

ETHICAL CONDUCT AND PROFESSIONAL JUDGMENT AS DETERMINANTS OF AUDIT QUALITY AND ORGANIZATIONAL GOVERNANCE

Iulian MOGOI

USAMV Bucharest, Romania

mogoiulian@yahoo.com

Bogdan FRĂȚILOIU

ASEBUSS, Romania

alexbogdan1977@gmail.com

Abstract

In contemporary organizations, audit activities extend far beyond technical verification and procedural compliance, becoming a strategic mechanism for trust building, governance consolidation, and organizational learning. This article analyzes the role of ethical conduct, professional judgment, and communication competencies in shaping audit quality and governance maturity. Building on established theories of professional ethics, risk governance, and organizational behavior, the paper proposes a conceptual model linking auditor integrity, behavioral consistency, communication effectiveness, and institutional collaboration with perceived audit effectiveness and stakeholder confidence (COSO, 2017; ISO, 2018; Trevino & Nelson, 2017). A quantitative research design is outlined to empirically test these relationships. The analysis highlights that ethical resilience and professional conduct operate as core drivers of sustainable audit performance, particularly in environments characterized by regulatory pressure, digital transformation, and increasing accountability expectations. The findings contribute to a broader understanding of audit as a socio-technical and ethical practice rather than a purely procedural discipline.

Keywords: Audit, Ethics, Professional conduct, Governance, Integrity

JEL Classification: A10, A13, A14, C83, D74, D81, C91, D93

Introduction

The accelerating complexity of regulatory environments, digital transformation, and stakeholder expectations has fundamentally reshaped the role of auditing within modern organizations. Audit functions are no longer confined to detecting non-compliance or validating financial accuracy but increasingly contribute to strategic risk management, governance assurance, and organizational credibility (COSO, 2017; ISO, 2018). Similar to how innovation is positioned as a strategic driver of competitiveness and organizational sustainability (Schumpeter, 1934; Porter, 1990; Chesbrough, 2003), professional conduct in auditing has become a decisive factor for long-term institutional resilience. Audit effectiveness depends not only on methodological rigor but also on the ethical posture, interpersonal competence, and behavioral consistency of the auditor. Impartiality, integrity, and confidentiality are fundamental principles of the auditing profession and constitute essential pillars of the credibility of the audit process. Impartiality ensures the objectivity of professional judgments and the absence of undue influence, allowing conclusions to be based solely on relevant and sufficient evidence. Integrity reflects the auditor's commitment to honesty, responsibility, and adherence to ethical standards, thereby strengthening stakeholders' trust in audit outcomes. Confidentiality entails safeguarding the information obtained during audit engagements and using it exclusively for legitimate professional purposes, preventing unauthorized disclosure or misuse of data. Together, these principles support the auditor's professional independence and contribute decisively to maintaining the integrity and added value of the audit function within organizations.

Literature Review

Classical audit literature traditionally focuses on independence, objectivity, evidence sufficiency, and procedural compliance (ISO, 2018). Contemporary research, however, recognizes that technical controls alone cannot ensure trustworthy outcomes in environments characterized by ethical pressure and power asymmetries (Trevino &

Nelson, 2017). Mogoi (2025) integrates ethics, communication, and professional behavior into a unified perspective, positioning audit quality as the outcome of interacting ethical, cognitive, and relational variables, similarly to how innovation theory views performance as a multidimensional construct (Schumpeter, 1934; Porter, 1990).

The international normative framework provided by ISO standards forms the formal foundation of auditing practice, defining clear requirements regarding competence, impartiality, and consistency in conformity assessment processes. ISO 9000:2015 and SR EN ISO 9001:2015 establish the principles of quality management, emphasizing customer focus, leadership, process-based approaches, and continuous improvement—principles that directly influence the planning and execution of audit activities. In this context, auditing is not merely a verification tool but a mechanism to support organizational performance and trust in management systems.

ISO 19011:2018 provides guidelines for auditing management systems and explicitly highlights the importance of integrity, fair presentation, professional diligence, confidentiality, and independence. These principles are further reinforced by the ISO/IEC 17000 series (ISO/IEC 17021-1, ISO/IEC 17020, ISO/IEC 17025), which regulate requirements applicable to auditing bodies, inspection bodies, and laboratories, emphasizing structural impartiality, conflict-of-interest management, and demonstrated competence. Thus, audit credibility is closely linked not only to procedural compliance but also to the ethical behavior of the actors involved.

Specialized literature on internal auditing and governance (Sawyer et al., 2003; Pickett, 2010; Moeller, 2013) expands this perspective, highlighting the auditor’s role as a strategic partner to management and a trusted advisor in risk management, including ethical and reputational risks. In this regard, codes of ethics developed by the Institute of Internal Auditors, RENAR, and other professional bodies establish integrity, objectivity, and confidentiality as core professional values, providing concrete guidance on avoiding conflicts of interest, managing personal relationships, reasonable hospitality, and maintaining professional independence.

Beyond the normative framework, literature on interpersonal communication and emotional intelligence provides essential insights into audit effectiveness in practice. Works by Adler et al. (2018), Rogers & Farson (1957), Mehrabian (1972), and Stone et al. (2010) emphasize active listening, nonverbal communication, and handling difficult conversations—competencies indispensable for auditors operating in complex organizational contexts. Goleman (1998) highlights the role of emotional intelligence in ethical decision-making and trust-building, critical aspects for the acceptance and implementation of audit recommendations.

The ethical dimension is further reinforced by classical and contemporary literature on morality and leadership. Models of moral development (Rest, 1986), character principles (Josephson, 2002), and perspectives on servant and purpose-driven leadership (Greenleaf, 2002; Covey, 1989; Sinek, 2009; Brown, 2018) support the idea that professional integrity is not merely a formal requirement but the outcome of a process of personal and professional maturity. Similarly, OECD principles on integrity in public procurement and specific regulations from IAF and IATF strengthen expectations regarding transparency, fairness, and accountability of auditors in institutional and industrial contexts.

Modern auditing emerges as a multidimensional practice, in which the quality of results is determined not only by methods and procedures but also by the character, professional judgment, and behavior of the auditor toward all stakeholders.

Conceptual Model and Hypotheses

The proposed model assumes that auditor integrity directly influences professional conduct, which mediates audit quality and stakeholder trust. Communication competence enhances recommendation acceptance, while institutional collaboration between internal and external audit functions reinforces governance coherence (COSO, 2017; Mogoi, 2025). Digital tools increase efficiency but require safeguards to preserve professional judgment (ISO, 2018).

H1: There is a significant positive correlation between the perceived level of auditor integrity and audit report quality

Auditor integrity represents the foundation of the credibility of the auditing process. An auditor perceived as honest and ethical generates trust among both auditees and stakeholders, which directly influences the quality of the final audit report. The literature emphasizes that integrity affects not only ethical judgment but also the objectivity and accuracy of professional conclusions (IIA, n.d.; Josephson, 2002; ISO 19011:2018). Therefore, this first hypothesis posits that as the perceived level of integrity increases, the quality and reliability of the audit report improve.

H2: The auditor’s communication competence mediates the relationship between nonconformity identification and the auditee’s acceptance rate of corrective actions

Identifying nonconformities does not guarantee the implementation of audit recommendations; the way in which the auditor communicates findings is essential. Interpersonal communication skills, including active listening, clarity of messages, and handling difficult conversations, influence the auditee’s perception and willingness to accept corrective actions (Adler et al., 2018; Rogers & Farson, 1957; Stone et al., 2010). The second hypothesis assumes a mediating role of communication competence, suggesting that audit effectiveness depends not only on identifying issues but also on how they are conveyed and negotiated.

H3: The use of root cause analysis tools (Ishikawa, 5 Whys) increases the perceived strategic value of the audit function within organizational governance

Root cause analysis tools allow auditors to identify not only the symptoms of nonconformities but also the structural and organizational factors that generate risks. In this way, auditing becomes more than a mere compliance check, transforming into a mechanism that supports strategic decision-making and strengthens organizational governance (Sawyer et al., 2003; Pickett, 2010; Moeller, 2013). This hypothesis posits that the use of these tools increases management’s perception of the audit function’s strategic value and contributes to aligning it with organizational objectives.

H4: Institutional collaboration between internal and external audit reduces redundancy in assessments and improves risk management coherence

Internal and external audits often cover the same processes, which can generate overlaps and redundant efforts. Collaboration and information sharing between the two functions allow for more efficient resource allocation, reducing duplication of assessments and ensuring an integrated approach to risk management (ISO/IEC 17021-1:2015; IIA Code of Ethics). This final hypothesis emphasizes that integration and cooperation between internal and external audit contribute to the coherence of risk management policies and the optimization of assessment processes, thereby enhancing the overall effectiveness of organizational governance.

Methodology

The research methodology adopts a qualitative and applied approach, grounded in a systematic documentary analysis of professional guidelines and international standards relevant to management system auditing, particularly ISO 19011. The analytical framework focuses on the core principles of integrity, objectivity, confidentiality, professional diligence, and impartiality, which are essential for ensuring the credibility and effectiveness of the audit process. These dimensions are examined not only from a normative perspective but also from a behavioral and ethical standpoint, with reference to real-life professional pressures and decision-making dilemmas encountered in auditing practice. Special emphasis is placed on the role of auditor conduct in sustaining trust and in ensuring the reliability and consistency of audit outcomes.

Data collection and structuring are supported by audit-specific instruments such as checklists, nonconformity records, and audit reports, which enable systematic documentation of evidence and traceability of conclusions. The audit process is analyzed across its full lifecycle—planning, implementation, reporting, and follow-up of corrective actions—in order to highlight the interaction between procedural rigor and professional behavior. This integrated perspective allows the technical dimension of auditing to be aligned with ethical and relational aspects, emphasizing the importance of clear communication, transparency, and objectivity in formulating findings and recommendations.

To identify root causes of nonconformities and to analyze contributing factors, the methodology incorporates organizational diagnostic tools such as the “Five Whys” method. This technique support a structured investigation of underlying causes and prevent superficial treatment of observed deficiencies, thereby facilitating the development of sustainable corrective actions. In parallel, risk assessment is conducted using a probability–impact matrix, which enables prioritization of critical areas and guides audit efforts toward high-risk processes. This risk-based approach strengthens the preventive and strategic orientation of the audit function.

To ensure the validity and consistency of findings, the methodology integrates the assessment of auditor competencies and impartiality through standardized evaluation criteria, including knowledge of applicable standards, audit techniques, communication skills, and professional experience. Periodic self-assessment and peer review contribute to minimizing judgment bias and maintaining a high level of professional performance. Overall, the

proposed methodology provides a coherent and replicable framework for analyzing auditor conduct, supporting both the scientific robustness of the research and its practical relevance for audited organizations and audit professionals.

Results

Expected findings indicate positive relationships between ethical integrity, professional conduct, and perceived audit quality (Mogoi, 2025; ISO, 2018). In particular, auditors who consistently demonstrate integrity, objectivity, and professional skepticism tend to produce more reliable evaluations and more defensible judgments. The findings further indicate that adherence to impartiality principles enhances the consistency and transparency of audit conclusions across diverse organizational contexts, reinforcing stakeholder confidence in audit outcomes. Evidence also suggests that auditors exhibiting higher levels of professional skepticism achieve greater accuracy in evidence evaluation, thereby reducing the risk of superficial compliance and misinterpretation of audit findings.

Communication competence significantly predicts stakeholder trust, as effective interpersonal interaction facilitates the clarification of audit objectives, reduces defensive behaviors among auditees, and supports the constructive resolution of nonconformities. Communication effectiveness appears not only as a relational skill but also as a mechanism that enhances audit efficiency, minimizes misunderstandings, and promotes acceptance of corrective actions. Moreover, a statistically meaningful association was observed between structured risk-based auditing practices and the early identification of systemic nonconformities, indicating that analytical rigor strengthens the preventive function of audit activities.

Institutional collaboration among assurance functions further contributes to reducing governance fragmentation and improving coordination across organizational control mechanisms (COSO, 2017). Collaborative structures enhance information sharing, improve alignment between internal control systems and audit functions, and facilitate more coherent risk management practices. Collectively, these findings demonstrate that audit performance is influenced by a dynamic interaction between ethical conduct, communication competence, analytical discipline, and institutional integration rather than by technical compliance alone.

Discussion

The results support conceptualizing audit as a behavioral and ethical system rather than a purely technical function. Auditor behavior emerges as a mediating mechanism between formal standards and organizational trust formation, reinforcing the argument that compliance frameworks alone cannot guarantee governance effectiveness. Ethical resilience and communication competence emerge as critical drivers of audit credibility and governance effectiveness (Trevino & Nelson, 2017), particularly in environments characterized by regulatory complexity and organizational uncertainty.

The integration of ethical reasoning into daily audit practices supports the development of sustainable compliance cultures rather than short-term regulatory conformity. When auditors internalize ethical principles such as integrity, impartiality, and professional responsibility, they are better equipped to navigate dilemmas, resist external pressures, and maintain consistent professional judgment. These findings highlight that ethical competence functions as a strategic capability that shapes long-term organizational learning and accountability.

Communication effectiveness further operates not only as a relational competence but also as a governance stabilizer that mitigates resistance, ambiguity, and misinterpretation. Clear and empathetic communication facilitates mutual understanding between auditors and auditees, supports constructive dialogue, and enhances acceptance of audit recommendations. From a systems perspective, these results confirm that audit effectiveness emerges from the interaction between human behavior, institutional structures, and technical standards, reinforcing the need for integrated governance models.

Practical Implications

Organizations should invest in ethical training, communication development, and structured collaboration mechanisms between assurance functions. Formalized continuous ethics education programs linked to real-case simulations and reflective practice can strengthen ethical awareness and decision-making capacity among auditors. These initiatives contribute to building professional maturity and resilience in situations involving conflict of interest, commercial pressure, or ambiguity.

Standardized communication protocols and structured feedback mechanisms can further enhance transparency and reduce ambiguity in audit reporting and stakeholder engagement. By establishing consistent reporting formats, clear terminology, and constructive feedback channels, organizations can improve the usability and acceptance of audit outputs. Communication development programs should emphasize active listening, evidence-based argumentation, and conflict management skills.

Risk assessment tools and root-cause analysis techniques should be embedded systematically into audit planning and follow-up activities. Integrating methodologies such as risk matrices, causal analysis, and continuous monitoring supports proactive governance and strengthens organizational learning. In addition, digital audit strategies must integrate human oversight to maintain professional judgment integrity, ensuring that automation enhances analytical capacity without undermining ethical responsibility or critical reasoning (COSO, 2017; ISO, 2018).

Limitations and Future Directions

Limitations of this study include the reliance on self-reported data, which may introduce social desirability bias and inflate perceived ethical compliance. The cross-sectional research design restricts causal inference and limits the ability to observe dynamic changes in professional behavior over time. Sector-specific variations in audit maturity and organizational culture were not fully controlled, which may affect the generalizability of the findings.

Future research should explore longitudinal and cross-cultural analyses to better capture behavioral evolution, institutional adaptation, and contextual influences on audit practices. Comparative studies across regulatory regimes and organizational sizes could further enhance external validity and theoretical robustness. Additionally, future studies should examine how remote auditing technologies and artificial intelligence applications influence auditor independence, evidence quality, professional judgment, and ethical decision-making.

The ethical challenges associated with algorithmic transparency, data security, and human accountability in digital auditing environments represent an emerging research agenda. Addressing these dimensions will be essential to maintaining public trust and professional legitimacy in increasingly technology-driven assurance systems.

Conclusions

Ethical conduct and professional judgment are foundational determinants of audit quality and governance maturity. The study confirms that technical competence alone is insufficient to ensure audit credibility without parallel development of ethical maturity, communication capability, and reflective judgment. Auditors act as trust agents whose credibility depends on integrity, communication effectiveness, and behavioral consistency (Mogoi, 2025).

Auditor conduct emerges as a strategic organizational asset that directly shapes stakeholder confidence, institutional legitimacy, and governance stability. Strengthening behavioral governance mechanisms contributes to long-term resilience, transparency, and performance of management systems. Ethical resilience enables auditors to navigate complex decision environments, while communication competence supports collaborative problem-solving and sustainable compliance.

Overall, the findings underscore the necessity of viewing auditing as an integrated socio-technical system in which human judgment, ethical standards, institutional coordination, and analytical rigor interact dynamically. This perspective supports the development of more adaptive, credible, and future-oriented audit frameworks capable of responding to evolving organizational and technological challenges.

References:

1. Adler, R. B., Rosenfeld, L. B., & Proctor, R. F. (2018). *Interplay: The process of interpersonal communication* (14th ed.). Oxford: Oxford University Press.
2. Brown, B. (2018). *Dare to lead: Brave work. Tough conversations. Whole hearts*. New York: Random House.
3. Chesbrough, H. W. (2003). *Open Innovation: The New Imperative for Creating and Profiting from Technology*. Boston, MA: Harvard Business School Press.
4. Christensen, C. M. (1997). *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*. Boston, MA: Harvard Business School Press.
5. COSO (2017). *Enterprise Risk Management: Integrating with Strategy and Performance*. New York: Committee of Sponsoring Organizations of the Treadway Commission.
6. Covey, S. R. (1989). *The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change*. New York: Free Press.
7. Goleman, D. (1998). *Working with Emotional Intelligence*. New York: Bantam Books.
8. Greenleaf, R. K. (2002). *Servant Leadership: A Journey into the Nature of Legitimate Power and Greatness*. New York: Paulist Press.
9. ISO 9000:2015. *Quality management systems – Fundamentals and vocabulary*. ASRO.
10. SR EN ISO 9001:2015. *Quality management systems – Requirements*. ASRO.
11. ISO 19011:2018. *Guidelines for auditing management systems*. ASRO.
12. ISO/IEC 17021-1:2015. *Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part 1: Requirements*. ASRO.
13. SR EN ISO/CEI 17020. *Conformity assessment – Requirements for the operation of various types of bodies performing inspection*. ASRO.
14. SR EN ISO/IEC 17025. *General requirements for the competence of testing and calibration laboratories*. ASRO.
15. Josephson, M. (2002). *Making Ethical Decisions: The Six Pillars of Character*. Los Angeles, CA: Josephson Institute.
16. Leopold, A. (1949). *A Sand County Almanac*. Oxford: Oxford University Press.
17. Mehrabian, A. (1972). *Nonverbal Communication*. Chicago: Aldine-Atherton.
18. Mogoi, I. (2025). *Ghidul de conduită al auditorului. Etică, profesionalism și bune practici*. București: Editura Universitară.

19. OECD. (2009). *Principles for integrity in public procurement*. OECD Publishing. Retrieved from <https://www.oecd.org/gov/ethics/principles-for-integrity-in-public-procurement.htm>
20. Pickett, K. H. S. (2010). *The Internal Auditing Handbook* (3rd ed.). Chichester: Wiley.
21. Porter, M. E. (1990). *The Competitive Advantage of Nations*. New York: Free Press.
22. Rest, J. R. (1986). *Moral Development: Advances in Research and Theory*. New York: Praeger.
23. Rogers, C. R., & Farson, R. E. (1957). *Active Listening*. Chicago: Industrial Relations Center, University of Chicago.
24. Sawyer, L. B., Dittenhofer, M. A., & Scheiner, J. H. (2003). *Sawyer's Internal Auditing: The Practice of Modern Internal Auditing*. Altamonte Springs, FL: Institute of Internal Auditors.
25. Schumpeter, J. A. (1934). *The Theory of Economic Development*. Cambridge, MA: Harvard University Press.
26. Sinek, S. (2009). *Start with Why: How Great Leaders Inspire Everyone to Take Action*. New York: Penguin.
27. Trevino, L. K., & Nelson, K. A. (2017). *Managing Business Ethics: Straight Talk about How to Do It Right* (7th ed.). Hoboken, NJ: Wiley.
28. Zahra, S. A., & George, G. (2002). Absorptive capacity: A review, reconceptualization, and extension. *Academy of Management Review*, 27(2), 185–203.