



The Impact of Professional Ethics on External Audit Quality

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Abstract

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Professional ethics serve as a crucial foundation in ensuring high-quality external audits. When auditors uphold ethical values such as integrity, objectivity, and independence, the reliability of audit reports can be significantly enhanced. This study aims to examine the influence of professional ethics on the quality of external audits using a literature review approach based on various national and international academic journals published in last five years. The findings of the review indicate that the success of an audit is not solely dependent on technical competence or audit procedures, but is also strongly influenced by the ethical commitment of the auditor. A consistent application of the professional code of ethics strengthens the auditor's credibility and fosters greater public trust in the audited financial statements. This reinforces the idea that ethics are not merely supportive elements, but core determinants of audit reliability. Therefore, professional integrity must be embedded not only in individual conduct but also supported by institutional frameworks that promote ethical behavior across the auditing profession.



1. Introduction

External audit is a crucial process in ensuring the transparency and accountability of an entity or organization's financial statements (Efunniyi et al., 2024). This external audit process plays a significant role in evaluating the fairness of financial information prepared by management and subsequently published for financial statement users. Audit reports are not only used as an internal evaluation tool for company management but also serve as an important reference for other stakeholders, such as investors, creditors, regulators, and even the general public. Therefore, the quality of external audit must be objectively, independently, and professionally accountable so that the audit results are truly reliable for all interested parties. One of the significant factors determining the quality of an audit is the professional ethics possessed and applied by the auditor.

Professional ethics encompasses a set of moral values and behavioral principles that auditors must uphold in carrying out their duties and responsibilities. The core values in professional ethics include integrity, objectivity, confidentiality of information, professional competence, and independence in thought and action (Neil, 2021). In the context of auditing, all these values serve as a basis or reference for auditors in making decisions, managing potential conflicts of interest, and maintaining the quality of the audit process and results to remain high-quality and unbiased. The consistent and strong application of ethics allows auditors to maintain a professional distance from various pressures, whether from clients, management, or other external pressures that could potentially damage their objectivity. When auditors firmly adhere to professional ethical values, they will be better able to

maintain independence and be more resistant to influences that could harm the integrity and accuracy of the audit.

Many major financial scandals uncovered in the last two decades indicate a failure of auditors to adequately apply ethical principles. One of the most famous cases is the Enron scandal in the United States, where public trust in the auditors from the accounting firm Arthur Andersen was shattered due to conflicts of interest and serious violations of the auditor's code of ethics. This case became a significant turning point for the auditing profession globally. Since then, various regulations and audit standards have been significantly tightened to emphasize the importance of integrity and ethics in every audit process performed (Rescha & Ramadhan, 2022). In Indonesia, the urgency of ethics in the auditing profession has also received serious attention and has been formally accommodated through regulations, particularly in the Professional Standards for Public Accountants (*Standar Profesional Akuntan Publik* /SPAP) and the Code of Ethics issued by the Institute of Indonesia Chartered Accountants (*Ikatan Akuntan Indonesia* /IAI).

These regulations emphasize that every external auditor must work independently, objectively, and uphold professional ethics under all conditions. However, the implementation of these values in daily practice often faces various challenges, such as pressure from clients, a permissive organizational culture, high workloads, and conflicts of interest that often put auditors in a dilemma. This research uses a literature study or library research approach to comprehensively examine how the application of professional ethics impacts the quality of external audits. By conducting an in-depth analysis of various academic literature published

in last five years, this study is expected to make a significant contribution, both theoretically and practically, regarding the importance of strengthening an ethical culture in improving audit quality in Indonesia specifically and on a global scale generally.

2. Literature Review

2.1. Concept of Professional Ethics in Auditing

Professional ethics in the context of auditing refers to a set of moral principles, behavioral rules, and ethical guidelines that every auditor must adhere to in carrying out their professional duties and responsibilities. These principles are not merely normative; they serve as a fundamental basis that influences how auditors make decisions and act in complex and high-pressure situations. The core values in professional ethics include integrity, objectivity, independence, competence, and overall professionalism (Kirana & Bakri, 2024). Integrity requires auditors to be honest and uncompromising with moral principles in any situation. Objectivity demands that auditors be fair and unbiased, even when faced with pressure or conflicts of interest.

Meanwhile, independence is a crucial pillar that allows auditors to perform their duties without intervention from any party, including the client or audited management. Competence refers to the requirement for auditors to possess adequate knowledge, skills, and experience. Professionalism, on the other hand, reflects a responsible, consistent, and ethical attitude in every action and decision taken. It embodies the auditor's commitment to uphold standards of conduct,

maintain high levels of competence, and demonstrate accountability regardless of external pressures or challenges. Without the consistent application of these values, auditors run a significant risk of falling into deviant behavior, whether intentionally or unintentionally, which ultimately will negatively impact the quality of the audit produced (Kirana & Bakri, 2024).

2.2. Indicators of External Audit Quality

Audit quality can be measured not only by the conformity of financial report results with generally accepted accounting standards but also by the overall audit process, which is conducted carefully, thoroughly, and well-structured. A quality audit process is one that is systematic, planned, and free from bias or pressure from any party. An accurate audit not only reflects the auditor's diligence in analyzing data but also demonstrates the auditor's ability to fully understand the company's operational context. According to Wijaya et al. (2021), there are several key indicators that reflect audit quality, which include the accuracy in detecting errors or irregularities, the accuracy in providing audit opinions according to the condition of the entity being examined, and the auditor's ability to provide constructive suggestions or recommendations for improvement to management. These indicators show that audit quality does not only depend on the reported final results but is also strongly influenced by the process, professional attitude, and audit approach taken by the auditor during the examination. The higher the professional values upheld by the auditor, such as integrity, objectivity, and responsibility, the greater the likelihood that the audit results will be objective, accurate, and trustworthy for all stakeholders (Sonjaya, 2024).

2.3. Relationship between Professional Ethics and Audit Quality

Many research findings and academic studies consistently show a positive and significant correlation between the application of professional ethics by auditors and the quality of external audits produced. In various contexts, both public sector and private sector audits, professional ethics has proven to be an important factor supporting the achievement of accurate, reliable, and unbiased audits. Rafie (2023) reveal that auditors who consistently uphold ethical values, such as integrity, objectivity, and independence, have a greater ability to maintain the quality of the audit process and results. Ethical auditors are able to maintain a clear professional distance in their work, ensuring that they do not become personally or emotionally entangled with the clients they are auditing. They uphold impartiality and remain firm in their judgment, even when faced with strong external pressures, whether from clients, management, or organizational interests (Payne et al., 2020).

Furthermore, pressure from clients, management, or superiors often becomes an obstacle in maintaining auditor independence. However, Rafie (2023) also state that such pressure can be effectively minimized if the auditor has strong and firm ethical principles. Moreover, Heo et al (2021) add that time pressure and heavy workload are also factors that can impair audit quality, as they can reduce auditor concentration and meticulousness. However, the negative impact of these conditions can be mitigated if the auditor has a strong ethical commitment, high discipline, and consistent professionalism throughout the audit process.

3. Method

This research employs a qualitative method with a literature review (library research) approach, focusing on the collection, analysis, and interpretation of various scientific works and research journals relevant to the topic of professional ethics and external audit quality. This approach was chosen because it allows the researcher to gain an in-depth understanding of concepts, theories, and empirical findings generated by previous researchers. The main objective is to explore the relationship between the application of professional ethics and the quality of audits performed by external auditors in various organizational contexts. The main data sources for this research are from several academic journals published in last five years. These articles were obtained through the Google Scholar platform and prominent scientific.

The primary criteria for article selection included direct relevance to the topic of professional ethics and external audit quality, justifiable research methodology quality and recency and validity of the data used in the studies. The initial step in applying this method was to identify and select relevant literature. The search was conducted using keywords such as “auditor professional ethics,” “external audit quality,” “auditor independence,” and “impact of ethics on external audit” in both Indonesian and English. After an initial screening, journals that met the research criteria were collected for further analysis. The analysis process involved examining the core concepts, methods used, and main findings of each journal.

Additionally, the researcher compared the methodological approaches of each article to observe differences and similarities in research results, as well as to assess

the consistency of the data and arguments presented. The primary goal of this analysis was to find recurring patterns or common threads indicating a relationship between the application of professional ethical values and the improvement of external audit quality. The data analysis technique used was content analysis, where the content of each article was classified based on several important variables such as auditor ethical values (integrity, objectivity, independence), dimensions of audit quality (opinion accuracy, diligence, accuracy), and external and internal factors that support or hinder the application of ethics. All information obtained was then synthesized into a coherent, systematic, and complete scientific narrative, thereby providing a strong theoretical contribution to the development of external audit ethics literature.

4. Results

Research indicates that professional ethics plays a fundamental role in the entire external audit process. Ethics is not merely an additional attribute in the accounting and auditing profession; it is the primary foundation that supports the quality, objectivity, and credibility of audits performed by external auditors. The consistent, comprehensive, and integrated application of ethical values in an auditor's attitude and actions has been proven to have a direct and significant impact on several key aspects of an audit, such as the accuracy of examination results, independence in decision-making, and the precision in rendering opinions on audited financial statements. Kirana and Bakri (2024), in their study conducted at the City Inspectorate Office, specifically found that several key dimensions of

professional ethics especially the values of integrity and independence contribute significantly to achieving high-quality audits that are trustworthy to the public and other stakeholders. In this context, auditors who truly uphold moral and professional values such as honesty, responsibility, and impartiality will be more careful and diligent in identifying and detecting various potential material errors or even fraud in financial statements. This attitude allows auditors to act with great caution and maintain professionalism amidst data complexity and pressure from various parties.

Furthermore, Wijaya et al. (2021) added another important dimension, stating that ethically behaving auditors tend to have a higher level of professional skepticism compared to auditors who disregard ethical values. Professional skepticism itself is a critical and vigilant attitude that is important for auditors to possess when evaluating audit evidence and claims made by clients or company management. This skeptical attitude is crucial and plays a significant role in maintaining auditor objectivity, especially when they are dealing with manipulative or misleading data or information from clients. In such a context, auditors with a strong ethical foundation will not be easily persuaded to accept illogical or unsupported information but will instead perform additional procedures to ensure the veracity of the information.

Additionally, the study results by Wijaya et al. (2021) also indicate that the auditor's level of education has an influencing effect that strengthens the role of ethics in audit practice. Auditors who have a higher formal educational background or have participated in professional training in audit ethics tend to better understand the importance of ethics in audit execution and possess moral fortitude in facing various ethical dilemmas. In other words, the higher the level of education and

professional experience an auditor possesses, the greater their ability to maintain integrity, objectivity, and independence in high-pressure situations or conflicts of interest.

The research conducted by Heo et al. (2021) further reinforces the evidence that professional ethics plays a very important protective role, especially in challenging working conditions. They showed that professional ethics can function as a buffer or shield against time pressure and high workloads that often characterize the auditing world, especially during critical periods such as approaching financial reporting deadlines. In situations where auditors must complete an audit within a very limited time, auditors who uphold ethics will still adhere to applicable audit procedures and will not sacrifice the accuracy or integrity of the audit results for the sake of speed or pleasing the client.

In actual practice, it is not uncommon for auditors to experience conflicts between efficiency and thoroughness. Under tight deadlines and pressure from superiors and clients, the temptation to conduct audits quickly while ignoring important verification steps is great (Nehme et al., 2022). However, auditors with a strong ethical commitment who have internalized professional values will still maintain the quality of their work by refusing to take shortcuts. They will firmly adhere to the principle that their responsibility is to the public, not merely to the client, and that the audit results must be morally and professionally accountable.

Furthermore, Nurhikmah and Sisdianto (2024) argue that the role of ethics is very important and necessary in maintaining public trust in audited financial statements. In the public's view, financial statements that have been examined and

audited by professional external auditors are considered accurate, honest, and free from manipulation. Therefore, the auditor's behavior and attitude in conducting the audit will greatly influence public perception of the reliability and credibility of these reports. If auditors fail to comply with professional ethics, whether consciously or not, public doubt will arise regarding the integrity of the audit results and even the auditing profession as a whole. The impact is not only on individual auditors but can also damage the reputation of audit firms and oversight bodies.

In the study conducted by Rafie (2023), a close relationship was found between the auditor's ethical attitude and audit performance, particularly in the context of the government sector. Auditors in government agencies who adhere to the professional code of ethics demonstrate high moral fortitude in refusing gratuities or other forms of bribery that could affect audit results. They also tend to be more cautious and critical in evaluating government procurement programs. Audit results performed by auditors who uphold ethics tend to be not only more accurate but also more transparent and accountable. Such audits are crucial for improving government budget efficiency and preventing corrupt practices.

In addition to individual auditor aspects, Sisyadi and Widjaja (2024) also highlighted the importance of organizational culture in strengthening or weakening the application of ethics among auditors. Organizations that instill professional and ethical values from the outset will encourage every auditor working within them to uphold these principles in every task. Internal training, internal codes of ethics, and a work culture that values integrity will create a working environment that supports the application of professional ethics. Conversely, if an organization emphasizes

short-term results, economic targets, or institutional reputation over correct and ethical processes, auditors will experience ethical dilemmas and tend to disregard ethics to meet superior expectations.

Within this framework, Rumasukun (2024) added that regular professional ethics training is crucial for audit institutions and organizations where auditors work. This training not only aims to remind auditors of the content and principles within the professional code of ethics but also to strengthen the internalization of these values in the auditor's daily attitudes, understanding, and behavior. The application of professional ethics cannot be left to be merely an administrative or symbolic formality but must be made an integral part of the audit institution's work culture. Auditors equipped with in-depth knowledge and understanding of ethics will be better prepared to face dilemmas and pressures in the field.

Another study conducted by Brody et al. (2020) highlighted another equally important factor: the role of auditor emotional intelligence in maintaining the consistent application of ethics in the workplace. In a high-pressure and uncertain work environment, auditors who are able to manage emotions, control stress, and maintain psychological stability tend to be more capable of maintaining an ethical stance compared to auditors who easily panic or are provoked by external pressure. Emotional intelligence helps auditors to remain rational in their thinking, calm in making decisions, and not easily influenced by persuasion or intimidation from interested parties.

Auditors with a high level of emotional intelligence will be better prepared to face ethical dilemmas in the field. They can reject compromises that do not align

with principles, act firmly when dealing with pressure from management, and maintain integrity even in difficult situations. Thus, emotional intelligence becomes an important asset in strengthening professional ethical practice in the external audit environment. The series of findings from various studies indicates that professional ethics is not just a complementary aspect but a core element in conducting credible and quality external audits. The strong application of ethics will shape auditors who are not only technically competent but also morally and psychologically resilient in facing the complex and dynamic challenges of the auditing world.

5. Discussion

From the systematically conducted literature study, it is clear that professional ethics is not only the moral foundation of an individual auditor but has also proven to be one of the main determinants in producing high-quality external audits. Ethics is no longer considered a complement or a secondary attribute but rather a foundation that influences the entire audit process, from planning, execution, to reporting audit results. Various reviewed studies indicate that core values such as integrity, objectivity, and independence possessed by auditors play a crucial and significant role in determining the extent to which the quality of audit results can be trusted and relied upon. In daily professional practice, these ethical values serve as the primary reference for auditors in carrying out their responsibilities (La Torre, 2021). Auditors who uphold ethics will use these principles as guidelines to assess the truthfulness of information in financial statements, reject all forms of gratification, and ensure that the opinion rendered truly reflects the actual condition.

By making ethics a moral compass, auditors can maintain their credibility in the eyes of the public, strengthen the reputation of the audit firm, and preserve the trust of stakeholders in the published audit results. However, the implementation of professional ethics in the auditing world does not always run smoothly and ideally (Martinov-Bennie et al., 2022). Many auditors face ethical dilemmas when confronted with pressure from clients, organizational leaders, or even peers. Such pressure can manifest as pressure to present opinions favorable to the client, ignore material audit findings, or tolerate deviant practices for the sake of maintaining long-term business relationships. In such conditions, the auditor's ethical fortitude is truly tested. This situation emphasizes that the application of professional ethics cannot be solely an individual burden. Strong institutional support is crucial. An organizational culture that instills ethical values from the outset, stringent internal control systems, and effective whistleblowing mechanisms all contribute significantly to strengthening the application of ethics in audit practice.

Continuous ethics training is also important to reinforce auditors' understanding of the importance of moral values in maintaining the integrity of the profession (Pratama et al., 2024). Besides organizational factors, auditor education and experience also significantly contribute to shaping an individual's character and ethical attitude. Auditors with formal educational backgrounds in accounting, auditing, or professional ethics tend to have higher ethical awareness compared to those who do not receive similar training. Sufficient work experience also broadens the auditor's perspective in facing various ethical dilemmas in the field and enhances their ability to make fair and responsible decisions. Therefore, strengthening the

capacity of individual auditors through structured education, training, and work experience is an integral part of an overall external audit quality improvement strategy. High-quality audits can only be achieved if integrity and ethics become an inseparable part of every auditor's personality and professional practice.

6. Conclusion

Professional ethics is proven to have a very significant impact on the quality of external audits produced by auditors. When auditors consistently uphold fundamental values such as integrity, independence, and objectivity, the audits performed will result in reports that are more accurate, transparent, and command a high level of trust from the public and stakeholders. Research from various academic sources indicates that ethics not only functions as an individual moral foundation but also as an important tool in facing work pressure, conflicts of interest, and interventions that can disrupt the objectivity and quality of the audit results themselves.

However, the application of ethical values in daily practice is not always easy. Auditors are often faced with various complex challenges, such as pressure from clients, management intervention, organizational cultures permissive of violations, and working conditions that do not support the application of ethics. Therefore, strong synergy is required among auditors, the organizations they work for, and regulatory and professional bodies in building a professional environment that supports the consistent and sustainable application of ethics. Ethics training and education also need to be continuously enhanced, both through higher education

institutions and in the form of ongoing professional training programs. Strengthening this aspect will build resilient and integrated auditor character, while also increasing public trust in the auditing profession as a whole.

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