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Determination Of Factors Affecting The Ethical Behavior Of Internal Auditors In Higher Education

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Abstract

The focus of this research is to find out how the auditor's perception is related to determining the factors that influence the ethical behavior of auditors in the college environment*. This research was conducted at the Internal Supervisory Unit of a state university. This study uses a phenomenological approach as part of qualitative research, data collection using interviews with auditors in the financial section of the Internal Supervisory Unit of State Universities. Based on research on the factors that influence the ethical behavior of auditors in the tertiary environment, there is an auditor's ethical reasoning, the professional commitment of an auditor, environmental conditions related to the influence of superiors, and also ethical, moral support, as well as the spirituality of the auditor*

Key words: ***Ethical behavior; internal auditors; College environment***

INTRODUCTION

Almost all existing professions are required to be ethical, including auditors. Underlying reasons, they must ensure that their judgments are ethical for the benefit of everyone they are responsible for (Zakaria, 2010). Ethical behavior follows applicable norms, values, and laws, where these norms guide someone to behave (Bertens, 1994; Oboh et al., 2020). Ethical behavior is very beneficial for personal gain and interaction in the social environment, so the accounting and auditing professions are closely related to ethical issues. The professional and ethical standards of the internal audit function guide internal auditors to play the role of truth-tellers in an organizational context (Roussy, 2013)

Internal auditors still face ethical conflicts, although the ethical behavior of internal auditors can be compromised so that even the most ethical and integrity internal

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auditors can behave unethically to protect themselves (Norman et al., 2010). An auditor must apply a code of ethics, a general standard, to reflect the personal qualities that an auditor must possess. The existence of auditing standards requires the auditor to comply with the professional code of ethics. Indonesian Accounting Code of Ethics. Article 1, paragraph 2 of the Indonesian Accounting Code of Ethics states that members must maintain integrity, objectivity, and independence in their professional duties (Suyono & Farooque, 2019). Thus, it is hoped that an auditor will become an auditor with credibility, and the results of his audit will also be of high quality. The internal auditor function itself assists organizations in maintaining effective internal controls by evaluating the adequacy, efficiency, and effectiveness of these controls and assisting management in maintaining an adequate control system (Zamzami et al., 2019).

Research related to ethical issues in accounting focuses on three main areas, namely ethics development, ethical judgment, and ethics education. The development of ethics focuses on learning ethical reasoning based on the practice of accountants and auditors (Buchan, 2005; Cohen et al., 2001; Elias, 2002; Everett & Tremblay, 2014; Ismail & Rasheed, 2019; Oboh et al., 2020). An ethical assessment aims to examine the relationship between ethical reasoning and the moral behavior of accountants in the context of both accountants and auditors (Alias et al., 2019; Allen & Ng, 2001; Arrami & Qingxiang, 2022; Chan & Leung, 2006; Chiu, 2003; Gul et al., 2003). The importance of ethics has attracted many researchers to study various issues related to ethics in business

Alias et al. (2019) explained that external auditors are vulnerable to strong inside influence, pressure to comply with management demands (Roussy, 2013) and office politics (Reynolds, 2000), and organizational influence (Ismail, 2015; Kallio et al., 2020). So, there is a problem with whether the auditor can act professionally and ethically (Everett & Tremblay, 2014). Therefore, accountants and auditors generally need to be seen as moral actors involved in forming morality (Lehman, 2006; Shearer, 2002). Individual values that drive them to act ethically or unethically in pursuit of their goals. More importantly, the importance of personal factors is also highlighted in several models of ethical decision-making (Ferrell & Gresham, 1985; Jones, 1991; Oboh, 2019).

On the other hand, objects often studied in research related to auditor ethics are companies and KAP offices; rarely do they study this matter in a university environment. (Carr et al., 2005) revealed a lack of evidence on measuring the quality of internal auditors at universities, so follow-up and efforts are needed to increase empirical evidence regarding the quality of internal auditors at universities.

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Most higher education institutions are considered not optimal in internal audit quality. Therefore, the audit results can only partially capture the quality of units in higher education (Israr, 2019; Rastika, 2020). Corruption cases that hit universities are not only a matter of embezzlement of funds and budget mark-ups, but the management of state university assets is also prone to being the target of acts of fraud (Temaluru et al., 2016).

Although this scandal was perpetrated by accountants who were already part of the profession (Ho & Lin, 2006; Kettunen, 2012) argues that university internal auditors play an important role in solving ethical problems in the tertiary environment. Therefore, quality depends on quality standards and the ethics of university internal auditors. So, in this case, investigate the factors that influence the ethical behavior of internal audits in the higher education environment.

THEORY

Lending Credibility Theory

One of the internal audit functions is to increase the credibility of financial statements. Audited financial reports are one of the tools management uses to maintain stakeholder trust in management oversight (Zamzami et al., 2019). Hayes et al. (2005) explained about Lending Credibility Theory. This theory strongly believes that the main task of auditing is to promote the credibility of the financial information produced. Audits are seen as credibility enhancers. Credible financial reports increase the confidence of financial users in published information and assist in making purchasing decisions and a good reputation.

Audits are here to increase credibility in published financial information. So an audit is seen as a mechanism to increase stakeholder trust in an organization or company. This theory needs more concentration on the role of the audit. Not principled and ignores other matters, such as mechanisms to increase the role of the audit, causes of audit failure, and others. Although this theory emphasizes the importance of auditing, more is needed to guarantee that published information will be credible (Hamawandy & Omer, 2020). Where is the credibility here for artificial or content? Artificial means the auditor's findings are only for the benefit of superiors or management; the auditor cannot be independent and is only used to justify what is done by superiors and only carries out his superiors.

Findings (Chow et al., 2013) interviewed 24 auditors and asked them to describe the critical ethics incidents they encountered during various phases of the audit process.

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The results show that ethical conflicts are found in each phase of the audit, and there are cross-phase differences in the ethical characterization of auditors. This is still a highlight regarding professional ethics issues, especially among auditors. Where the experience, beliefs, knowledge, and perceptions of auditors influence action or their ethical behavior. The focus of this research is to determine the factors that influence auditors' ethical behavior in the college environment.

Ethical Conduct

Codes of ethics provide enforceable rules that professional accountants must adhere to. Moral value judgments help guide individuals who face ethical dilemmas and behave ethically. This also helps them fulfill their moral responsibility to uphold social welfare and, at the same time, achieve personal interests professionally (Roy & Saha, 2018). This code of ethics is for accountants also involved in auditing and helps them refrain from professional misconduct. Al Momamani & Obeidat (2013) explained that auditors must apply five principles: integrity, objectivity, competence and professional accuracy, confidentiality, and professional behavior.

This ethical behavior can determine individual quality, which is influenced by the factors obtained (Jurica & Gunardi, 2012). (Said & Diana, 2018) explains various factors that influence a person's ethical attitudes and behavior, such as 1) Individual Aspects, individual ethical climate, work experience, personal traits, and the belief that other people are unethical; 2) Organizational aspects (organizational ethical atmosphere); 3) Environmental aspects (organizational environment and social environment). Zamzami et al. (2018) explain auditors' behavior rules, such as integrity, objectivity, confidentiality, and competence.

RESEARCH METHOD

This research is descriptive research with a qualitative approach. This study uses a phenomenological approach as part of qualitative research. Researchers identify the essence of the human experience of a phenomenon, as described by research informants. Creswell (2017) writes that phenomenological research describes awareness and experience of a phenomenon, and phenomenological research focuses on describing what participants experience according to their experience of a phenomenon.

The population in this study were members of the SPI in the finance department at Malang State University and Brawijaya University. The sampling used was purposive. The researcher determined the criteria regarding which respondents could be selected

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as samples. The interview method for collecting data is semi-structured interviews. Semi-structured interviews can be conducted by providing a guide containing the points that will be asked from topic development. Interviews were conducted by asking the informants to explore and obtain information related to the data needed. As for interviews using interview guidelines, researchers can develop research questions according to the desired information needs (Jamshed, 2014).

In this study, the technique used to check the validity of the data is triangulation. Triangulation is a data wetness-checking technique that uses something outside the data for checking purposes or as a data comparison (Moleong, 2017). The research steps are systematically carried out through four research stages, namely the planning stage, the data collection process stage, the data analysis stage, and the conclusion-making stage.

DISCUSSION

The discussion this time will be directed to answer the formulation of the research problem, namely how is the auditor's perception related to the determination of the factors that influence the ethical behavior of auditors in the tertiary environment. In this chapter, we will examine more about the field findings with a focus on this research.

Reasoning for Ethical Behavior

The professional code of ethics applies ethical principles and rules that guide dealings with clients, the public, members of the profession, and other interested parties. The auditor profession must have ethical standards because the auditor profession has a trustworthy status and is likely to face pressure from interests. The values and norms that serve as guidelines for individuals to behave in dealings with others or groups are no exception to the auditor himself.

Ethical reasoning describes individual processes using logic and self-reflection to determine whether certain actions are right or wrong from a moral perspective (Malti et al., 2016). This is also cited based on the results of interviews which show that ethical behavior is necessary for auditors for them to demand ethical values; how do auditors understand, uphold, and apply the code of ethics itself as their foundation when carrying out their duties so that when carrying out their duties later can work properly following applicable regulations. This becomes the basis of reasoning, understanding, and how the auditor behaves while carrying out his duties to determine which ones are still following or need to follow the existing rules and codes of ethics.

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Damman (2018) states that accountants, in their audit activities, have many things to consider because the auditor represents many interests inherent in the audit process (built-in conflict of interest). Often in auditing activities, an auditor is in audit conflict, and ethical behavior is an act that is by generally accepted norms. This ethical behavior has also required the auditor to behave by ethical norms, both in terms of delivery, reporting, and how people evaluate their ethical behavior when carrying out their duties, as well as how to report and use the language the auditor conveys. So ethical behavior is not only for oneself but assures people of an auditor's credibility, integrity, and independence. Choiriah (2013) also mentions that ethical behavior is used as a performance indicator, and performance is one aspect of success, so the behavior is important in an organization.

Auditor Professional Commitment

The role of the internal auditor is to determine whether there are audit findings to assess or evaluate activity in disclosing audit findings based on appropriate criteria to recommend a series of actions to management (Mulyadi, 2012). As an auditor, he has a code of ethics that forms the basis of auditor behavior. When working in an organization or agency, an internal auditor certainly has a code of ethics that must be obeyed by the auditor in carrying out his duties, and how the auditor's professional commitment determines an auditor's behavior (Shaub, 1994).).

Auditors are asked to follow and obey the code of ethics in any way, both in the process of realization in carrying out assignments, including being independent, and how they maintain adherence to their rules and the application of the code of ethics so that they are not allowed or bound by influences from others, which later how the auditor's professional commitment to compliance with the rules will also determine how the ethical behavior of an internal auditor itself. Based on the results of interviews with the informant, who is an internal auditor who revealed that the auditor's commitment relates to how the representation of the application, adjustment, and understanding of this code of ethics to the rules that exist in the internal supervisory unit at this state university, and relates to whether or not related the provisions contained in the rules become the auditor's commitment to adherence to these rules as the basis for internal auditors to behave ethically.

The results of reporting observations from audits from an internal auditor will provide a recommendation by existing rules, whether the report is by the rules or not by rules. Later, they will coordinate with the leadership on the results of observations, and whether they will be followed up or not depending on the decision leadership, the most

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important thing for the auditor is how they behave and provide reports according to field results based on the rules and code of ethics as an auditor. The auditor's willingness to fulfill the responsibility of fraud detection is determined by the auditor's professional commitment (Shafer, W. E. et al., 2016).

Rustiarini et al. (2020). Reveal that the professional commitment of the auditor has a positive relationship with the attitude of obedience to the rules. The results of the interviews found that an auditor responds to findings that are not by the rules or regulations; on the other hand, there are internal policies, and an auditor, in carrying out the audit process, will still be guided to be as independent as possible even though they are faced with various conditions of all kinds, if there are policies on the findings of the audit results are not the auditor's focus, this is already included in the policy stakeholders' scope. The auditor's task here is to carry out his duties which function as a provider of recommendations on findings so that they are by existing rules and make those rules a guide to ethical behavior when carrying out the audit process.

Halim et al. (2014) explained that professional commitment shows a person's love and determination in carrying out the duties assigned based on the rules and norms in his profession and seeing that the code of ethics was made to serve as a guide for auditors in carrying out their duties independently by the existing code of ethics based on applicable regulations, regarding the findings obtained. It goes back to the policies that exist at top management so that an internal auditor tries to commit possible against the rules and internal auditor's code of ethics.

Auditors Environment

A conducive work environment provides security and allows the auditor to work optimally. The work environment can affect the auditor's emotions. Yohannes (2014) also revealed that the work environment is a physical aspect of work, psychological work, and work regulations that can affect job satisfaction, achieve productivity and determine ethical behavior.

Organizational ethical values , as the main component of organizational culture a reference that directs organizational members in dealing with their internal and external environment, which is formed from individual ethical values from both formal and informal management of ethical situations within the organization (Hunt & Vitell, 2006). The values and beliefs that develop within the organization are the basis for organizational culture. These values play an important role in influencing the ethical behavior of individuals in organizations (Kinicki & Kreitner, 2001).

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This includes the perception of how auditors judge management to act in dealing with ethical issues, how auditors judge that management pays attention to ethical issues in their organization, and how auditors judge that ethical (or unethical) behavior will be rewarded (punishment) within the organization. The International Auditing and Assurance Standards Board recognizes the key role played by auditing firm culture in influencing ethical values and the ethical behavior of auditors, which can ultimately support audit quality (Barrainkua & Espinosa-Pike, 2018).

When in the field during the audit process, an internal auditor may be involved in conditions that are not conducive which can affect the behavior of an auditor. Professional attitudes and behavior depend not only on individual beliefs but also on organizational context. Audit firms' culture and organizational structure shape professional values, ethics, and the role of ethical behavior of auditors (Shafer et al., 2013). The most important thing for an auditor himself is how to uphold the code of ethics; the auditor tries to be as independent as possible and not be afraid of leaders or conflicts of interest; the most important thing is that during the auditing process, they stick to the existing rules and the audit findings will be presented as is by what to get.

Superiors Influence

Gellerman (1989) asserts that management/leadership in an organization holds the responsibility to develop and maintain conditions under which people tend to behave themselves and to minimize conditions under which they may be tempted to commit fraudulent acts. Stoner (2015) Superior management support is an activity that impacts, directs, and maintains human behavior directed by the organization's director, president, divisions, and so on about the leader's personal relationship with the individual or its members. Includes the leader's support and the degree to which the leader uses interpersonal or service communication.

During the auditing process, the results from the field will later be submitted to the team leader, the auditor works in a structured manner and under the auspices of his superior, and during the process of carrying out field assignments, the auditor tries as much as possible, to maintain his integrity by complying with the rules according to the auditing procedure. If later, several cases are not by the rules or there is a conflict of interest, the auditor must report what is appropriate in the field. A clear division of tasks is also very helpful for auditors to maintain their ethical behavior. The auditor is only a provider of recommendations for the findings of results in the field, and they are obliged to provide this information later to superiors. Management level and the results of the

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field will only serve as an archive of field observations from the auditors; the most important thing is how the auditors are in the field and the findings during the audit process according to existing rules

Regarding the condition of the auditor's environment, how is the internal auditor of an auditor to avoid conflicts of interest in the work environment or organization? So whatever the results of the findings later, as an auditor, try to be as independent as possible and work according to the rules and procedures. Follow-up on the findings later will also be submitted or conveyed to the leadership because the auditor is responsible for the results of field findings to the direct leader, and the leader acts as the decision maker of the findings made by the auditor.

How the role of the leader can support or corner the auditor itself depends on how the policies are made; even though the auditor tries to be as independent as possible, sometimes the findings in the field are also not supported, but again and how the leader responds, both the leader and the auditor must know from the capacity of the auditor's duties itself. Suppose it is related to Lending Credibility Theory. How can auditors be said to be only made a tool for the interests of management or superiors, according to what is happening in the field? All this can happen if the superiors or the head of the internal supervisory unit in state universities come from management with a purpose for certain people or interested people related to top management or leaders. It also allows the auditor to act unethically.

You could say the role of superiors plays an important role in the auditor to implement the ethical behavior of the auditor itself depending on how the leader supports the auditor during the process of carrying out his work, where the auditor works in a stressful and less conducive environment so if there are findings in the field on their work reporting needs to require several processes including approval from the leader or team leader of this auditor prior to publishing audit results.

Management supporting internal audits will ensure that auditors have access to the resources necessary to perform their duties properly, such as relevant data and information and adequate time and budget. In addition, supportive management will also ensure that the internal audit results are seriously considered and that action is taken to address the findings found by the auditor (Badara & Saidin, 2014). There are directions from the leader for the auditors to work by their respective duties and based on existing rules or policies. Internal auditors have rules so that when the process of carrying out their duties goes according to the corridor so that later it does not interfere with the

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independence of the auditor himself, as it should be a reminder as well as the benchmark rules speak of what is the basis of the auditor's work.

Ethical Moral Support

The auditor must have moral reasoning in carrying out the work. Having knowledge and experience, and expertise can support effectiveness at work. Auditors who have sufficient knowledge, training, skills, and experience to complete their audit work (Mathius, 2016). Internal auditors must know what their task capacity and responsibilities will be like related to the problem of the ability of each auditor to be different, including in understanding the audit process by existing rules in the field. Later, auditors work as a team when carrying out their duties as their fellow auditor team aligns based on the organization's rules, tasks, vision, and mission to produce good reports.

On the other hand, if there are obstacles to how the roles of moral support and their team work together to complete their tasks while in the field. Organizational leaders must provide strong moral and ethical support to internal auditors. They must educate auditors about the importance of business ethics and provide sufficient resources to assist internal auditors in carrying out their duties by the code of ethics. All auditors are always guided to be professional when carrying out their duties but only consider the possibility that they will experience difficulties applying their professionalism and impact their ethical behavior. However, there is ethical and moral support from both superiors and the work team in the organization.

With strong ethical and moral support from organizational leaders and their teammates, internal auditors will feel more motivated to carry out their duties with high integrity and professionalism. This will help ensure that the agency or organization can rely on the information provided by the internal auditors to make the right decisions. Peer support is very important in encouraging the ethical behavior of internal auditors. However, internal auditors may face pressure from various parties within the company to ignore ethical issues or provide inaccurate reports. With the support of colleagues, internal auditors can feel more confident and protected in reporting ethical issues and maintaining their integrity. Colleagues supporting ethical behavior can also help create a more positive and ethical work environment (Amadeus et al., 2022; Maulita, 2015). Therefore, organizations must ensure that colleagues support the ethical behavior of internal auditors and build a culture that encourages integrity and professionalism in the workplace.

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Moral support from special teams and leaders also helps auditors behave ethically when carrying out their duties. Auditors can discuss with their team and later decisions from leaders who support their performance in the field. If there are problems with fellow teams, the auditor will have difficulty in carrying out the supervisory process because it is possible that the data obtained is incomplete or hidden, and if during the monitoring and auditing process, when carrying out their duties working separately, the auditors are more prone to carrying out unethical actions it could be that the supervision carried out is based on personal interests. On the other hand, even if the leader does not agree with the recommendations of the findings that we convey, everything that the auditor does is also in vain, so the support of the ethical environment from the auditor's team-mates and the leadership is very important for the auditor to reduce fraud and how the auditor applies ethical behavior.

In addition, the assignment of appropriate assignments can protect auditors from pressure or influence that might interfere with their independence and objectivity. For example, clear and structured assignments can help auditors focus on their work and avoid situations where they might be asked to do something inconsistent with professional ethics. In addition, a suitable assignment can also help auditors meet the requirements and ethical standards set by their professional organizations, such as the International Federation of Accountants (IFAC) or the Institute of Internal Auditors (IIA). Appropriate duties enable auditors to maintain their independence from the influence of others and ensure that they perform their work with integrity and objectivity.

As long as there is a clear assignment of assignments, the auditor must also understand their respective duties and duties to avoid actions that go against the corridor and the code of ethics of an auditor. For the auditor, the most important thing is when carrying out tasks by the existing code of ethics regarding the problem of finding results in the field. Later, the auditor will also report these findings to the relevant leadership. They will be followed up, or how it is not the shutter of an auditor, and it is resolved, the auditor's management only gives appropriate recommendations by the rules. Appropriate assignments can help protect auditors from various pressures or influences that could interfere with their ethical behavior. Therefore, organizations must ensure that the duties assigned to auditors comply with the standards and requirements of professional ethics so that they can carry out their duties with integrity, independence, and objectivity.

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Spiritual Auditors

According to Rastgar et al. (2012), Spirituality is related to the meanings and values in life that direct our activities and behavior in a larger context. Spirituality is the human capacity to ask questions about their lives meaningfully and connect themselves with their world (Rashvand & Bahrever, 2013). In addition to the rules and commitments that serve as the foundation for auditors to behave ethically, auditors have different characteristics, as well as principles that they hold to work professionally and following the rules; on the other hand, auditors also have a spiritual nature that makes them fear God which encourages them to take actions that are following religious values and their teachings as the basis for ethical behavior both at work and in everyday life.

If talking outside the rules or rules and code of ethics of internal auditors, how as an individual auditor maintains independence and good integrity in the work environment, and how will auditors coordinate with each other to help them continue to work ethically? The spiritual role of each individual as an auditor is different, where the individual spiritual level of an auditor also helps to act or behave ethically according to the teachings of their respective religious and individual norms.

Spirituality is the extent to which a person is committed to his teachings so that individual attitudes and behavior reflect commitment (Johnson et al., 2001). The spiritual role is to interpret and understand the value of every action, the meaning of life, and the potential abilities of every human being. This makes a person aware of and determined to mean values, morals, and ethics (Farrag & Hassan, 2015). A higher level of Spirituality has been found to positively influence individuals to develop a stronger moral identity, thereby increasing awareness not to commit fraud (Kashif et al., 2017).

CONCLUISON

From this study, determining what factors can influence the ethical behavior of internal auditors, especially in the higher education environment, can be concluded. Reasoning for ethical behavior is necessary for auditors for them to demand ethical values, how auditors understand, uphold, and apply the code of ethics itself and as a basis for them when carrying out their duties, to determine which ones are by the code of ethics or which are not by the rules and existing code of ethics. Where the auditor's professional commitment is also one of the factors related to how the representation of the application, adjustment, and understanding of this code of ethics to the rules that exist in the internal supervisory unit at this state university and relates to whether or not the

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provisions contained in the rules are permissible, it becomes the auditor's commitment to obedience to these rules as the basis for internal auditors to behave ethically.

When in the field during the audit process, an internal auditor works may be involved in environmental conditions that are not conducive, which can affect how an auditor behaves; in the auditor relationship, there is also influence from superiors and ethical and moral support around them, with strong ethical, moral support from organizational leaders and shooting partners, internal auditors will feel more motivated to carry out their duties with high integrity and professionalism. Accompanied by how the role of the leader itself can support or corner the auditor himself depending on how the policies are made, which could interfere with the auditor's independence. About the Lending Credibility Theory, how can the auditor be said to only make a tool for the interests of management or superiors, according to what is happening in the field? All this can happen if it comes from the superiors or the head of the university's internal control unit. The country comes from management people with specific goals or interested persons associated with top management or leaders. It may also enable the auditor to act unethically.

Giving clear assignments can be a savior for auditors to take unethical actions. As long as there is a clear assignment of assignments, the auditor must also understand their respective duties and duties to avoid actions that go against the corridor and the code of ethics of an auditor. Auditors also have a spirituality that makes them fear God, which encourages them to take actions by their religious values and teachings as the basis for ethical behavior at work and daily.

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