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**COMPLIANCE OF AUDITING ETHICAL PRINCIPLES AND CODE OF CONDUCT  
FOR PROFESSIONAL AUDITORS AND ITS IMPACT ON AUDIT QUALITY. A CASE  
STUDY ON SELECTED MMDAS IN ASHANTI REGION.**

**BY**

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## DEDICATION

I dedicate this thesis to the following individuals, whose unwavering support, encouragement, and love have been instrumental in my academic success my wife Mrs. Ruth Ama Dapaah and my children Abena Amoakoa Nkrumah, Abena Konadu Nkrumah and Oheneba kwabena Bernchie Nkrumah.. Their unwavering belief in me has been my driving force. Also, to Mr. Albert Agya Anochi I am grateful for your constant encouragement and understanding during the challenging moments of my research journey. I extend my deepest gratitude to my thesis supervisor, Dr. Kwadjo Appiagyei, for his invaluable guidance, mentorship, and expertise throughout this research endeavor. Your patience and dedication have shaped my academic growth



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## ABSTRACT

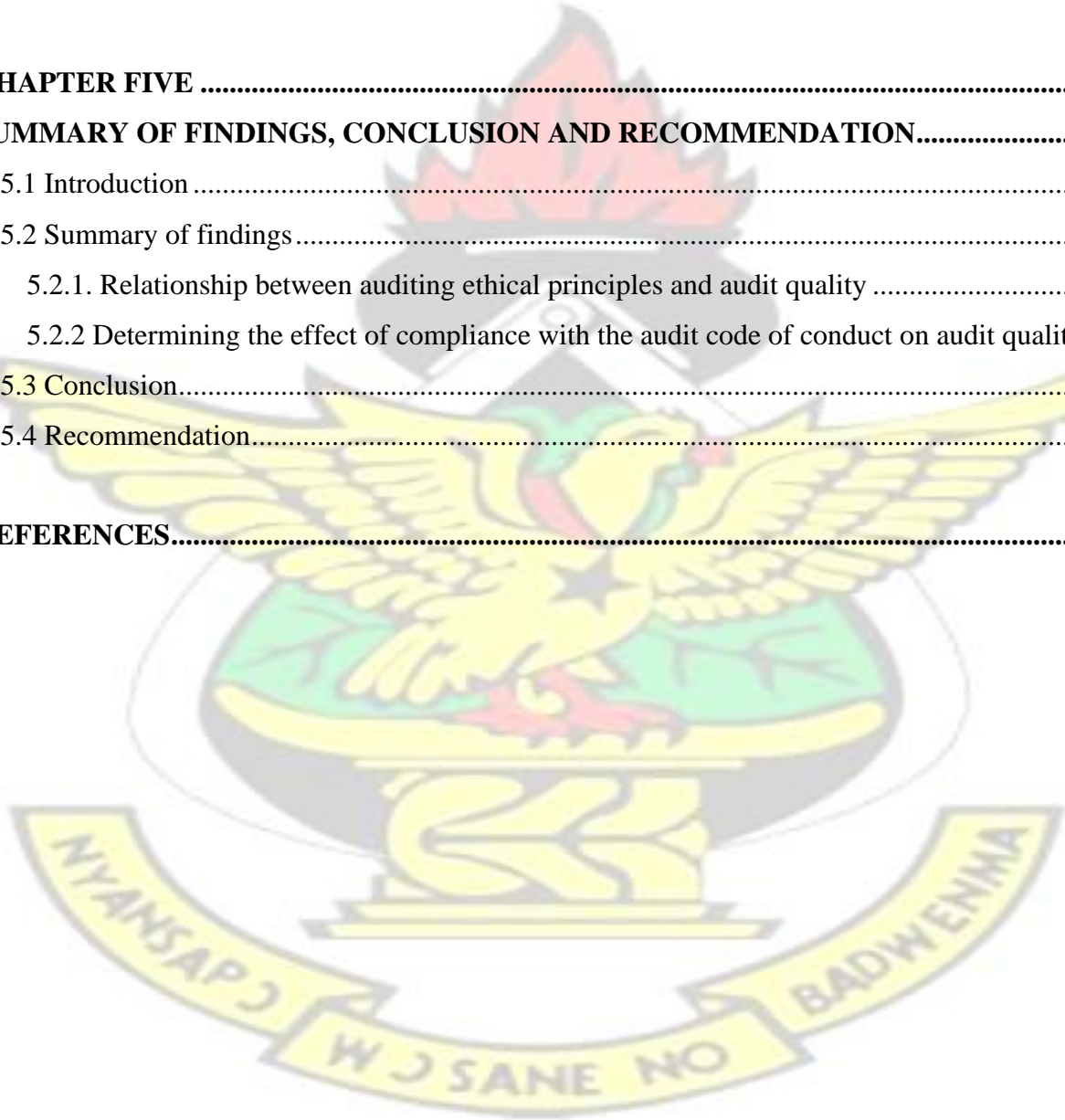
The study examines the compliance of Auditing Ethical Principles and Code of Conduct for Professional Auditors and its Impact on Audit Quality. A case study on selected MMDAs in Ashanti Region. The research objectives include: examining the relationship between auditing ethical principles and the audit quality and ascertaining the impact on audit quality of compliance to the audit code of ethics. The study employs the agency theory. A sample size of 154 respondents would be chosen to represent 43 MMDAs in the Ashanti Region out of the 322 study participants from those 43 MMDAs. This suggests that three respondents would be chosen from each of the 24 Districts, while four respondents would be chosen from each of the 18 Municipalities and the one Metropolitan Assembly MMDA. The findings of the study revealed that auditing ethical principles have an influence on audit quality. Thus, when auditors are more ethical, they are able to produce a good auditing report. The study's findings revealed a relationship between audit quality and adherence to the audit code of ethics. The study's conclusions also showed a strong correlation between audit quality and adherence to the audit code of ethics. The conclusion that can be drawn from the findings is that auditors continue to feel a feeling of duty. To promote commitment and deepen ethical and religious behavior, universities, community colleges, and schools should include topics related to teaching the international standards of auditing in general and the professional conduct of an auditing career in particular in their curricula and courses. For auditors to consistently produce high-quality audit reports, there should be scheduled, routine training on developing ethical behavior. By implementing policies and processes to support their internal culture based on competence or quality standards, accounting firms and auditors should raise knowledge of the value of professional skepticism.

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the study

Organizations and economic collapses and past and current corporate scandals at the global and business organizations level have caused the public to conclude that an organization's financial statement and auditing standard, as well as audit quality, have abruptly broken down (Lyons, 2017). When investors, shareholders, management, and stakeholders suffer adequate loss as a result of deception, fraud, or failures, they all blame figures compliant will be pointing out to auditors to be held accountable. Also, Al Farah (2019) mentioned that after the economic downturn and the unexpected corporate collapse, the question arises as to whether audit firms and auditors confirm the international code of ethics for professional accountancy. The code of ethics for professional accountants ensures that auditors are independent, professional behavior, confidentiality, objectivity, integrity, and due care.

Auditors have a clear direction and rules for their auditing work thanks to compliance with the auditing ethics and code of conduct (Hussien, 2018). This may be connected to the fact that auditors encounter moral and ethical dilemmas that call on them to reach the right conclusion. . According to Lowensohn and Reck (2017), an auditor's conduct while doing their job and engaging with customers or other auditors should be governed by a professional code of ethics. The code of ethics was defined as a standard of expectations and principles guiding the behavior of internal principles from the code of ethics by individuals and organizations by the International Professional Practice Framework (2017).

Audit quality includes all essential components that enhance the possibility that internal auditors in the business undertake quality audits on a regular basis (Silvano and Vakilifard 2017). This

suggests that the organization's auditors are in charge of conducting reliable financial statement audits. Angelo (2018) mentioned that auditors are expected to comply with ethical principle and ensures that they work in accordance with code of conduct. This ensures that auditors are able to provide quality auditing reporting. When auditors abide by the code of conduct for professional auditors and the auditing ethical standards, auditing quality is said to have been attained. Hein (2019) suggested that audit quality is linked to existence of auditors complying with all ethical principle and code of conduct.

According to research, the financial report's quality is crucial for boosting trust and educating markets and investors (Lennox 2017). Providing assurance in the caliber of financial reports is the goal of audit quality. Therefore, sustaining trust in the independent assurance they offer requires increasing audit quality and audit execution consistency. By upholding moral principles and a code of conduct, auditors can provide financial statements that are free from material misstatement and completed in compliance with the relevant financial framework (Rahahale 2019). This promotes audit quality. This study focuses on compliance with auditing ethical principles and the code of conduct for professional auditors and its impact on audit quality. A case study on selected MMDA in Ashanti Region.

## **1.2 Statement of the Problem**

The 2007 financial crisis and the numerous accounting scandals that have occurred over the past ten years have both been extremely detrimental from an ethical standpoint. The reputation of auditing as a profession has suffered as a result. It was necessary to rebuild public trust after the scandals (Wallage, Bouwens and Bik 2018). According to Somers (2019), all auditing professions and businesses have implemented the code of ethics to improve ethical behaviour. A

code of ethics does not, however, guarantee that people will be more likely to report unethical activity. This is due to the fact that a variety of factors affect whether an auditor is ethical. The working environment and ethical education, morality, and experience are only a few of them.

Albeksh (2019) suggested that auditors have performed their tasks and roles unethically and provide inaccurate financial information and which affects the quality of audit reporting that they present for decision-making. They deceive stakeholders and investors into funding unprofitable firms with their information. This implies that auditors not complying and this jeopardizes their credibility. Moreover, there exists a gap in the understanding of audit quality. Various authors have expressed different definitions and understandings of audit quality (Curtin and Dekker 2019). All of them have different definitions of audit quality. This study would address the gap in the literature by finding a precise and clear definition of audit quality. Also, the study would also address the measure of audit quality.

Rahahle (2017) also noted that there are concerns expressed over the invasion in accounting and control practice, notwithstanding the professional practice of internal audits, internal auditors, and established methodologies for the performance of internal audit activities. Due to the increasing rate of digitalization and technology use, concerns have been expressed about how auditors are able to identify, evaluate, and deal with possible challenges to independence and adherence to key principles. The development of technology has increased fraud on a global scale.

Various studies have been on auditing ethical principles and codes of conduct. However, most of the study is limited to private sectors and financial institutions in developed countries (Dolphy, 2018, Arens, Elder and Beasley 2018, Hays and Schilder, 2018, Kurt and Ocak 2019). The study

will address the gap in the literature by examining auditing ethical principles and codes of conduct on selected MMDAs in the Ashanti Region. Also, this study will address the gap in the literature works by examining how code of conduct influences audit quality and also factors that influence auditing principles in the selected MMDAs in the Ashanti Region. Most studies only focus more on ethical principles and the detection of errors.

### **1.3 Research Objective**

The study examines the compliance of Auditing Ethical Principles and Code of Conduct for Professional Auditors and its Impact on Audit Quality. A case study on selected MMDAs in Ashanti Region.

#### **1.3.1 Specific Research Objectives**

- a) To examine the relationship between auditing ethical principles and the audit quality
- b) To ascertain the impact on audit quality of compliance to the audit code of ethics.

### **1.4 Research questions**

- a) What connection exists between the ethics of auditing and the effectiveness of the audit?
- b) What is the effect of compliance with the audit code of ethics on audit quality?

### **1.5 Significance of the study**

The study would be of benefit to management, directors, auditors, employees, governance, and stakeholders. The research would help the internal audit department and the auditors gain a better grasp of the code of ethics' guiding principles. This would persuade individuals to choose the right behavior when confronted with moral dilemmas, conflicts of interest, and other situations.

Additionally, the research would persuade them to see the need of upholding professional and ethical standards in order to maximize the efficiency of the internal audit function.

To the management, heads of departments, and directors, the study would enable respect for the decision of internal audits and prevent them from interfering in the activities and actions of internal auditors. This study would reinforce management to the level and the importance of professional and moral commitment in the organization and support internal auditors with all the needed materials they need in the organization. Various studies on audit compliance and audit quality have focused on the private sector. Therefore, the study would address that gap. This study would serve as a reference point for students, researchers, auditors, and scholars who have the desire to research auditing principles and codes of an auditor as well as audit quality.

### **1.6 Scope of the study**

The study's scope comprises both a contextual and a geographic component. Contextually, the study's focus is restricted to auditing ethics, the professional auditors' code of conduct, and the idea of audit quality in the company. The study's geographic focus is solely on MMDAs in the Ashanti Region. The responders were chosen by the MMDAs' internal audit departments.

### **1.7 Limitations of the study**

The gathering of the data for the study ran into a number of issues, and it is crucial that these issues are highlighted. It is believed that the internal auditor will not be able to offer all the necessary information that will be requested of them due to the nature of their job and the secrecy involved with it. The authorities will be reluctant to divulge information about their performance in respect to audit quality claims because they fear that if it becomes public, it may reveal their shortcomings.

## **1.8 Research Methodology**

The research methodology examines the research method employed to undertake the study. Research design is the system and structure considered in a quest to get answers for research issues; it is additionally characterized as a plan for collection, estimation, and data analysis. A methodical and repeatable process, that recognizes and classifies problems within predetermined bounds. In order to acquire information and analyze the results, it makes use of the whole planned strategy. It disseminates the findings to aid in information synthesis. Exploratory, descriptive, and explanatory research are the three different categories of study (Tobi and Kampen, 2017). A descriptive design is used in this investigation. In-depth portraits of individuals, occasions, or circumstances are presented via descriptive research (Williams 2011). The goal of a descriptive research design is to accurately describe what actually occurs in the real world without influencing any findings. The primary type of data collecting tool is a questionnaire. The questionnaire would be created to collect data about the study's goals. In chapter three, a specific description of the research technique would be provided.

## **1.9 Organization of the study**

The research is divided into five chapters. The first chapter of the study contains the background, problem statement, research goals, research questions, significance of the study, study restrictions, and study organization. The literature review will be discussed in chapter two. As a result, relevant literature will be examined, emphasizing both theoretical and empirical data as well as a conceptual model that will illustrate the relationships between the study's components. The idea of the audit code, the idea of an auditor's ethical standards, and audit quality will all be covered in the literature study.

The study methodology and organizational profile will be covered in chapter three. It will include the sample size, sampling method, study population, and research strategy. The chapter will also cover data sources, data gathering methodologies, data analysis methods, reliability and validity, and research ethics. The results will be analyzed and discussed in chapter four. Chapter 5 will then offer a summary of the study's conclusions, results, and recommendations.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The literature review is included in this section of the study. The literature review may be viewed as a thorough summary of earlier studies on a subject. This suggests that a literature review is a summary of academic books, papers, and other materials that are pertinent to a certain area of inquiry. This literature review will give the conceptual review, theoretical review, empirical review, and conceptual framework. This study looks at how well the professional auditors' code of conduct and ethical standards for auditing are being followed.

#### **2.2 The Concept of Auditing Ethics**

Al-Momani and Obeidar (2019) claim that different forms of creative accounting hurt users of accounting information including investors, shareholders, and the government. To make an informed investment and commercial choice, users of accounting information need information that is impartial, accurate, faithful, and reliable. According to Al-Momani and Obeidar (2019), the majority of users want information to understand and consider the economic occurrences that took place throughout the accounting period. To make a wise choice, investors need correct knowledge about the economic situation as well as the business environment. Most investors, owners, shareholders, stockholders, and creditors have suffered significant financial losses during the previous 20 years. This may be connected to making poor and immoral judgments as well as using various inventive accounting techniques. Since Enron's collapse, ethical standards have taken a significant place in the organization's auditing procedures. The auditing scandals served as a springboard for ethical concerns about accountants and auditors, which hurt their

reputations. The necessity of ethical decisions for the professional is highly significant since auditors depend on trust and the performance of fiduciary duties.

According to Pojman (2019), ethics is a deliberate endeavor to comprehend the notion of morality within the organization. The term "ethics" refers to the norm of ethically acceptable and unacceptable behavior in a commercial setting. Because it fosters employee integrity and builds confidence with numerous stakeholders, including investors, boards of directors, governments, and others, ethics is crucial to the success of every firm. Ethics also refers to the application of ethical principles to accounting practices. It is impossible to exaggerate the significance of ethics in both interpersonal and corporate conduct. Jones and George (2014) claim that ethics refers to the inner-guiding moral ideas and beliefs that qualified accountants and auditors employ to analyze situations and determine how to act in an organization. This implies that in the organization ethics serve as a guideline or standard for people to consider and follow when faced with ethical dilemmas in the organization.

Auditing entails the detailed examination of an organization's financial statement, operational procedures, and policies to ensure that everything complies with state laws and evaluates the organization's overall financial health (O'Reill-Allen and MuMullen 2018). An audit is a review of financial reporting that aims of correcting problems in order to create a better system. Thus, it is a systematic review of financial reporting and aims at providing more effective and efficient working of an organization. For most organizations, an audit is mandatory so that investors and shareholders can get a clear and unbiased view of the organization's performance. Research indicates that auditors in most organizations are responsible for reviewing business organizations regularly and reviewing the incompetence in the financial statement. In the organization, auditing helps identify the areas of strength and weakness and highlights any potential risks and

discrepancies in the financial statement. Auditing strengthens the confidence of potential investors in the organization and ensures financial transparency.

All auditors in organizations have complete access to financial information and operational guidelines. Auditors' responsibilities and duties make them vital and crucial to the organization but also put a hefty task on them. Auditors need to carry out an audit in an ethical manner and report financial information without malicious omission of fact. The auditing ethics ensure the organization's rights being audited and make sure the audit process happens correctly. According to Smith and McKay (2019) auditing ethics requires the auditors to verify that the information provided in the operational and financial information is consistent with the audit report.

According to Libby and Thorne (2018) auditing ethics is a process that measures the internal and external consistency of organizations' values bases. The aim of auditing ethics is to support stakeholder accountability and transparency in order to fulfill the organization's ethical goals. An ethical audit, according to Stewart and Cairney (2018), guarantees that auditors are able to: define the true value to which the organization functions; and give a guide to gauging the expectations of auditors and accountants inside the business. An ethical audit, according to Sadler and Downes (2018), is a careful review of an organization's records and operations to ascertain if they adhere to the organization's moral standards.

### **2.2.1 Auditing code of conduct and ethical principles**

A code of conduct is considered to be an important and common policy within an organization. The code of conduct provides principles, standards, morals, and ethical expectations that influence the conduct of employees and third parties in the organization (O'Reill-Allen and MuMullen 2018). A code of conduct is a crucial component of compliance efforts since it serves as proof that a worker has broken the law in the workplace. In order to create a culture of

compliance inside the firm, it is crucial to have an ethical code of conduct. The establishment of a code of conduct is crucial for ethical grounds as well. The code of ethics specifies expectations and guiding principles for the conduct of internal audits by auditors and accountants.

The aim of auditing is to improve an organization's operations and provide value. It is a consulting and assurance operation that is neutral and unbiased. Auditing ensures that organizations reach their objectives by offering a methodical, disciplined approach to assessing and upgrading the effectiveness of risk management, control, and governance systems. The auditing profession requires and accepts a code of ethics inside the organization. According to Bulo and Mabjaia (2020), a professional accountant must have absolutely moral behavior that enables them to keep secrets, have personal conduct, dignity, and honor, as well as competence and serenity to offer information to the user with safety and trustworthiness.

De Moor and De Beedle (2019) assert that the code of ethics serves as a guide for moral conduct. The professional code of ethics aids auditors and accounting specialists in upholding societal standards, offering committed service, and acting honorably inside the company. According to research, a code of ethics is intended to assist professionals in creating a personal position that is in line with the ethical norms (Mihelic and Culiberg 2017). One of the pillars of the code of ethics for accountants and auditors is professional competence and diligence, as well as confidentiality, honesty, and professional behavior.

### **2.2.1.1 Confidentiality**

The principles of confidentiality ensure that a professional accountant respects the confidentiality of information acquired as a result of their professional and personal relationships and should not disclose any such information to third parties without proper and specific authority unless they have a legal or professional obligation to do so. The data that auditors or accountants have

obtained as a result of their personal and professional service are covered by confidentiality, according to Dias and Abreu (2015). According to this rule, auditors are not allowed to share any information with third parties without receiving formal permission, unless they have a responsibility or right to do so under the law or their profession. According to Thomas (2019), confidentiality refers to maintaining the secrecy of all firm information, supervising personnel to ensure that the information is kept that way, and abstaining from utilizing the knowledge for one's own gain or any relevant personal use.

### **2.2.1.2 Professional competence and due diligence**

Professionalism and due diligence are used to accomplish this. According to Dias and Abreu's (2015) position, management, the board of directors, and inventors should all receive suitable and skilled professional assistance based on the most recent advancements in theory, law, and methodology. Auditor conduct must also be diligent and in compliance with the expected professional standards that apply to the delivery of professional services.

Oliveira and Ribeiro (2022) state that the competencies of accountants and auditors include maintaining a sufficient level of professional knowledge and improving through continuous training, adapting to the applicable legal provision, such as laws, regulations, instructions, and provisional measures, and preparing succinct and comprehensive reports with appropriate recommendations after each analysis.

Additionally, according to Turner and Shank (2018), accountants and auditors must guarantee that people who work for the organization that they are in charge of are adequately trained and supervised. Users of financial reporting should be able to grasp the information that the professional accountant has provided to them. One of the fundamental ways that auditors and

accountants demonstrate their professional competence to an organization is via the creation of the financial statement and the disclosure of accounting facts.

### **2.1.2.3 Integrity**

A professional accountant must adhere to this idea by being clear and honest in all of their interactions with other members of the organization's commercial and professional communities. Integrity is defined by professional accountants as being direct and honest in all professional and business dealings, according to Bayou and Irsyadillah (2022). Professional accountants must adhere to certain standards of conduct in order to practice with integrity. Avoiding conflicts of interest, alerting parties to potential conflicts of interest, declining gifts that might influence their decisions, refraining from any actions that might prevent the organization from achieving its goals ethically, recognizing and disclosing to management any professional limitations when performing core organizational functions, and communicating all information, judgments, and findings are included in these standards.

### **2.1.3.4 Objectivity**

Objectivity assures that professional accountants and auditors should not permit prior judgements, conflicts of interest, or undue influence from others to overrule professional or commercial judgment in a proper manner, according to Bayou and Irsyadillah (2022). In order to be considered objective, a financial report must utilize clear, unbiased language and provide proof of all pertinent facts. According to Turner and Shank (2018), in order for professional accountants to be impartial, their actions must adhere to the core values as well as the applicable rules and laws. Beyer and Mohloana (2015) advised that the professional accountant should refrain from any conduct that harms the reputation of the profession, use objective language, and emphasize any details that are crucial to the reader of the financial reporting.

### **2.2.3.5 Professional behaviour**

A professional accountant should follow all laws and norms that are relevant and avoid doing anything that might damage the profession (Hussein and Hadi 2019). Auditors are expected to act properly while doing their professional audit tasks. Respecting other people's rights and property, keeping your word, honouring your obligations, and acting professionally all go hand in hand with treating others fairly and honestly. According to ethics, accountants must abide by the rules and laws that control their areas of practice and jurisdiction. As a result, auditors must refrain from conduct that can harm their profession's reputation and fulfill reasonable promises that others, including business partners, can rely on.

### **2.3 The Concept of Audit Quality**

Investors have already experienced financial losses as a result of their dependence on published reports, raising more doubts about the accuracy of those statements. Quality audit reports must be produced by auditors in order to lessen these conditions and restore stakeholders' faith in the accounting (Iliemena and Okyere, 2019). A genuine and fair representation of the organization's performance and financial situation in the financial statement is guaranteed by the audit quality report, which is a means by which auditors may independently vouch for their independence. According to Heil (2018), a number of issues have been raised about whether auditing truly contributes significantly to the achievement of accountability and credibility as a result of the numerous audit failure cases that have occurred internationally over the previous 20 years. Due to this, audit quality has grown to be a crucial consideration when assessing the accuracy of financial reports.

Belkaoui (2019) defines audit quality as the likelihood that financial statements are free from significant obstructions or misstatements. As a result, audit quality talks about the potential for

an auditor to identify and report breaches of the client's faults, have knowledge of the client's information systems, have a strong commitment, not always trust the client, and have the ability to decide to provide an opinion. Heil (2018) argued that audit quality is crucial since it reduces the possibility of misstatements, boosts investor trust, and decreases the cost of financing for businesses. Additionally, the quality of the audit affects how trustworthy financial statements are to investors.

According to Iliemena and Okyere (2019) audit quality is the likelihood that a certain auditor would find and disclose a violation in the client's accounting system. The term suggests that auditors are crucial to the caliber of audits. They are required to find and disclose any substantial omissions from the client's financial statement. According to Amahalu (2017) a key component of audit quality is the auditor's capacity to identify and communicate flaws. Additionally, Palmrose (2017) said that the goal of audit quality is to give certainty regarding the financial statement. By giving investors reliable information to use while making financial decisions, this fosters public trust.

Audit quality is the potential for an auditor to discover and notify a violation in the client's accounting system. The preservation of common auditing standards is also able to monitor business risks during the inquiry process, which helps to prevent litigation and employer complaints as well as minimize the harm that improper auditing can do to a professional accountant's reputation (Gholamreza and Samira 2015). According to some of the current viewpoints, the audit quality in this research primarily refers to the audit findings that may explain the actual situation of the client, including disclosing an infraction in the client's accounting system. As a consequence, the parties that evaluate the audit's findings while making a choice are not misled by its findings.

Rittenberg (2010) contends that in order for the auditor to fulfill the expectations of users of the auditor's role in the capital market, it is crucial to verify that the audit is being performed in a high-quality manner. According to Riyatno (2017), audit quality is a nebulous concept that is difficult to quantify. There is no universal definition of audit quality since only consumers of audit services can assess the caliber of an audit.

Conducting effective quality reviews of audits, remediating findings by obtaining the audit evidence needed to form an opinion on the financial reports, identifying the root causes of findings from their own quality reviews and the audit inspection, developing and implementing action plans to address those findings, monitoring and revising these action plans to ensure that they are still effective, and obtaining the audit evidence needed to form an opinion on the financial reports are all recommended (Hussein and Hadi 2019).

To determine whether the financial statements have been produced in compliance with the pertinent financial reporting framework in all material respects, auditors must have access to sufficient acceptable audit evidence (Beyer and Mohloana 2015). Different investors and stakeholders have different views on the audit's quality. The nature of audit quality is likely to be seen differently by various stakeholders. Some investors believe that the audit maximizes the quality, quantity, and amount of challenge that it presents to management.

Furthermore, auditors are responsible for the caliber of every audit they do and seek to guarantee that the company consistently carries out high-quality audits (Beyer and Mohloana 2015). This shows that when the auditor's interpretation of the financial statement is credible and backed by enough audit evidence, the chance of a high-quality audit is boosted. The following characteristics characterize an audit as high quality: employing a strict audit process and quality

control procedures; applying appropriate values, ethics, and attitudes; having enough knowledge, experience, and time set aside to complete the audit work; providing insightful and timely reports; and interacting appropriately with a variety of stakeholders (Hussein and Hadi 2019).

### **2.3.1 Determinants of Audit Quality**

According to Hussein and Hadi (2019) the auditor examines the financial statement prepared by the management and form an independent opinion on the statements as to whether it reveals the true and fair view and is properly prepared in line with auditing standard and needed relevant regulations. Krishnan, Chen and Yu (2018) mentioned that audit quality is the conformity of financial statement to the audit standards during the audit assignment. The audit quality has a number of determinates. According to International Auditing and Assurance Standards Board (2014), the determinants of audit quality can be related to firm size, audit tenure, audit fees, audit independence.

Guil, Sun, and Judy (2017) assert that audit fees and firm size have an impact on audit quality. According to the Financial Reporting Council, there are even more variables that might have an influence on audit quality, such as corporate culture, the abilities and personalities of audit partners and personnel, the efficiency of the audit process, and the accuracy and value of audit reporting. According to Johnson, Keune, and Winchel (2019), an audit's quality may be impacted by both internal and external factors. These components consist of the auditor's expertise, skills, skepticism, standard compliance, working environment, duration of the audit, and quality control.

According to O'Donnell and Schultz (2019) audit firm culture is how an organization describes how an audit firm uses its own culture and other aspects of personal and organizational settings to influence the competitive strength of their employees. Thus, the audit firm need to provide

regular training and development opportunities to the employee to enhance their technical and audit skills. This could enhance the ability of the audits to provide quality audit reporting. Therefore, the audit firm culture enables the auditors to upgrade their audit skills so as to improve their audit performance as well as their audit quality.

Also, Chen and Yang (2020) mentioned that skills, knowledge and competence and personal qualities of patterns and staff members have adequate influence on audit quality. When auditor acquire adequate training, their knowledge and skill have to improve to enable them present appropriate opinion. The training and development enable them put their best efforts for obtaining the audit quality relating to their engagements and processes. Research indicates that if auditors have adequate knowledge and skill, they are capable of putting their knowledge into practice to produce professional audit work (O'Reilly and Reisch 2018).

In addition, Chan and Yang (2019) revealed that the reliability and usefulness of financial reporting have an influence on audit quality. When investors decide to look for ways to invest in the stock market, investors obtain official copies of the audited financial statement. This enables the investor to understand the true nature of the current financial statement. In the quality audited financial statement, it is comparatively easier for an investor to understand the financial position and performance of the firm.

#### **2.4 Theoretical Review**

The research made use of the agency hypothesis. Agency theory explains the critical relationship between principals and their separate agents. A person who heavily relies on agents to carry out certain financial decisions and transactions that might have different outcomes is the principle (Jensen and Meckling 2019). The agency theory explains why the auditors are seen as needing to

justify their position by emphasizing their commitment to the public. By keeping an eye on how the money invested by investors is being used, the auditors act as a go-between for the principals, who are the capital owners, and the managers who handle that money (Sadowski 2018). Moral factors justify the auditors' ability to act in the public interest, and this assertion is backed up by the auditors' responsibility to all parties who could be impacted by the audit report. Because of this, they are regarded as makers of work of audit-quality and champions of the public interest.

As part of their duties, auditors must protect the interests of various stakeholders, which must take precedence over their own. Furthermore, the auditors' fiduciary obligation creates their reputation in the marketplace with the aim of enhancing the quality of the financial report by properly and thoroughly portraying the company's accounts (Somers 2018). This justification explains why it is forbidden for auditors to act in their personal interests while performing their duty. Therefore, in order for the auditors to gain credibility and act as agents of trust, any conflict of interest that can impair professional judgment and risk their ethics must be handled. The objective of the audit profession is to improve audit quality by raising the credibility of financial reporting, as was already stated (Lovett and Astari 2018). By auditing them, the auditors provide the financial statements of a firm credibility and assurance.

The auditors' professional judgment must be protected from any pressure or enticement from the client company's management, and they must act ethically to represent the interests of investors and other stakeholders (Armstrong 2017). With ethics acting as the compass in the midst of many accounting situations, the line between an auditor's professional interests and their duty to the public is hazy.

The IFAC Code of Ethics lists a number of fundamental values that auditors and accountants must uphold, including objectivity, professionalism, due care, and confidentiality. In contrast to the premise of due care, which implies that the auditor would follow the audit standards, the idea of confidentiality suggests that the auditor will not disclose client information obtained during its work without authorization. Last but not least, the auditor will perform an audit honestly, objectively, which means that he has no conflicts of interest that might impair his judgment, and professionally competent, which means that he is always learning (Bebbington and Unerman 2020).

Due to the pervasive likelihood of consequences, ethics regulation may be seen as an external restraint on behavior. When the auditors' decisions are driven more by worries about their reputation or the terrifying prospect of legal action than by moral convictions, they could feel under pressure to behave morally (Jensen and Meckling 2019). They could succumb to cupidity and avarice and become less fully committed to their audit aim if an external coercive element impacts the auditors' ethical behavior (Bebbington and Unerman 2020).

## **2.5 Empirical Review**

Ilaboya and Ohiokha (2017) look into how the auditor's objectivity impacts the audit's quality. To characterize the dependent variable, they utilize the standard dichotomous variable of 1 if the big 4 audit firm and 0 if not (audit quality). The financial statements of 18 food and beverage firms that were listed on the Nigerian Stock Exchange market throughout the study period served as the research's data source (2007-2012). To evaluate their data for the inquiry, they used a multivariate regression strategy with a focus on the Logit and Probit method. In contrast to earlier research, theirs discovered a negative link between auditor independence, audit firm size,

audit tenure, and audit quality but a positive association between firm size, board independence, and audit quality.

Chijoke, Emmanuel, and Nosakhare (2019) examine the connection between audit quality and auditor independence. Using an estimation method known as the Binary Logit Model, they investigated the relationship between an auditor's independence and audit quality. The length of an auditor's tenure and the audit's quality were shown to be negatively correlated, despite the fact that the variable was not significant. With the exception of Returns on Assets, which showed a positive impact, the other explanatory factors (ROA, Board Independence, Director Ownership, and Board Size), when combined with auditor tenure, were demonstrated to have a negative impact on audit quality.

Adeyemi and Okpala (2019) assert that the duration of an audit firm's employment may result in a reduction in the auditor's independence. In the study, secondary data were used. An established audit-client connection may cause the auditor's interests to coincide with those of its client, raising the probability that the auditor would behave impartially. According to the report, switching audit firms in Nigeria does not necessarily increase audit independence. The study comes to the conclusion that the quality of the audit may be greatly influenced by the auditors' tenure, similar cultural prejudices, and professional attitude.

Vanstraelen (2018) looks at the connection between ethical conduct and audit quality. The quality indicator was how the audit report was received by outside users. The study's conclusions, which were produced from a logistic regression model, demonstrate a favorable correlation between the auditor's professional conduct connections and the possibility that the auditor will provide an unqualified rating. It was determined that the auditor's reporting practices throughout the first two years of the audit mandate and the final year differed significantly. This

suggests that an auditor is more likely to provide an unqualified audit report during the first two years of their official mandate than during the final year.

In order to ascertain how 219 audit partners, 130 AC chairmen, and 139 chief financial officers felt about the impact of recent legislative changes and the economy on audit quality in the UK, Beattie, Fearnly, and Hiney (2011) interviewed these individuals. The following five factors received high grades from respondents as potential ways to raise audit quality overall: The size of the audit company, the independence of the auditor (i.e., the auditor has no direct or indirect financial interests with the client), the financial standing of the AC, and the makeup of the AC, which is made up of independent non-executive directors, are all important.

In a study on the significance of auditor independence in Saudi Arabia, Hudaib and Haniffa (2019) used ideas of social interaction, cooperative action, and uneven degree of authority in symbolic interactionism. They found through interviews, observations, and document analysis that auditors' self-reflective perspectives about their reputations and moral justifications had an effect on the development of the idea of independence. Additionally, it was found that commercial initiatives, the audit firm's image management efforts, and the country's political and socioeconomic environment all have an impact on the idea of independence. Similar findings were found in earlier study by Sucher and Kosmala-MacLulich (2014), which demonstrated how socioeconomic and cultural limitations in the Czech Republic hampered the growth of audit independence there. Both studies showed how interactions between auditors and others within a "social system" alter the idea or representation of independence. This demonstrates that there is a social construction element to the independence of auditors in practice.

## 2.6 Conceptual framework

The relationship between the study's variables is looked at in the conceptual framework. All professions who serve the public interest must be truthful. Integrity, in accordance with Jelic (2012) and Hikmayah and Aswar (2019) necessitates that auditors respect ethical standards in addition to the spirit, norm, and principles of auditing, such as independence, impartiality, professional behavior, and preservation of the public interest According to Kertarajasa, Marwa, and Wahyudi (2019) and Suyono, integrity is the basis for public trust and the yardstick by which auditors should evaluate their judgment in regard to pertinent ethical values (2012). Auditors must be truthful, brave, intelligent, and accountable, according to Ningrum and Wedari (2017), in order to develop the trust that leads to accurate findings. Public trust may be restored and raised if an auditor is identified as such when conducting the audit in order to facilitate dependable decision-making (Ningrum and Wedari, 2017; Wardayati, 2016).

In accordance with studies (Octaviani and Ekasari, 2021; Prabowo and Suhartini, 2021; Kamil and Fathonah, 2020; Kertarajasa, Marwa and Wahyudi, 2019; Hikmayah and Aswar, 2019; Wardayati, 2016; Bouhawia, Irianto and Baridwan, 2015; Furiady and Kurnia 2015), auditor integrity is an essential part of the audit process and The results of the study show that an auditor's honesty has a considerable impact on the audit's quality. The auditing profession is not an exception; it places a high priority on the professional ethics of the services provided. High standards and ethics enable auditors to perform high-quality audits. According to Campbell (2015) auditor ethics is the moral concept that should direct auditing in order to produce high-quality audits and guarantee that an audit professional can uphold their duty to clients and the public interest. Auditors should follow a moral code when conducting their audits in order to produce and sustain high-quality audits (Pflugrath and Martinov-Bennie 2017).

To be recognized as professional and competent, an auditor must fulfill a set of criteria. Competency may be obtained by education, training, testing, professional experience, ongoing knowledge regarding employment changes and advancements, and adequate control mechanisms that follow the fundamentals and industry standards (Hosseinniakani et al 2014). Auditors need to develop a variety of essential qualities, including general knowledge, aptitude or abilities, work ethic, personality, and expertise gained via education and training, in order to become competent (Bonner and Lewis 2019).

Professional competence is the ability to realistically and expertly apply information and experience acquired to carry out the auditing process objectively, carefully, and precisely (Zahmatkesh and Rezazadeh 2017). Practitioners should refresh and broaden their professional knowledge on a regular basis to increase their level of skill. They will be able to provide clients services that are based on the most recent advancements in the industry as well as laws, rules, and assignment-specific requirements as a consequence (Anderson-Gough and Robson 2018). Professional competence is the ability to realistically and expertly apply information and experience acquired to carry out the auditing process objectively, carefully, and precisely (Zahmatkesh and Rezazadeh 2017). In order to improve their degree of proficiency, practitioners should regularly update and expand their professional knowledge. As a result, they will be able to provide clients with services that are founded on the most recent developments in the field as well as laws, regulations, and assignment-specific guidelines (Anderson-Gough and Robson 2018). A wide perspective on auditing and accounting will enable knowledgeable and qualified auditors to spot anomalies in financial records and statements. Therefore, having a lot of expertise can improve the audit's quality. The auditing process is less successful when

incompetent individuals regularly rely on the judgment of others when performing audit operations (Kertarajasa, Marwa and Wahyudi 2019).

The audit quality may be impacted by the auditor's competency, which may be determined by knowledge, skills, and experience. The degree of an auditor's competence raises the audit's level of quality. Therefore, the amount of knowledge of an auditor will depend on their level of qualification. Furthermore, an auditor will be better able to spot fraud during an audit if they have more expertise. A number of studies (Pinto, Morais, and Quick 2020; Abdelmoula, 2020) have found a correlation between audit competency and audit quality.

Auditors who are impartial, have no stake in the outcome, and are hesitant to be readily persuaded by parties with an interest in publicizing their ideas are said to be independent (Mulyadi, 2014). The independence of the auditor is among the most important factors in creating a high-quality audit. Independence is crucial in establishing the caliber of an audit since a completely independent auditor won't be affected by his client. The auditor may freely perform his auditing responsibilities. However, the quality of the audit performed will also be subpar if auditors lack independence, particularly if client pressure is present.

The auditor cannot provide a fair evaluation if he is not objective. Auditors need to be independent in addition to having sufficient technical abilities to earn the public's trust. The quality of the audit reports will be greater the more independent the auditor is (Brown and Knechel 2016, Pandoyo 2016). The auditor must base their choices for auditing activities on a variety of attitudes. One of the attitudes that auditors must have is due professional care. Exercise of due professional care includes using solid reasoning when choosing a methodology,

selecting tests, and selecting auditing procedures, for example. Auditors must use sound professional judgment when deciding on the requirements for the task at hand (Mulyadi, 2014).

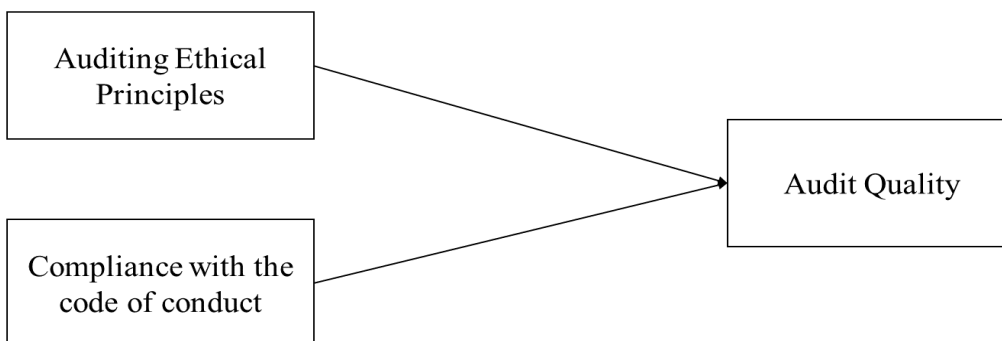
The auditor must use professional skepticism, or an attitude that includes thoughts that doubt and critically assess audit evidence, in order to exercise due professional care. To generate a quality audit, proper professional care must be used. The findings of the study by Ningrum and Budiarta (2017) which showed that proper professional care had a beneficial impact on audit quality, support this conclusion.

Integrity is a characteristic that encourages the growth of professional renown. Integrity, which serves as a benchmark for members to utilize in evaluating each and every action they do, is the cornerstone of public trust. One of the prerequisites of integrity is to be honest and up forward without compromising the anonymity of the service recipient. Additionally, services and public trust shouldn't be sacrificed for individual gain (Mulyadi, 2014). The stronger the auditor's honesty, the better the audit will be. Integrity may tolerate innocent mistakes and honest disputes, but it cannot tolerate lying or breaking moral rules. Members who value honesty must adhere to the strongest moral and ethical standards..This serves as an example of how a highly ethical auditor could raise the caliber of the audit that is produced. According to his study, if the auditor has great integrity, audit quality may be acquired. Integrity has an influence on audit quality (Annisa and Abdul, 2014). Auditors, who are in charge of performing audit activities, must constantly broaden their spheres of expertise in order to optimize the practical application of their knowledge.

Auditor integrity has a huge impact on audit quality, therefore if an auditor approaches the audit with an honest, brave, sensible, and responsible attitude, it will inspire trust and serve as a firm

foundation for making decisions with confidence (Wardayati, 2016). Research by Annisa and Abdul (2014) and Wardayanti supports this conclusion (2017). The findings of the study demonstrate how honesty has a significant influence on the caliber of audit outcomes.

Additionally, several studies by Putri and Juliarsa (2018), Kisnawati (2019), have established that ethics has an impact on audit quality. According to Henry (2016), an auditor applies many logical considerations based on their comprehension of prevailing ethics to arrive at a just judgement. The action performed must also be in accordance with reality and the circumstances. Each of these reasonable arguments highlights the demand for a rational argument that is anticipated to demonstrate the veracity of the moral judgments that have been formed. Therefore, all choices require a specific measure to determine the auditor's level of comprehension of the application of prevailing ethics. Accountants who are professionals in their work follow strict rules like a code of ethics.



**Figure 2.1: The Conceptual Framework (2023)**  
**Source: Author's Construct (2023)**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The study's research methodology is presented in this part. All strategies and procedures used to conduct research are referred to as research methodologies. Study design, population, sample size, sampling procedures, data source, data collecting tool, data analysis, and ethical consideration are all examined by the research methodology.

#### **3.2 Research Design**

The organization of settings for the data gathering and analysis is known as the study design (Chandran, 2017). The research design is also the overall strategy for gathering and analyzing data to help answer the research questions. According to Copper and Schindler (2011), research design incorporates techniques for gathering the information and ensures that the study is suitable and relevant to the research objectives. The research design is the framework a researcher uses to choose the strategies and techniques employed in the study. The research design gives the researcher the ability to set up the study to achieve its objectives and select the appropriate strategy for the study's subject. In this study, a descriptive research design was employed..

A research technique called descriptive research design explains the process of methodically summarizing the characteristics of a specific group. Additionally, the goal of descriptive research is to precisely and methodically characterize a population, circumstance, or phenomena. When the goal of the study is to identify traits, frequencies, trends, and categories that will be examined, this research design is the best option. Because of this, the researcher can use a

descriptive research technique to examine how compliance with auditing ethical standards and the professional auditors' code of conduct affects audit quality. A quantitative research approach was also applied in the investigation. Quantitative research is the systematic investigation of phenomena by the gathering of quantifiable data and using statistical, mathematical, or computational approaches. When adopting a quantitative research approach, the researcher can use mean, standard deviation, frequencies, and percentages to examine the replies of the respondents.

### **3.3 Population of the study**

The population of the study is a group considered for a study. A study population is a group of individuals selected on the basis of inclusion and exclusion criteria related to the organization and the research topic. With reference to this study, the population of the study includes MMDA in Ashanti Region. All the internal audit departments will be considered for this study. Therefore, a population of about 322 respondents from the internal audit department of MMDA in the Ashanti Region would be used for the study.

### **3.4 Sample size and sampling techniques**

Any research needs sampling as a key element. Researchers cannot and should not conduct any study using the general population. As a result, it will be quite challenging for the researcher to gain access to the complete target group. This is understandable given the time and financial restrictions. This justifies the employment of a sample size by the researchers, especially when the population size is too big. This suggests that when the research population is small and evenly distributed, the general population size may be appropriate.

Furthermore, Saunder, Waterfield, Kingstone, and Sim (2007) defined sample size as a subset or component of a larger population that accurately reflects the population. A accurate representation of the population is also provided by a group of units selected from a bigger population. A sample size of 154 respondents would be chosen to represent 43 MMDAs in the Ashanti Region out of the 322 study participants from those 43 MMDAs. This suggests that three respondents would be chosen from each of the 24 Districts, while four respondents would be chosen from each of the 18 Municipalities and the one Metropolitan Assembly MMDA.

The researcher uses sampling strategies as a tool to reduce the amount of data needed for the investigation. Both of these are examples of probability sampling. Each unit of the population will be randomly chosen using the probability sampling procedures, and the likelihood of being chosen is known. In this investigation, basic random sampling was used. Using simple random sampling, a probability sampling technique, each respondent has an equal chance of being selected for the sample and of being included in it (Saunder, Waterfield, Kingstone and Sim 2007). A simple random sample strategy is employed for the research because all of the respondents have sufficient knowledge of the subject.

### **3.5 Source of data**

This study relied on primary data.

#### **3.5.1 Primary data**

Primary data are those that were gathered for the first time in a field setting. It also refers to information that has been gathered for the original objective for which it was intended. Primary data for this study was gathered through the use of a questionnaire. Responses from the respondents were elicited using the questionnaire.

### **3.6 Data collection techniques**

The study was carried out using a questionnaire

#### **3.6.1 Questionnaire**

A questionnaire is a standardized series of questions used to gather information from respondents, according to Reason (1985). Both organized and unstructured questions were used by the researcher to collect the essential data for this study. Unstructured or open-ended questions are aimed to make sure that respondents' sentiments are not ignored and that more explanations are given, while structured or closed questions are meant to save the respondents' time and elicit clear replies. The surveys were physically handed out. After initial contact with the respondents to get consent, questionnaires were given out. There are four sections in the section. A statement that assesses audit quality is presented in the third phase of the study, which follows the first section in which background information about the respondent is presented. The last section of the study discusses the impact of audit quality in the chosen MMDAs. Using a Likert scale of 1 to 5, responses to a statement that assesses audit quality (Ndalahwa and Masanja 2020), compliance with the audit code of ethics (Ndalahwa and Masanja 2020), ethical principles, and code of conduct are scored as follows: 1-strongly disagree, 2-disagree, 3-not sure, 4-agree, and 5-strongly agree (Ndalahwa and Masanja 2020).

#### **3.7 Data analysis**

One of the most challenging and exciting aspects of study is data analysis. The process of extracting a meaningful meaning from fieldwork is referred to as data analysis. Both quantitative and qualitative methods can be used to analyze data. When the statistical method is applied to derive practical meaning from the data gathered, this is known as quantitative data analysis. This suggests that quantitative data lacks significance when presented in its raw form and requires

processing and analysis. In order to create information, the quantitative analytic techniques utilized in the survey serve to identify, present, characterize, and establish links between the variables. or the purpose of this study, the data collected are edited, coded, and analyzed with an SPSS program.

### **3.8 Ethical Consideration**

A permission form was the first of four (4) essential ethical instruments that were used in the investigation. The department's letter requesting permission from the selected public institutions to let staff members to take part in data gathering served as the basis for the consent form. After that, because the study employed easy sampling, the researcher asked respondents if they would be prepared to engage in the data gathering procedure. Furthermore, this conformed with the rights of the respondents. The identities of the respondents constituted the third ethical issue, while the confidentiality of the data was the fourth.

### **3.8 Profile of MMDAs in the Ashanti Region**

There are 16 administrative regions in Ghana. There are multiple districts and a capital city in each area. The Ashanti Region is one among those areas. The largest administrative region in Ghana is called the Ashanti Region, and it is situated in the south of the nation. Its 24,389 square kilometers make up approximately 10.2% of Ghana's total land area. Unlike other administrative regions in Ghana, the Ashanti Region has numerous districts that rank among the most populous in the country. Kumasi, one of Ghana's main metropolises, serves as the capital of the Ashanti Region. It is one of the country's most important historical sites, and it is situated in a tropical area. There are 43 Districts in the Region. Among them is one (1) Metropolitan

## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.1 Introduction**

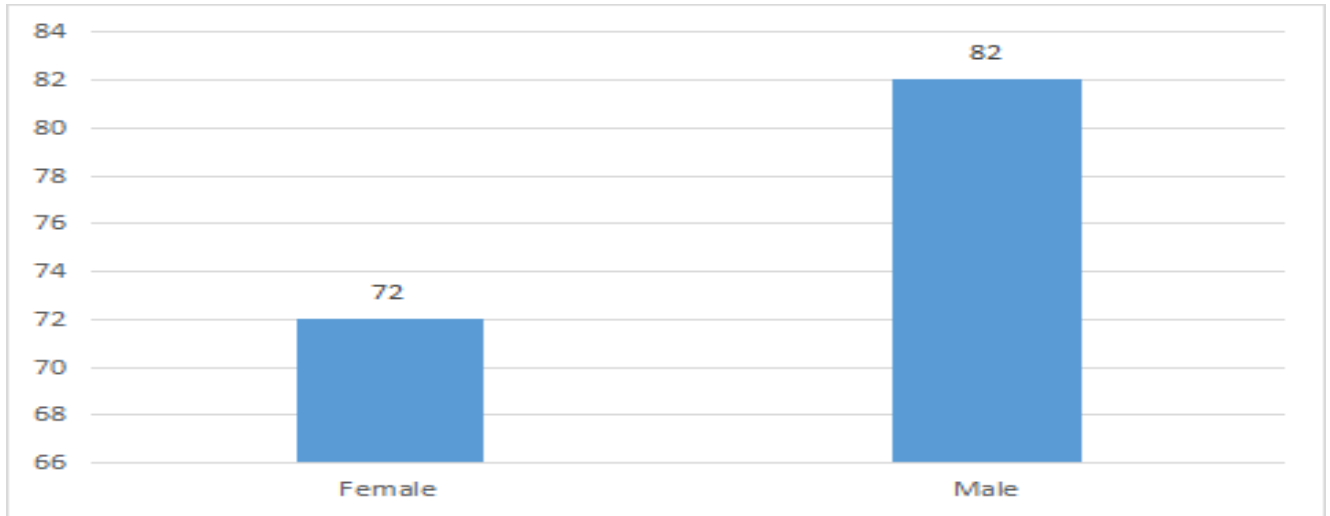
This section of the study presents the data presentation, analysis, and discussion of findings. The effect of compliance with the auditing ethical standards and professional auditors' code of conduct on audit quality is examined in the study. The research examined the relationship between auditing ethical principles and audit quality, as well as the identification of the effects of adherence to the audit code of ethics on audit quality, form the basis for the data analysis. The quiz was taken and the questions were responded to by 154 respondents from the MMDAs in the Ashanti Region. To present the data, a Likert scale with the following options was used: One firmly disagrees, two disagrees, three are unsure, four agree, and five strongly agree. The respondents' responses to questions about their backgrounds were also shown using a frequency distribution table and percentages.

#### **4.2 Demographic Information of the respondents**

The background information of the respondents includes gender, age of the respondents, educational level, marital status, and years of working in the organization.

##### **4.2.1 Gender of the respondents**

From Table 4.1, 72 of the respondents representing 46.8% were female and 82 of the respondents representing 53.2% were male. This implies that most of the respondents selected for the study were male.

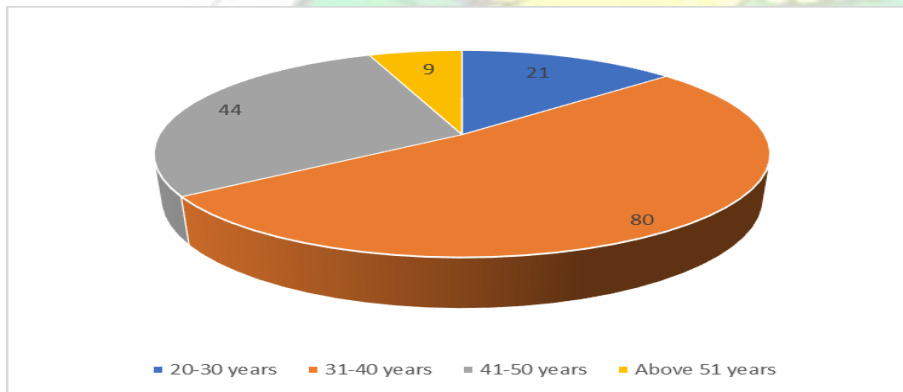


**Figure 4.1 Gender of the respondents**

Source: Field study (2023)

#### 4.2.2 Age of the respondents

With the age of the respondents, 21 of the respondents representing 13.6% were between 20-30 years, 80 of the respondents representing 51.9% were between 31-40 years, 44 of the respondents representing 28.6% were 41-50 years and 9 of the respondents representing 5.8% were above 51 years.

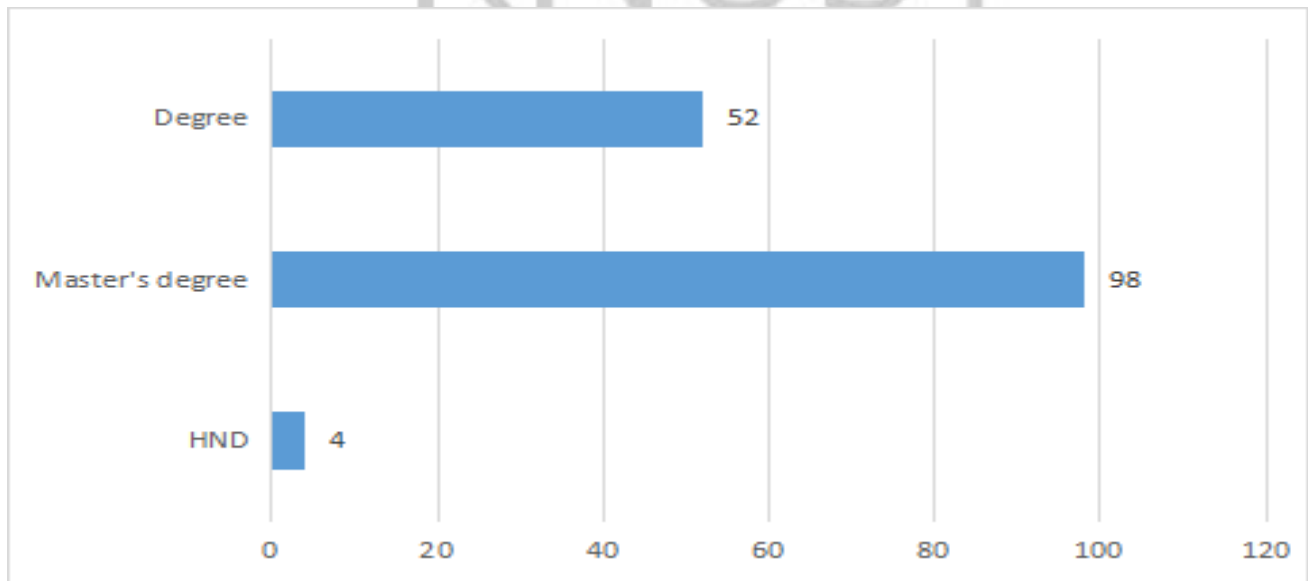


**Figure 4.2 Age of the respondents**

Source: Field study (2023)

### 4.2.3 Educational Level of the respondents

Also, the result of the field study shows that 52 of the respondents representing 33.8% were degree holders, 98 of the respondents representing 63.6% were master's degree holders and 4 of the

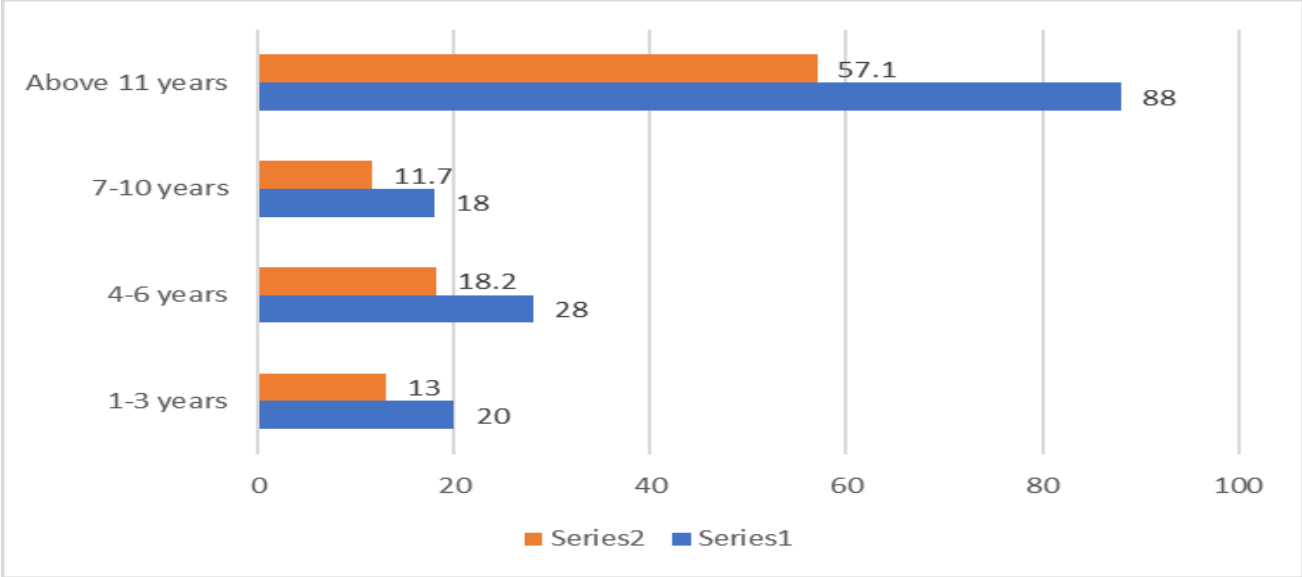


**Figure 4.3 Educational Level of the respondents**

Source: Field study (2023)

### 4.2.4 Working experience of the respondents

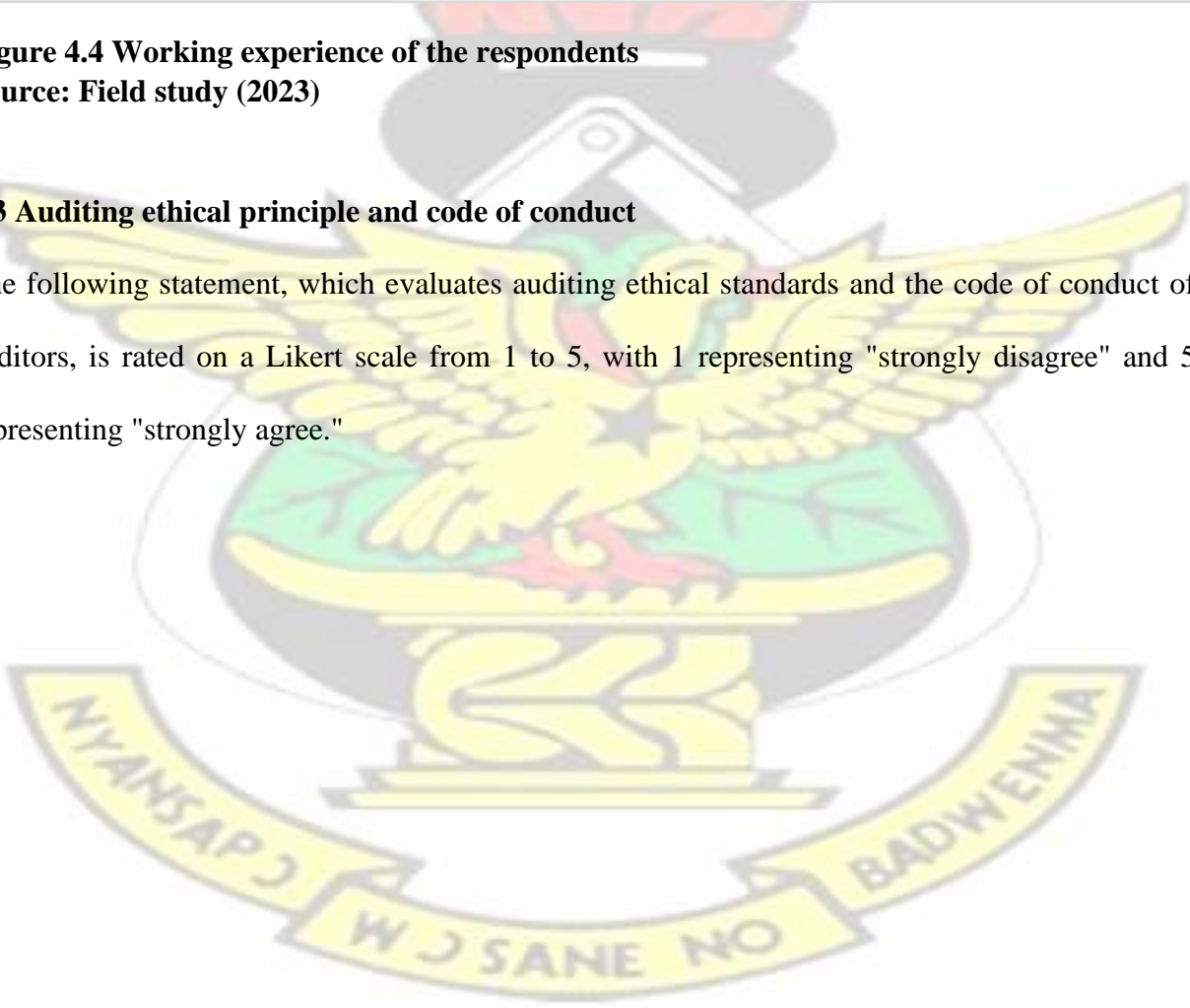
In terms of respondents' work experience, 20 of them—representing 13 percent—have had between one and three years of employment, 28 of them—representing 18.2 percent—have had between four and six years, 18 of them—representing 11.7 percent—have had between seven and ten years, and 88 of them—representing 57.1 percent—have had more than 11 years.



**Figure 4.4 Working experience of the respondents**  
**Source: Field study (2023)**

**4.3 Auditing ethical principle and code of conduct**

The following statement, which evaluates auditing ethical standards and the code of conduct of auditors, is rated on a Likert scale from 1 to 5, with 1 representing "strongly disagree" and 5 representing "strongly agree."



**Table 4.1 Auditing ethical principles and code of conduct**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Auditors maintain a sense of responsibility</b>	4.881	1.015
<b>Auditors ensure the public interest in various MMDAS</b>	4.809	.940
<b>Auditors have a high sense of integrity</b>	4.681	1.076
<b>The auditors uphold their independence and aims.</b>	4.662	1.133
<b>Auditors maintain the scope and nature of service</b>	4.636	1.089
<b>Auditors maintain high confidentiality with client information</b>	4.776	1.169
<b>Auditors work to increase skill and service quality.</b>	4.857	.999
<b>For the auditor to be able to carry out his professional responsibilities effectively and without hiccups, he must be cooperative with others.</b>	4.697	1.190
<b>An auditor must have patience, kindness, and the ability to resolve any issues that may arise while doing his duties.</b>	4.506	1.121
<b>The auditor must be reliable, adhere to agreements, fulfill commitments, and carry them out.</b>	4.974	1.154

**Source: Field study (2023)**

The results of the field research showed that the majority of respondents felt that auditors should continue to feel accountable to the business. The mean score was 4.88, with a standard deviation of 1.015. The majority of respondents believed that auditors in various MMDAs defend the public interest, as evidenced by the mean score of 4.81 and the standard deviation of 0.940. The average score of 4.681 and the standard deviation of 1.076 indicate that the majority of respondents believed that auditors uphold a high degree of integrity inside the firm. The majority of respondents, with a mean of 4.66 and a standard deviation of 1.13, concurred that auditors should respect the company's objectives and independence.

The survey's mean score of 4.63 and standard deviation of 1.08 indicates that most respondents also agreed that auditors should maintain the nature and scope of their services within the company. The mean score of 4.77 and standard deviation of 1.169 indicate that the majority of respondents thought that auditors strictly preserve customer information's secret. The mean score of 4.857 and standard deviation of 0.999 show that most respondents concur that auditors strive to improve their proficiency with the level of services offered by the organization.

Additionally, as shown by the mean score of 4.69 and the standard deviation of 1.190, the majority of respondents thought that collaboration was required for auditors to carry out their professional duties in the company successfully and efficiently. The majority of respondents believed that auditors must be kind and understanding when handling concerns and capable of resolving any issues they may meet within the organization, as evidenced by the mean score of 4.50 and the standard deviation of 1.121. The majority of respondents believed that auditors have been dependable, preserve their ends of agreements and contracts, and carry out their obligations inside the organization, as shown by the mean score of 4.974 and standard deviation of 1.154.

#### **4.4 Audit Quality**

Statements that assess the organization's audit quality are shown in Table 4.3 below. According to the results of the field survey, the majority of respondents thought that auditors display appropriate ethics, values, and attitudes, as evidenced by the mean score of 4.82 and the standard deviation of 1.029. The average response was 4.77, and the standard deviation was 1.111, indicating that most respondents believed the company's auditors had the necessary training and expertise. The majority of respondents believed that auditors had enough time set aside to

complete their audit tasks in the organization, as evidenced by the mean score of 4.539 and standard deviation of 1.042.

Additionally, as indicated by the mean of 4.45 and the standard deviation of 1.060, the majority of respondents believed that auditors in the company execute a thorough audit method. The majority of respondents agree that auditors should maintain quality control procedures that comply with relevant laws, rules, and organizational standards, as shown by the mean score of 4.84 and standard deviation of 1.07 on the survey. In addition, the majority of respondents thought that auditors provided well-prepared reports and information, as seen by the mean score of 4.857 and a standard deviation of 1.056.

Additionally, the mean score of 4.66 and standard deviation of 1.022 indicate that the majority of respondents thought that auditors provided timely and pertinent reports and information. According to the mean score of 4.66 and standard deviation of 1.014, the majority of respondents thought that auditors interact with other parties involved in financial reporting. With a mean score of 4.842 and a standard deviation of 0.990, the majority of respondents also agreed that auditing stakeholders are crucial to encouraging accurate financial reporting in MMADs.

**Table 4.2 Audit quality**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Auditors exhibit appropriate ethics, values and attitudes	4.824	1.029
Auditors possess the necessary expertise, training, and experience.	4.772	1.111
Auditors are given enough time to complete the audit process.	4.539	1.042
Auditors apply rigorous audit process	4.454	1.060
Auditors uphold quality control practices that adhere to applicable laws, regulations, and standards.	4.848	1.071
Auditors deliver well-prepared reports and information.	4.857	1.056
Auditor reports and information are timely and informative.	4.664	1.022
Interactions between auditors and other financial reporting parties	4.666	1.014
The support of good quality financial reporting in MMADs is greatly aided by auditing stakeholders.	4.842	.990

**Source: Field study (2023)**

#### **4.5 Effect of compliance with the audit code of ethics in audit quality**

Using a Likert Scale of 1-5, 1-strongly disagree, 2-agree, 3-disagree, 4-agree and 5-strongly agree to the following statement that measure effect of compliance with the audit code of ethics in audit quality.

**Table 4.3 Effect of compliance with the audit code of ethics on audit quality**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
When executing work, the completed internal audit processes assure conformity to the applicable rules and regulations.	4.779	1.011
Internal auditing methods make guarantee that the firm is operated ethically and systematically.	4.743	.988
To assure the correctness of records, papers, financial reports, and accounting statements, tests and processes must be followed.	4.935	1.164
To assess the effectiveness of operations, analysis and comparison of outputs to inputs are carried out over a predetermined period of time.	4.779	1.011
To choose and hire internal auditors and to advance the caliber of audits, there are professional foundations that are used successfully and objectively.	4.539	1.109
The internal auditors strive to improve the findings of their auditing work by providing documentation and adequate evidence to support their objectivity in making decisions and foster trust in those findings.	4.833	1.189
The auditor has complete professional independence in selecting the tools and procedures that will allow for unbiased verification and unrestricted access to the required documents.	4.649	1.099
In the execution of internal audits, there are methods to promote adherence to ethical principles and commonly accepted professional procedures, such as prizes and incentives.	4.480	1.121
When internal auditors may use their own subjective judgements and estimations, they do it with the utmost integrity and impartiality as a foundation for their actions.	4.474	1.103

**Source: Field study (2023)**

The majority of respondents agreed that the performed internal audit processes provide verification of dedication to laws and regulations in effect while implementing work, as shown by the mean score of 4.77 and the standard deviation of 1.011. The majority of respondents, as indicated by the mean score of 4.74, 0.988, and standard deviation, agreed that internal audit processes ensure compliance with the implementation of the business ethically and methodically. The majority of respondents agreed that tests and processes must be followed to verify the correctness of records, papers, and financial and accounting reports, as evidenced by the mean score of 4.93 and the standard deviation of 1.164.

Furthermore, the majority of respondents agreed, as evidenced by the mean score of 4.83 and a standard deviation of 1.189, that internal auditors strive to improve the outcomes of their auditing work through documentation and sufficient evidence to support their objectivity in rendering judgments and foster trust in their auditing results within the organization. The majority of respondents, as indicated by the mean score of 4.77 and the standard deviation of 1.011, agreed that analysis and comparison of output to input should be done over a certain time period in order to confirm the operation's competency.

Additionally, the majority of respondents believed that there are professional foundations that are used successfully and objectively to choose and appoint internal auditors and promote quality audits, as indicated by the mean score of 4.53 and the standard deviation of 1.11. The majority of respondents, as evidenced by a mean score of 4.649 and a standard deviation of 1.099, agreed that auditors should have professional discretion in the tools and techniques they use to objectively verify information and unrestricted access to the required documents. The majority of respondents believed that there are mechanisms to encourage conformity with ethical standards and professional norms recognized in the performance of internal audits, such as awards and incentives, as evidenced by the mean score of 4.480 and a standard deviation of 1.121. The majority of respondents, as indicated by a mean score of 4.474 and a standard deviation of 1.103, were in agreement that the internal auditors' processes should be justified by their emphasis on objectivity and honesty when using their own judgments and estimations.

#### **4.6 Regression Analysis**

Regression analysis is a group of statistical techniques that may be used to infer correlations between many connected research variables. Researchers can examine connections between one

independent variable and one dependent variable using regression analysis. Making predictions can also be aided by regression analysis. A statistical method for examining the connection between variables is regression analysis. Regression analysis will be used in relation to this study to investigate the link between audit quality and auditing ethical principles, as well as the association between organizational compliance with the audit code of ethics and audit quality.

#### **4.6.1 Relationship between auditing ethical principles and audit quality**

This section of the study presents the regression analysis between auditing ethical principles and audit quality. According to the model summary, the ethical principles of auditing can be used to explain audit quality in 61.8 percent of cases, or 0.618. by using the ANOVA table. The f-ratio of 233.317 and the p-value of 0.000 indicate that there is a substantial correlation between the integrity of the audit and the auditing ethical principles. As a result, auditing principles guarantee that auditors may provide a report of the highest audit quality for efficient decision-making. According to the coefficient table, the association between ethical auditing standards and audit quality is positive, as shown by the beta value of 0.786. As a result, the regression analysis showed that the organization's audit quality and auditing ethics had a positive and substantial link.

**Table 4.4 Relationship between auditing ethical principles and audit quality**

Model	R	R Square	Adjusted R Square	F-Ratio	Sign
1	.786 <sup>a</sup>	.618	.616	233.317	.000 <sup>b</sup>

a. Dependent Variable: Audit quality

b. Predictors: (Constant), Auditing Ethical Principles

Source: Field Study (2023)

#### 4.6.2 Relationship between compliance with the audit code of conduct on audit quality

The next regression analysis examines the relationship between compliance with the audit code of ethics on audit quality. The results are displayed in Table 4.9, Table 4.10 and Table 4.11.

**Table 4.5 Model Summary**

Model	R	R Square	Adjusted R Square	F-ratio	Sign
1	.727 <sup>a</sup>	.528	.525	161.215	.000 <sup>b</sup>

Source: Field Study (2023)

a. Dependent Variable: Audit quality

b. Predictors: (Constant), Compliance with the audit code

According to the model summary table 4.9 above, the audit quality accounts for 52.8% of the variation in compliance with the audit code, as indicated by the r-square of 0.528. The ANOVA is shown in Table 4.10; the f-ratio of 161.215 and the p-value of 0.000 show that there is a substantial correlation between organizational audit quality and adherence to the audit code. According to the beta value of 0.727, there is a strong correlation between audit quality and adherence to the audit code. As a result, the regression analysis comes to the conclusion that auditors' adherence to the audit code affects the quality of the audit.

## **4.7 Discussion of findings**

The discussion of findings is based on the research objectives. The research objectives include the following: examining the relationship between auditing ethical principles and audit quality and determining the effect of compliance with the audit code of ethics on audit quality.

### **4.7.1 The relationship between auditing ethical principles and audit quality**

The findings of the study shows that there is a positive and significant relationship between auditing ethical principles and audit quality. According to the findings, the majority of respondents agreed with the following evaluation of organizational auditing ethical standards: In a variety of MMDAS, auditors ensure the public's interest. They also maintain a sense of accountability, work to increase their competence and service quality, maintain strict confidentiality with regard to client information, maintain objectives and independence, maintain the scope and nature of their services, and have a high level of integrity. An auditor must collaborate with others in order to carry out his professional responsibilities successfully and efficiently. Public accountants should be aware of their obligations to the general public, their customers, and other practitioners, as well as the value of acceptable behavior, according to Haeridista and Fadjarenie (2018). The influence of ethics on audit quality has also been shown by a number of research by Syamsuddin and Karim (2018) and Pflugrath and Chong (2018). The amended code of conduct, according to Blatch (2015), requires auditors to abstain from utilizing client information for personal gain or in any other way that would be illegal or have a negative effect on the organization's moral and ethical aims.

According to Jenfa (2019) and Nwagboso (2018), accountants can benefit from professional ethics in the following ways: It provides potential customers a foundation of trust that the expert is serious in their desire to receive good service from them and places that over monetary gain. It

provides clients with the reassurance that competency criteria are impartial. It enables the accountant to assess the efficacy of his behaviour in the context of his professional stance, which he must uphold in order to succeed.

#### **4.7.2 The effect of compliance with the audit code of conduct on audit quality**

The analysis indicates that the audit quality and compliance with the audit code of ethics had a favorable and substantial link. Additionally, the results demonstrate that the majority of respondents agreed with the following assertions, which gauge the impact of adherence to the audit code: To guarantee compliance with the business's systematic and moral implementation, internal audit processes are followed. To confirm the competitiveness of the business, tests and processes must be followed to assure the correctness of records, documents, financial reports, and accounting analyses and comparisons of outputs to inputs.

The code of ethics must be followed by any profession that focuses on offering services to the community. The code of ethics is a set of moral principles that guide professional conduct (Agoes, 2019). In the context of accounting and auditing, professional ethics serve as a benchmark for differentiating between bad and excellent behavior. Even when faced with an ethical conundrum, accountants have obligations to their company, the community, and other stakeholders. This is clearly governed by the ethical norms in the accounting and auditing industry.

An effort has been made to satisfy the expectations for independence and dependability in the field of accounting and auditing through regulation and professional conduct ethics. The auditor should just not voice his opinion before it has been fully substantiated by relevant and accurate data. Utilizing a core ethical principle is necessary for the auditor to exercise objectivity in audit work. According to Hery (2016), an auditor uses a variety of rational arguments in addition to

being aware of current ethical standards to reach a just conclusion. The course of action chosen must also accurately reflect the circumstance as it exists.

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## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

The study concludes with this chapter. It gives an overview of the study's findings as well as its conclusions and recommendations. Regarding the research goals, which comprise the following, Chapters 5 were completed: investigating the link between the auditing ethical principles and the audit's quality and figuring out how much the audit's quality is affected by the auditing code of ethics' observance.

#### 5.2 Summary of findings

The summary of findings is based on the research objectives. The research objectives can be related to: examining the relationship between auditing ethical principles and audit quality and determining the effect of compliance with the audit code of ethics on audit quality.

##### 5.2.1. Relationship between auditing ethical principles and audit quality

The findings of the study revealed that auditing ethical principles have an influence on audit quality. Thus, when auditors are more ethical, they are able to produce a good auditing report. Also, the findings show that most of the respondents agreed to the following statement: auditors maintain a sense of responsibility, auditors ensure the public interest in various MMDAs, Auditors have a high sense of integrity, auditors maintain objectives and independence, and auditor has to be tolerant and kind in dealings and tackling the matters, and able to solve the problems he may face during practicing his job and auditor has to be trustworthy, keep promises and contracts and implement the obligations.

### **5.2.2 Determining the effect of compliance with the audit code of conduct on audit quality**

The study's findings revealed a relationship between audit quality and adherence to the audit code of ethics. The respondents concurred with the following statements on compliance with the audit code in light of the findings: Tests and procedures must be followed to guarantee the correctness of records and papers, and internal audit processes assure compliance with the methodical and moral implementation of business.

### **5.3 Conclusion**

The influence of compliance with the auditing ethical standards and professional auditors' code of conduct on audit quality is examined in the study. An analysis of a few MMDAs in the Ashanti Region. Within the Ashanti Region, 154 respondents were chosen as the study's sample size. The study's conclusions show that there is a significant and advantageous relationship between ethical standards and audit quality. The study's conclusions also showed a strong correlation between audit quality and adherence to the audit code of ethics. The conclusion that can be drawn from the findings is that auditors continue to feel a feeling of duty.

### **5.4 Recommendation**

In light of the facts gathered, the researcher makes the following recommendations.

The institutions in charge of monitoring and policing the auditing profession must hold training sessions, workshops, and conferences on the standards of auditing and professional activity in general, including the ethical standards of auditing in particular.. No matter if they were auditors or members of institutional governance, those responsible for carrying out the law and auditing requirements had to operate ethically and follow ethical values. In order to promote the

independence and impartiality of the auditor and to assure their effectiveness, it is also critical to increase the function of audit committees.

To promote commitment and deepen ethical and religious behavior, universities, community colleges, and schools should include topics related to teaching the international standards of auditing in general and the professional conduct of an auditing career in particular in their curricula and courses. It is crucial to design and put in place incentive systems that encourage auditors to uphold the ethical standards of their profession, set auditing fees, and impose restrictions on unfair competition in order to preserve the integrity of the profession, the dignity of auditors, and to stop some people from being inclined toward unethical behavior. It is essential that researchers and organizations that oversee the auditing career conduct additional studies on the ethical aspects of auditing and enhancing auditors' ethics due to its significance and role in maintaining societies' coherence in general as well as the dignity of the profession and auditors in particular.

For auditors to consistently produce high-quality audit reports, there should be scheduled, routine training on developing ethical behavior. By implementing policies and processes to support their internal culture based on competence or quality standards, accounting firms and auditors should raise knowledge of the value of professional skepticism. Auditors should often attend professional conferences or seminars so they may share their perspectives on the most pressing audit issues. As a result, it is anticipated that the auditors would develop stronger professional ethics and skepticism, which will improve the audit quality. Auditor experience with various situations, including advice on how to address them, should be shared. As a result, auditors can increase skepticism and professional ethical awareness, as well as their ability to identify potential audit risks.

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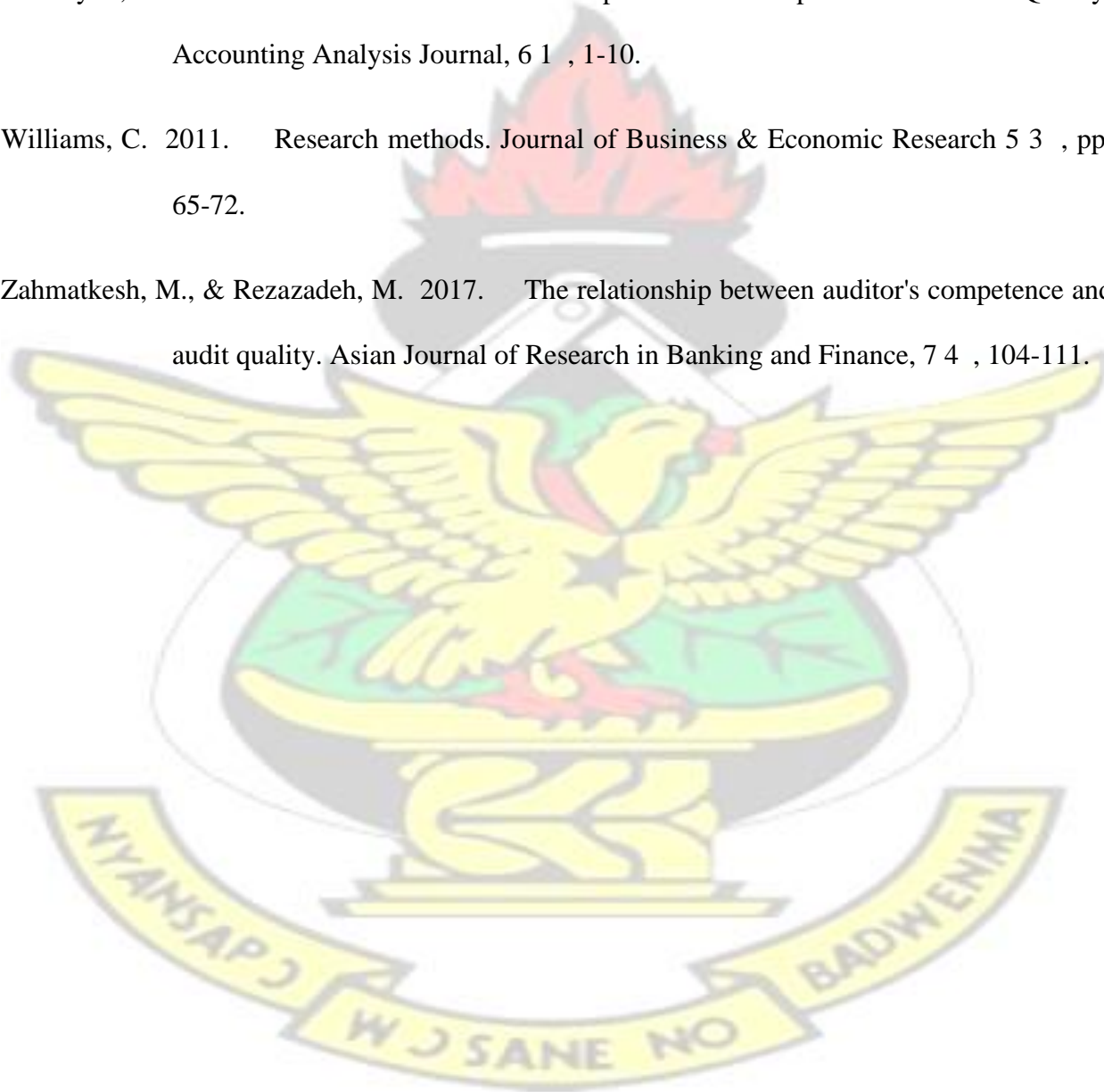
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## QUESTIONNAIRE

### COMPLIANCE OF AUDITING ETHICAL PRINCIPLES AND CODE OF CONDUCT FOR PROFESSIONAL AUDITORS AND ITS IMPACT ON AUDIT QUALITY. A CASE STUDY ON SELECTED MMDAS IN ASHANTI REGION.

For confidentiality reasons, kindly do not indicate your name or contact on the questionnaire. This questionnaire is been done to assess respondents' knowledge on compliance of auditing ethical principles and code of conduct for professional auditors and its impact on audit quality. A case study on selected MMDAs in Ashanti Region. This questionnaire will take about 7 to 10 minutes to complete. Once again, we are most grateful that you take the time to participate in this study.

#### SECTION A: BACKGROUND INFORMATION OF RESPONDENTS

1. Gender a) Female ( ) b. Male ( )
2. Age of the respondents a) 20-30 years ( ) b) 31-40 years ( ) c) 41-50 years ( ) d) 51-60 years ( )
3. Highest educational level a) Bachelor's ( ) b) Master ( ) c) HND ( ) d) SHS e) No formal Education
4. Marital Status a) Single ( ) b) Married c) Separate ( ) d) Divorced ( )
5. Years of working experience. a) 1-3 years ( ) b) 4-6 years c) 7-10 years and 4) Above 10 years
6. Which of the following categories of staff do you belong?  
a) Management [ ] b. Supervisory staff [ ] c. Other staff [ ]

**SECTION B: AUDITING ETHICAL PRINCIPLES AND CODE OF CONDUCT**

Using A Likert Scale of 1-5, 1-strongly agree, 2-agree, 3-uncertain, 4-disagree and 5-strongly disagree to the following statements that measures auditing ethical principles in among the selected MMDAs.

<b>Auditing Ethical Principles</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Auditors maintain a sense of responsibility					
Auditors ensure public interest in various MMDAS					
Auditors have a high sense of integrity					
Auditors maintain objectives and independence					
Auditors maintain the scope and nature of service					
Auditors maintain high confidentiality with client information					
Auditors strive to improve competence and quality of service					
Auditor has to be cooperative with others so that he would be able to perform his professional duties efficiently and smoothly.					
Auditor has to be tolerant and kind in dealings and tackling the matters, and able to solve the problems he may face during practicing his job.					
Auditor has to be trustworthy, keep promises and contracts and implement the obligations					

## SECTION C: AUDIT QUALITY

Using a Likert Scale of 1-5, 1-strongly agree, 2-agree, 3-not sure, 3-uncertain, 4-disagree and 5-strongly disagree to the following statement that measures audit quality.

Audit quality	1	2	3	4	5
Auditors exhibit appropriate ethics, values and attitudes					
Auditors are adequately knowledgeable, skilled and experienced					
Auditors have adequate time allocated to perform the audit work					
Auditors apply rigorous audit process					
Auditors maintain quality control procedures that comply with law, regulation and applicable standards					
Auditors provide reports and information that re well prepared					
Auditors provide reports and information that are useful and timely					
Auditors interact with other participants in financial reporting					
Auditing stakeholders have a significant role in supporting in high quality financial reporting in MMADs					

**SECTION D:** Effect of compliance with the audit code of ethics on audit quality

Using a Likert Scale of 1-5, 1-strongly agree, 2-disagree, 3-not sure, 4-disagree and 5-strongly disagree to the following statement that measures the effect of compliance with the audit code of ethics on audit quality

Statement	1	2	3	4	5
The conducted procedures for internal audit ensure verification of commitment to laws and regulations in force when implementing work					
Internal audit procedures ensure the compliance with the implementation of the business systematically and morally					
Tests and procedures must be followed to ensure the accuracy of records, documents, financial and accounting reports					
Analysis and comparison of outputs to inputs are conducted during a certain period of time to verify the competency of operations					
There are professional foundations that are applied effectively and objectively to select and appoint internal auditors and promote quality audit.					
The internal auditors work to enhance the results of their auditing work by documentation and sufficient evidence to confirm their impartiality in issuing judgments and promote confidence in their auditing results					
The auditor has a professional freedom in choosing tools and methods to verify objectively and to be able to see the needed documents without restrictions					
There are measures to encourage compliance with ethical values and professional practices generally accepted in the implementation of internal audit such as rewards					

and incentives					
Integrity and impartiality values are emphasized on as a basis to justify the procedures carried out by the internal auditors in cases where they can resort to their own personal judgments and estimates					

