rationalize unethical practices, auditors do not- or refuse to, realize any wrong-doings are being committed. Being aware of these factors, organizations and individuals can practice morally sound auditing procedures, thereby mitigating RAQAs.

Additionally, greater awareness of assurance procedures could help decrease the frequency of RAQAs. Audit programs need to be reviewed for accuracy and ease of use which will impact reduced audit quality behaviors (Yulianti et al., 2024). Assurance programs and procedures should be more accurate, easier to use, and designed to catch fraud. Working with programs that enhance moral behaviors can positively benefit staff to act within the guidelines of the procedure. Improving these practices through training will minimize the occurrence of RAQAs and increase reliable assurance practices as discussed later. In tandem with mitigating RAQAs, an auditor's self-identity serves as a further connector between moral decision-making, moral disengagement, and audit effectiveness.

Auditor Identity

Referring back to previous sections, an audit staff's moral identity affects moral judgment and ethical decision-making. When presented with an ethical dilemma, morality is key to ensuring a high standard of practice. The more a staff member values morality as part of individual identity, the greater contribution morality has to judgment and decision-making (Nawfel, 2021). If an audit team member has higher moral standards that are important to the self-identity, then it is more likely ethical decisions will be made. Moral decisions made during the assurance process raise the performance of the audit produced. To increase understanding of how moral disengagement and ethical judgment interact, understanding the Theory of Planned Behavior is beneficial.

The Theory of Planned Behavior (TPB)

The framework discussed was initially conceptualized in 1991 by Icek Azjen and examined the influence that attitude and subjective norms have on behavior. In the findings by Black et al. (2022), the authors discussed expanding the Theory of Planned Behavior (TPB) to include moral judgment. The integration of topics clearly shows the relationship between moral disengagement and unethical behavior. To decrease unethical behavior, a focus on decreasing moral disengagement is vital.

Expanding the TPB to include moral disengagement while examining ethics in the workplace could provide fruitful insight. Research by Black et al. (2022) investigated the importance of keeping ethics training relevant and applying TPB to include ethical disengagement. Ethical training and practices reduce

moral disengagement. Including the construct and TPB in the study allows for a deeper understanding of how ethics is shaped by these elements.

The addition of ethical disengagement to this concept is relevant to current investigations. Black et al. (2022) specifically used global data and examined solutions to ethical dilemmas. Expanding TPB in a way that strengthens the assessment of ethical solution outcomes has implications for future reports. This could further expand the understanding of how much audit standards are affected by behavioral elements. Incorporating ethical disengagement into TPB provides new opportunities to broaden training programs and boost moral organizational culture.

TPB could guide the development of ethics training programs, the creation of organizational policies, or even the design of tools for monitoring and assessing auditor behavior. According to Black et al. (2022), frequent ethics training through principle-based learning is shown to reduce moral disengagement and improve ethical intentions. Auditing firms could implement ethics training programs on the importance of maintaining ethical standards, and establish monitoring and accountability systems that align with TPB principles. Encouraging staff to reflect on behavior, set ethical goals, and model ethical behaviors could enhance the use of TPB to combat moral disengagement. By integrating TPB with moral disengagement, auditing settings can enhance ethical behavior, reduce moral disengagement, and promote a culture of integrity and accountability.

One way to accomplish such goals is through sustained ethical behaviors of team members which lead to more trust and improve the reliability of audits. Findings by Morales-Sánchez et al. (2020) highlighted that an auditor's consistent ethical behavior shapes the environment by promoting trust within an organization therefore improving audit performance. Rewarding and modeling ethical behaviors exemplify that good behaviors are noticed, and also encouraged in the organization. When considering RAQAs and professional identity as elements contributing to assurance reliability, technological implications must also be recognized.

Technological Implications

Finally, the growing partnership between technology and auditing must be acknowledged. Artificial Intelligence (AI) technology tools have the potential to reduce human bias, improve decision-making, and increase audit efficiency and accuracy (Koshiyama et al., 2024). The use of AI is still a new concept in auditing, but a great number of benefits exist. The use of AI tools leads to unbiased, ethical decision-making which is shown to increase assurance quality. However, the implications of AI on client trust in audits must be explored. Client trust in audits that rely heavily on AI and the transparency and integrity of AI-driven audits are topics that have yet to be investigated. Although benefits exist in using AI and other technology, these tools can introduce new challenges.

Some new challenges include accountability, transparency, and data privacy issues. Koshiyama et al. (2024) examined the benefits as well as the challenges that arise from using AI in auditing. The authors specifically draw attention to the complexity of AI systems and question who would be responsible for any mistakes made by the AI during the assurance process. AI can streamline a large amount of digital data, and on top of that, the system is complex. These factors lead to difficulty in ensuring data security as well as difficulty for staff members to explain or understand the decisions made by AI. Additionally, ethical concerns arise from using AI to make decisions that have traditionally been human-dominated. Acknowledging the dual nature of technological advancements and moral dilemmas within auditing introduces benefits and challenges. These challenges underscore the importance of continuous ethical vigilance, as evidenced both by emerging and traditional scenarios that staff face in everyday practice.

PRACTICAL EXAMPLES OF ETHICAL DECISION-MAKING

In a team member's everyday life, ethical dilemmas can arise. Potential conflicts of interest with clients is one such concern. Based on the findings previously presented, moral disengagement might negatively guide an audit staff's decision-making. In this scenario, the auditor has a sister-in-law who runs a company being audited by the auditor's firm. If the audit professional is morally disengaged, the auditor is more

likely to choose to stay on the assurance team. If that choice is made, the audit professional would be engaging in RAQAs, creating independence issues, and ignoring the conflict of interest. Ensuring audit staff remain vigilant against moral disengagement and adherence to ethical guidelines will help to guarantee that the integrity of the audit is upheld.

Failures of ethical decision-making practices are present in the real world. A well-known example is the Enron Scandal of 2001, with implications of this scandal being felt to this day. In 2001, Arthur Andersen was part of the Big Five firms in the U.S. and was the examiner of Enron, an energy company. The firm essentially assisted Enron in committing fraud by not reporting financial discrepancies as well as shredding documents (Elson & Peregrine, 2021). The case helped solidify the corporate ethical guidelines found in many businesses today. The case serves as a reminder that financial scandals could happen at any time regardless of firm size. Given the implications of this scandal, ethical practices should continuously be improved.

The issues of moral disengagement and ethical decision-making continue to be relevant. Three case studies examined a CPA's role while providing services to a divorcing couple, advising business partners, and catching a former fraudster. An investigation determined how disengagement from the client would relate to each scenario (Holl, 2017). Morally disengaging as a CPA negatively shaped the outcome of the situations presented. A lack of independence and client confidentiality breaches led the CPAs to contact risk management or even disengage from the services. The author encourages all CPAs to stay ethically sharp and contact risk management or legal counsel if an ethical dilemma arises that cannot be mitigated alone.

Furthermore, recent cases such as the Wirecard scandal in 2020 and the Patisserie Valerie fraud case in 2018 highlight the dire consequences of ethical lapses in auditing. Journalists Alderman and Scuetze (2020) and Crimmins (2024) separately reported on the incidences stating financials were overstated by millions of dollars. The crimes have led to dire consequences for everyone involved including a lawsuit against the auditors who failed to find these discrepancies. By analyzing these high-profile and smaller, everyday situations, the paper provides a comprehensive understanding of the ethical challenges faced by CPAs and emphasizes the importance of maintaining professional integrity to preserve public trust in the profession.

CONCLUSION

To conclude, the multifaceted concepts previously covered are influenced by moral disengagement and decision-making. The need for habitual ethical training was a consistent recommendation made to mitigate these issues. The examination of how gender, experience, moral competence, courage, identity, individual and organizational ethics, the roles of the PCAOB, and firms directly determined assurance quality. These elements assist professionals in mitigating the process moral disengagement that is experienced in everyday work.

Moral disengagement and ethical decision-making heavily impact audit reliability daily. As proven throughout the discussion in this paper, copious amounts of investigations have been conducted to fully discuss each of the overarching concepts. By fully examining research from all over the world and applying it to the U.S., further recommendations can be made to improve the implementation of moral training and regulations to increase ethical decision-making amongst auditors.

Recommendations that come from the contributions of this paper include implementing more advanced monitoring systems for professional independence, improving ethical training, and creating a clearer ethical code. The previously mentioned reports by Black et al. (2022), Dharmasiri et al. (2022), Khurana et al. (2021), and Tache (2022), highlighted the need for in-depth training; the involvement of the PCAOB could further enhance the training currently provided. Some U.S. firms such as Deloitte and PwC have taken steps to increase professional skepticism training programs (Eustler, 2017). Actionable recommendations include filling out a personal performance analysis (PPA) after long audits, more structured mentorship for less experienced auditors, and immersive module-based learning scenarios. As analyzed above, training and regulations focused on hands-on experience in ethical dilemmas as well as independence are needed for ongoing adherence to proper assurance practices.

Finally, this paper contributes to the published literature by exploring the relationship between moral disengagement and assurance standards, with a particular focus on medium and large-sized U.S. firms. Further exploration of longitudinal data is needed; a valuable avenue for future investigation includes dissecting how audit staff's behavior is guided by the ethical climate as it changes over time. Another research route could examine how new technological developments, such as AI and data analytics, may contribute to ethical decision-making. Extrapolating on these newer ideas could be an invaluable addition to accounting and auditing literature.

Further delving into interventions would provide valuable insights into mitigating moral disengagement in auditing. Two suggested paths include ethics training programs and corporate governance reforms. These potential avenues for future reports build upon current studies' findings by emphasizing the need to understand and alleviate moral disengagement in auditing; therefore, ensuring the continuous improvement of audit performance of medium and large-size firms in the U.S.

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