Investigation of the Effect of Auditors’ Professionalism Levels on Their Judgment to Resolve the Conflict between Auditor and Management

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Abstract

The main objective of this paper is to investigate the effect of auditors’ professionalism levels on their judgment to resolve the conflict between management and auditor. Professionalism has been investigated at the two levels of high and low. In addition, in this investigation, professional judgment has a mediator role in the effect of the professionalism feature on the resolution of the conflict between auditor and management. In the present paper, in order to collect the data and the theoretical foundations of the research, the field and library methods are respectively used and the tools used in the present study are standard questionnaires and note taking. The statistical population of the research is professional auditors and accountants, among whom the desired sample is determined and selected using respectively the Cochran’s formula and random sampling method. In the research, the approval of the relationships between variables and factors is carried out through confirmatory factor analysis and PLS modeling technique using PLS2 SMART software, which is a variance based path modeling technique that provides the possibility of the simultaneous investigation of the theory and measures. In addition, using the Sobel test, the assumption of the mediator role of the professional judgment variable has been examined. The results indicated that auditors’ professionalism is effective on professional judgment. They also showed that professional judgment has an impact on the conflict between auditor and management, but professionalism doesn’t have any impact on it and professional judgment doesn’t play a moderator role in the effect of professionalism on the conflict between auditor and management.

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1. Introduction

While performing their social duty, auditors face problems such as the conflict between employers and users, which arises from the distance between auditors’ and employers’ expectations. Conflict normally occurs in all areas related to job, education, family and marriage as well as at individual and collective levels. Professional judgment in audit is the use of the related knowledge and experience in the scope determined by accounting and auditing standards and professional behavior regulation, so that a suitable decision is taken when among alternative actions, one can be chosen. There is no standard approach for the implementation of professional judgment, but sound implementation of professional judgment is regarded as an eminent factor for an auditor when performing their duty and increase of judgment skill is essential for auditors. Professional standards normally consider general conditions in a specific range. There is no possibility that a regulation book is fully comprehensive and covers all the complexities of today’s accounting and auditing (Khoshtinat and Bostanian, 2009). Therefore, for current conditions, one of the complexities of accounting and auditing that needs attention is to consider personal characteristics of judges, to which no mention has been made in any standard books because judgment is an issue which is present in all the processes of audit operation and the necessity of paying attention to features such as professionalism leads to higher expectation of auditors’ judgment quality.

Professional judgment is a complex issue in audit tasks and its process and is influenced by numerous factors. The issue has caused serious challenges in the audit profession. Examination of the conducted studies and the current situation of Iran and other countries indicates that audit, like other vocations, is involved with serious challenges. Due to environmental changes and their effect on the audit profession, there are many challenges in this regard (Hassas Yeganeh, 2006). In addition, professionalism in the area of audit is a difficulty that may affect auditors’ judgment. Organizations may differ from the amount of time giving to professionals to act according to their professional judgment. Mainly it is assumed that the professional work environment is mostly affected by professional value system. Therefore, in professional organizations, if professional goals are more similar to organizational goals, there should be more compatibility between professional and organizational commitment than professionals working in non-professional work environments who experience more incompatibility. Therefore one of many questions which may arise is whether professional auditors are working in professional environments or not and vice versa meaning whether professional environments are using real professional auditors to serve the society or not. Professionalism means wisely and continuously using technical and communication skills as well as knowledge, reasoning, emotions and values in the environment and in the interaction with others. Based on the above mentioned issues, the present research is seeking for responding to the question of what effect auditor’s high and low professionalism has on their judgment to resolve the conflict between management and the auditor.

2. The theoretical foundations and proposition of the research hypotheses

2.1. Professional Judgment

The judgment is defined as a process of making a decision or drawing a conclusion from among some possible alternative solutions in uncertain and risky conditions. The word ‘professional’ was introduced after a while from the introduction of the word ‘judgment’ in the 13th century. This word derives from the word ‘profession’. It is applied to a profession or occupation which requires special knowledge and often long termed and compressed scientific preparation (Asadi and Nemati, 2014). The source of financial statements audit valuation is the auditor’s professional judgment, and the collective judgments based on the audit standards. The Canadian official Association of Accountants defines the professional judgment in this way: “the professional judgment in audit means the application of knowledge and experience in the frameworks of accounting and audit standards, and the procedure of professional behavior to select an option from among different options” (Kadeh and Salari, 2011).

In addition, the auditor’s disqualification in passing professional judgment can lead in making incorrect decisions which often affect negatively the audit quality, the employer, and the acquiring persons related to financial statements. The professional acquiring comments always have natural restrictions such as the auditor’s judgment in the process of doing an activity, and the auditors’ activities to pass a comment; they are all affected by the professional judgments and decisions. The professional judgment in audit means the application of knowledge and related experience based
on the accounting and audit standards, and the procedure of professional behavior to make apt decisions on the selection of different guidelines (Rahimiyan and Hedayati, 2013).

2.1.1. The Framework of Professional judgment
The Framework of professional judgment is a systematic process which the accountants and auditors, who benefit from a qualified level of knowledge, experience, and realism, can adopt on the accounting subjects based on the realities and available conditions in the frameworks of accounting standards to make comments (Asadi and Nemati, 2014). Empirically, it has been proved that the skill and art (Specialty) in a particular profession affects the quality of audit reporting. The environmental conditions, also, can affect the professional comments. The auditor’s comments can be affected by different conditions (Rahimiyan and Hedayati, 2013).

The professional uncertainty which is obligatory based on the professional audit standards, is an attitude comprising a questioner mind (awareness of the conditions that can be a symptom of deviation from cheating or mistake) and criticizing evaluation of the audit evidences. The professional uncertainty is not an equivalent of professional judgment; rather, it is a sub-category of professional judgment. In the institutes providing professional services consult with others such as the members of the working team, the experts, and all other professional experts constitutes a significant part in the continuous improvement of the judgment quality, and the appropriate use of uncertainty. The professional judgment is affected by some key factors (Kiyan, 2004):

2.1.1.1. The Audit Work Environment
This element further than including the special properties of activities (such as new, being infrequent or uncomplicated) includes these elements: the accountability, the presence and clearance of professional standards, meeting the needs of the employers and the users of financial statements, and the role of audit committees.

2.1.1.2. The Auditor’s Features
The auditor’s features as the decision maker includes subjects such as independence, neutrality and honesty, professional uncertainty, the professional information, and knowledge, professional protection and qualification, risk prioritization, and avoiding inappropriate sidings that are expected to overshadow the audit decisions.

2.1.1.3. The Audit Evidences
The audit evidences can be regarded as a part of the audit work environment; but, since the principle of audit is the compilation and evaluation of the evidences, so, the audit evidences should be separately studied.

2.1.1.4. The Process of Decision making
The process of decision making takes place in 5 steps: the identification of subjects, the collecting of information, the identification of possible solution, the assessment of the possible solutions, and the drawing of conclusions. This mentioned steps are interrelated; but, in some cases it is not possible to evaluate them.
2.2. Profession and professionalism

There is no comprehensive and complete definition of profession and professionalism, which is acceptable to all. However, as the conventional and dictionary meaning, profession is referred to those kinds of jobs which offer a specific type of professional services to society and presenting the kind of service necessitates passing specialized university courses, acquiring skills and having enough experience (Royaei and Mohammadi, 2011). Professionalism is related to a professional person’s behavior, goals, characteristics and features. Among the main features of accounting profession are competency, impartiality and trustiness. Actions and behavior of members of accounting profession are based on the requirements and regulations of professional behavior developed by professional accounting associations.

In the contemporary literature, the concept of profession is used as the two meanings of broad and limited ones. Friedson (1994) distinguishes job professions from base professions. Job professions are the same as the broader concept of profession where professionals are defined based on official training years needed for occupation in specific jobs. The conventional concept of professionalism is the ideology and a special set of institutions whereby jobs are organized. Based on Friedson’s explanation (1994), professionalism ideology conveys a great part of traditional ethics “professional as an altruist customers’/clients’ servant” (Ghanei Rad, 2013).

2.2.1. Professionalism in accounting

Accountants, like other occupations workers, have special ethical responsibilities and in addition to business expertise, must also observe the necessary ethical fundamentals in their job. Business and jobs ethics have been considered from the very beginning and many books have been written on the statement of ethical dos and don’ts related to doctors, merchants, science seekers, masters of technology and civil and military positions, especially from fourth century AD onward. Hippocratic Oath for doctors or affidavit of official accountants’ community and etc. all show the existing sensitivities for the observation of professional ethics.
Basically the accounting profession is regarded as the most difficult and disciplined profession in the world and has also a special credibility and trust due to the type and nature of the services presents. Continuation of this credibility and trust and its reinforcement depends on the profession members’ intellectual and practical commitment to its codes of conduct and ethics. Therefore, Iran’s official accountants also swore last year to always adhere to professional principles and criteria; maintain their honesty, impartiality and independence; adhere to the ethics of professional secrecy at the time employment thereafter and take steps to promote the name, position and social status of an official accountant and try to maintain the professional status.

Investigation of ethical dimensions of manipulation of financial information at micro and macro levels shows that manipulation of financial information at both levels is unethical and an unfair issue from the perspective of information users who neither have any executive power in the company nor enough power to exert force on accounting legislative bodies. The purpose of financial information manipulation at the macro level is to consult legislative bodies to encourage them to develop a rule which is most beneficial for suppliers of information. The purpose of information manipulation at the micro level is to manage accounting items by the management with an aim of creating a biased view of the company in beneficiaries’ minds. Having proposed the theoretical foundations on auditors’ professional judgment and their professionalism characteristic, the first hypothesis can be proposed as follows:

H1: Professionalism affects professional judgment.

2.3. Conflicts

The conflict or failure is an individual’s status that has been blocked in his way of fulfilling his logical needs. The best and the most sensible reaction to the conflict are to whether eliminate the blocker, or to overpass it. But, there are cases that the individual can not overpass the blocker. In such cases, the second solution is to change the objective. Now, if none of these two solutions are possible, the organism should ignore the objective. In this condition, he is captured in a status which is called mental conflict. The conflict means fighting against the desires and interests; it is a situation where the individual is confronted with contradictory forces that are almost equal (Afrooz, 2013).

2.3.1. Types of Audit conflicts

The increasing development of the firms and their increasing demands of the accounting enterprises to get non-accounting services has faced the professional societies with this question: Will the non-accounting services that the accounting enterprises provide for their brokers damage their independence? The Regulation of Professional Behavior by the Audit Organization of Iran binds the professional accountants to be neutral, and not to let their professional services be damaged by any prejudice, siding, the conflict of interests, or others’ influence. The Regulation of Professional Behavior emphasizes that an attitude, like a mental attitude, in providing a service valuates the conflict of interests as the professional accountant or institute to be distinctly and professionally neutral, and the professional accountants are bind to collide in a just, and honest manner that is away from the conflict of interests. The professional accountants provide professional services in different dimensions. Regardless of the type or size of the services, the accountants should keep honesty in the providing of the services, and they should adhere completely to neutrality in their judgments. The professional accountants often confront the conflict of interests in providing professional services. The conflict of interests may occur in different shapes: from simple cases to complicated problems of fraud or illegal activities. But, the professional accountant should always be aware of the conditions which cause the occurrence of the conflict of interests. One critical issue that should be regulated by the profession is the conflict between providing of the audit services, and providing the consulting services. The common resolution for this problem is to set appropriate restrictions on the management consulting services by using independency (Nikbakht and Mehrabani, 2006).

2.3.2. Audit Vs. Client Conflict

The managers of big firms are inclined very much to manipulate the financial statements. The managers want to show their positive influences on the establishment of the operation of big investment companies. In the present time, the firm managers do this for some personal interests. The spread of the managers’ rewards formula is tied to the operation of financial firms. In most of the cases giving rewards in the selection of the firm shares intensifies the managers’ activities, and makes the managers to be fully interested in the financial statements of the firm. They are
very interested, and they simply let the financial section to fall at any time they wish. Rather than remaining passive, the modern managers act positively under the term “management”, that the results show the financial statement of their firms. In fact, the additional term under “management profit” shows that the managers are actively busy toward determining the financial statements of the firms (Kaplan, 2004).

This is truly recognized that the accounting profession is a crucial factor in the society. The accounting activists have shown that the attributes of neutrality and integration are available, and their advancements can affect this profession (Adimi and Fagbemi, 2010). In the other hand, this is a natural tendency of the management in the general accounting firms to assume that providing an independent investigation of the multiple attempt of manipulation of the firm balance-sheet and the loss-and-profit statement is needed.

2.3.3. Types of Conflicts in the Accounting Profession

On studying the literature of the conflicts and pressures that make the accountants to behave abnormally, the following categorization is applicable:

2.3.3.1. Time Budget Pressure

The time budget pressure is one of the tensions in the audit profession. The time budget pressure is interrelated to unwelcomed consequences such as the reduced audit quality, and payable time underreport.

2.3.3.2. Pressure from the Auditee

In the Representation theory, the major factor for the presence of the independent audit profession is the valuation duty. To perform this role, the auditors are set in a very crucial and exclusive position in the society.

2.3.3.3. Pressure from the auditor’s character type

The character types are inclined to be the criteria of the business literature, depending on the matter whether they are of A, or B character types.

2.3.3.4. Pressure from Conflicts

The stress or pressure arises from difficulty or an obstacle to gain a position along with the competition and quality of the working life. Periodical meetings with the clients, in particular at the peak periods, can increase the heavy pressures on the auditors.

2.3.3.5. Pressures from Social influence

The pressures from social influences are classified in to two groups of abeyance and conformity pressures that can affect the operation of the professional auditors.

2.3.3.6. The Representation Conflicts

Due to the prior negotiation judgments by the auditors and administrative managers on their general disparate addressing of the exclusive behaviors such as Pressures from deadlines at the end of audit these conflicts are produced.

In this section, considering an auditor’s judgment and the features of conflict and contrast and professionalism it can be said:

H2: Professional judgment affects the conflict between an auditor and the management.

H3: Professionalism affects the conflict between an auditor and the management.

In order to examine the mediator role of professional judgment in the investigation of the effect of professionalism feature on the conflict between an auditor and the management, the following hypothesis has been suggested and tested:

H4: Professionalism affects the conflict between and auditor and the management through professional judgment.

2.4. A review of the research literature

In a study called “twofold processes to their plurality: consequences of the economic behavior”, Frer and Strack (2014) while briefly examining the twofold process theories and system of social psychology and recognition,
commented on their relationship with the studies related to the economic behavior. They introduce the twofold theories as a theoretical framework which helps the structure and interpretation of experimental results and can state the importance of human behavior in the economic area. Beliefs and concepts of the twofold process normally begin with penetration in the economics and helping the change of behavior and construction of the wisdom limited to the economic theory. In a study called “Auditor’s metaphor and professional judgment: Can main activities be regarded inactive in the creation of the mentality of professional skepticism?”, Parel and et al (2014) conducted a test through 99 senior auditors who were among the indices of four major auditing firms. They demonstrated that virtual studies strengthen the professional doubt and uncertainty and influence on the doubt and uncertainty in the judgment. Goorman (2014) states in a study that professionalism and specialized work is a potential factor for wrong manners. According to traditional models, the self-regulatory professionalism has been developed from external rules and regulations to self-commitment to regulate their own members in golden era of mid twentieth century by freedom grant association of professional communities. Professionalism promotes specific ethical norms and new communities’ workers and uses social controls to prevent deviations.

Peterson (2014) conducted a research aiming at the identification of style of preferences of management of individual conflict and the competence level of self-regulatory sensations (statement and regulation of sensations) of official accountants in South Africa. Its sectional design included a biography questionnaire and Thomas-Kilmann conflict styles measuring tool and the emotional intelligence map scale and the data were gathered from the available respondents. The results indicate that the respondents are able to adapt their conflict management styles with the demanded requests for special accounting customers. In addition, accountants are able to state their emotions while using more beneficial conflict styles. In a study called “The effect of affiliates, face and compensation of commitment on the ethical judgment among China’s professionals”, Ayo (2014) investigates the probability of endangering professionals’ integrity to save affiliates, get face and compensate for the commitment. As a result, save of affiliates may result in compromise in profession and affect auditors’ judgment. In a study, Menkaf and et al (2013) investigated the overconfidence in the area of financial markets. The area of their issue includes institutional investors, investment counselors and individual investors. They all are using a registered online platform based on the market tendencies at a high level of data. According to the performed registration, some social and economic features of participants are controlled in their analysis. It seems that there are stable differences in the overconfidence between the three groups of investors. In addition to that, the experience and age of investment has a wonderfully significant effect in the reverse direction on the overconfidence.

Bakov and et al (2013) examined the effect of the accuracy of accounting standards on auditors’ judgment and realized that it is most likely that when accounting standards have lower accuracy and comprehensiveness, auditors’ reports will be more aggressive. However, if auditors use a judiciary framework, auditors’ acceptance of such aggressive reports will be less. Praditningram and Janiwatery (2011) examined the influence of factors such as gender, auditor’s experience, duty complexity and obedience pressure on auditors’ judgment in audit. The research results indicate the existence of a positive relationship between the age, experience and expertise of an auditor and their judgment. The obedience pressure has a negative relationship with auditors’ judgment, while duty complexity doesn’t have an impact on auditors’ judgment. In a study, Salivan (2004) experimentally investigates the effect of ethical training and students’ tendency ability on the use of professional judgment to resolve accounting ethical conflicts. In the research, the questionnaire tool has been used and the statistical population is the accounting students and the questionnaire on the indices of ethical congruence was distributed among third year university students and postgraduate students. In the conducted test of Wilcockson, it was clarified that there was a meaningful difference in accounting students’ professional judgment before and after training of professional codes of conduct.

In their research, Chrispatel and et al (2002) investigate the effect of culture on the professional judgment of Australia, India, Malaysia and China’s auditors in resolving the conflict between auditor-customer. Considering the cultural features of the study and the differences dominating it, the study sets the hypothesis that Australian auditors resolve the conflicts between customers and auditors less than their Indian, Chinese and Malaysian counterparts through approaching the customers and have fewer acceptances to resolve the conflicts in this way. The results support the hypothesis of the existence of difference between Australian and Malaysian, Indian and Chinese auditors in professional judgment. In addition, the results state that multiple criteria have higher explanatory power than one-dimensional criteria. In his study called “Resolution of auditor-client conflict about financial statements”, Goodwin (2000) examines conflict management styles used by auditors to resolve conflicts on financial statements with
customers. Jengiz and et al (1998) carried out a study called “The effect of customer action on auditors’ judgment: examination of physical effects and customers’ trust”. The aim of the paper was to examine auditors’ judgments and decision making for the occurrence and repetition of a clear state of customer’s preference. The result of the present research is that auditors’ judgments and their decisions are sensitive to relative trust building of customers. Findings suggest that auditors react to the credit of customers section when customers’ agent is being evaluated.

3. The research method

Based on the results obtained from the research and their use in the way of auditors’ judgment, the present research is of applied type from the objective point of view and of survey type from data collection type and of correlation type from the perspective of investigation of the relationship between variables. In the present research, in order to gather the data and the theoretical foundations of the research, the field and library methods are respectively used and the tools used in the study are standard questionnaires and note taking. The statistical population of the research is professional auditors and accountants, among whom the desired sample was determined and selected using respectively the Cochran’s formula and random sampling method. In the research, the approval of the relationships between variables and factors is carried out through confirmatory factor analysis and PLS modeling technique using PLS2 SMART software, which is a variance based path modeling technique that provides the possibility of the simultaneous investigation of the theory and measures. The method is used for cases where the model is complicated or the sample volume is small or variables distribution is not normal. In addition, using the Sobel test, the assumption of the mediator role of professional judgment variable is examined.

4. The research findings

4.1. Descriptive statistics

In table 1, central indices such as mean and median and dispersion indices such as standard deviation, kurtosis and skewness have been calculated for various variables. Mean, being bigger than median, indicates the existence of big points in the data because mean is affected by those values. In these cases, the distribution of data is skewed to the right and in contrast and for some cases, it is skewed to the left. The distribution of no variables is skewed to the left.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number</th>
<th>Mean</th>
<th>Median</th>
<th>Standard Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionalism</td>
<td>215</td>
<td>3.69</td>
<td>3.70</td>
<td>0.36</td>
<td>-0.49</td>
<td>1.21</td>
<td>2.21</td>
<td>4.57</td>
</tr>
<tr>
<td>Conflict</td>
<td>207</td>
<td>4.24</td>
<td>4.25</td>
<td>0.65</td>
<td>-0.08</td>
<td>0.07</td>
<td>2.38</td>
<td>6.00</td>
</tr>
<tr>
<td>Professional Judgment</td>
<td>206</td>
<td>-1.12</td>
<td>-1.45</td>
<td>1.56</td>
<td>0.76</td>
<td>-0.45</td>
<td>-3.00</td>
<td>3.00</td>
</tr>
</tbody>
</table>

If mean and median values are close to each other, then the variables distribution is symmetrical. This feature is very important because symmetry is one of the features of normal distribution, which will be discussed in the next section. (The amount of kurtosis and skewness of normal distribution is zero) The amount of skewness and kurtosis of the research variables is close to zero and the indices show that these variables have relative symmetrical distribution which is similar to the normal distribution. Distribution of other variables is also relatively normal.

4.2. Confirmatory factor analysis

In the methodology of structural equations model, initially it is necessary to study the validity of the structures and determine whether the items selected for measuring variables of interest have the necessary accuracy. For this purpose, the confirmatory factor analysis is used. This means that the factor load of each item with its variable must have a t value higher than 1.96. In that case the item has the necessary accuracy to measure the structure or hidden variable. In table 2, values of the factor load for the items of each hidden variables have been shown.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number</th>
<th>Mean Load</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionalism</td>
<td>215</td>
<td>-1.25</td>
<td>-0.45</td>
<td>2.00</td>
</tr>
<tr>
<td>Conflict</td>
<td>207</td>
<td>-1.35</td>
<td>-0.35</td>
<td>2.50</td>
</tr>
<tr>
<td>Professional Judgment</td>
<td>206</td>
<td>-1.15</td>
<td>-0.45</td>
<td>3.00</td>
</tr>
</tbody>
</table>
All items had a t statistic value of more than 1.96. Therefore none of items are deleted from the model and will continue to work with all the items (questions) and will investigate the model. However, according to factor loads, the index with the most factor load has the most share in the measurement of the related variable and the index with smaller coefficients, has less share in the measurement of the related structure.

4.3. The model outputs (path coefficients and the t-statistic)

Using the internal model the hypotheses can be examined. Comparing the calculated t value for each path coefficient, the research hypothesis can be approved or rejected. This means that if the absolute value of t statistic is more than 1.96 or 2.58, the path coefficient is respectively meaningful at the certainty levels of 95% and 99%. The test results of the research conceptual model for the case of coefficients having meaning are shown in the following figure. In order to be able to investigate whether path coefficients are meaningful, it is necessary for the t value of each path to be higher than 1.96. In the analysis, the t statistic value for four paths is more than 1.96 and therefore meaningful and is not meaningful for the path from professionalism to the conflict between auditor and management. The coefficient of determination for professional judgment variable has been estimated as 0.27, which shows that professional judgment variable has been able to explain 27% of professional judgment changes.

4.4. The internal model (structural model)

In a framework of the internal model, the hypotheses were examined and the structural model path was evaluated. Each path corresponds to one of the model hypothesis. The test of each hypothesis is performed through examination of the sign, size and statistical meaning of the path coefficient (beta) between each hidden variable and the dependent variable. The higher the path coefficient, the higher is the predictive effect of the hidden variable with respect to the dependent variable. Considering the investigation results of relationships between independent variables and the dependent variable using the related coefficient, the meaning of effects between the research variables can be investigated. In order to investigate the path coefficient meaning or beta the meaning of t-value for each path coefficient should be considered. Therefore the Bootstrapping method was used, based on which the resampling for the two cases of 500 and 800 samples were simulated and the results show that for both cases, no changes is seen for significance of the parameters and the results have a strong credit.(Table 3)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Item</th>
<th>Factor Load</th>
<th>Standard Error</th>
<th>t statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client/Customer Commitment</td>
<td></td>
<td>0.692503</td>
<td>0.099830</td>
<td>6.936839</td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td></td>
<td>0.667513</td>
<td>0.138348</td>
<td>4.824870</td>
</tr>
<tr>
<td>Professionalism</td>
<td>Profession Commitment</td>
<td>0.837911</td>
<td>0.066249</td>
<td>12.647937</td>
</tr>
<tr>
<td>Rigor and strengthening the independence requirements</td>
<td></td>
<td>0.879258</td>
<td>0.051181</td>
<td>17.179375</td>
</tr>
<tr>
<td>Value of caption of official auditor</td>
<td></td>
<td>0.753942</td>
<td>0.129450</td>
<td>5.824189</td>
</tr>
</tbody>
</table>

According to the t-value at the certainty level of 95%, professionalism to the conflict between auditor and management has had no meaningful effect.
4.5. The research hypotheses test

Having investigated the main model, the research model hypotheses have been evaluated. If the absolute value of t statistic is less than 1.96, then the null hypothesis is concluded and if it is more than 1.96, then the null hypothesis is rejected and in this section the related hypotheses are tested.

Hypothesis (1): Professionalism affects professional judgment. (Table 4)

<table>
<thead>
<tr>
<th>t statistic</th>
<th>Table value</th>
<th>Conclusion</th>
<th>Path Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.623</td>
<td>1.96</td>
<td>Is effective</td>
<td>-0.154</td>
</tr>
</tbody>
</table>

Since the absolute value of t statistic is equal to 2.623 and is higher than 1.96, then the null hypothesis is rejected. This means at a certainty level of 95%, professionalism has a meaningful effect on professional judgment and the impact value is equal to 0.154 and it is negative (reverse). Therefore it can be concluded that as the value of professionalism increases, the value of professional judgment decreases.

Hypothesis (2): Professional judgment affects the conflict between auditor and management. (Table 5)

<table>
<thead>
<tr>
<th>t statistic</th>
<th>Table value</th>
<th>Conclusion</th>
<th>Path Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.33</td>
<td>1.96</td>
<td>Is effective</td>
<td>0.19</td>
</tr>
</tbody>
</table>

Since the absolute value of t statistic is equal to 2.33 and is higher than 1.96, then the null hypothesis is rejected. This means at a certainty level of 95%, professional judgment has a meaningful effect on the conflict between auditor and management and the impact value is equal to 0.19 and it is positive (direct). Therefore it can be concluded that as the value of professional judgment increases, so does the value of the conflict between auditor and management.

Hypothesis (3): Professionalism affects the conflict between auditor and management. (Table 6)

<table>
<thead>
<tr>
<th>t statistic</th>
<th>Table value</th>
<th>Conclusion</th>
<th>Path Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.120</td>
<td>1.96</td>
<td>Is not effective</td>
<td>-0.11</td>
</tr>
</tbody>
</table>

Since the absolute value of t statistic is equal to 0.120 and is less than 1.96, then the null hypothesis is not rejected. This means at a certainty level of 95%, professionalism doesn’t have any meaningful effect on the conflict between auditor and management.

Hypothesis (4): Professionalism affects the conflict between auditor and management through professional judgment. (Table 7)

<table>
<thead>
<tr>
<th>Path</th>
<th>Path Coefficient</th>
<th>t statistic</th>
<th>S.E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Professionalism → Professional Judgment</td>
<td>-0.15</td>
<td>2.62</td>
<td>0.059</td>
</tr>
<tr>
<td>2 Professional Judgment → Conflict between auditor and management</td>
<td>0.19</td>
<td>2.33</td>
<td>0.082</td>
</tr>
</tbody>
</table>

According to the above table, for path 1, the absolute value of t statistic is equal to 2.62 and is more than the value of 1.96. Therefore professionalism has a meaningful effect on professional judgment. On the other hand, for path 2, the absolute value of t statistic is equal to 2.33 and more than the value of 1.96. Therefore professional judgment has a meaningful effect on the conflict between auditor and management. (Table 8)

<table>
<thead>
<tr>
<th>Path</th>
<th>Z statistic of the test</th>
<th>S.E</th>
<th>Meaning level of p</th>
<th>Indirect effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Professionalism → Professional Judgment</td>
<td>-1.713</td>
<td>0.017</td>
<td>0.087</td>
<td>-0.029</td>
</tr>
<tr>
<td>2 Professional Judgment → Conflict between auditor and management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
On the other hand, based on the Sobel test statistic (-1.713) and the meaning level (0.087), which is more than 0.05, and the null hypothesis is not rejected, at a certainty level of 95% professionalism doesn’t affect the conflict between auditor and management through professional judgment.

5. Discussion and conclusion

For the first hypothesis examining the effect of professionalism on auditors’ professional judgment, the results indicate the existence of a meaningful and reverse effect for professionalism level on auditors’ professional judgment. It means that as the amount of professionalism increases, auditors’ professional judgment level decreases. Considering the professionalism concept which includes professional organizations and associations of accounting and auditing and the fact that unfortunately the position and apostate of professionalism is uncertain yet among the profession members and even academics, the reverse effect on auditors’ professional judgment will be evident. Perhaps another reason for the current result is the lack of necessary structures and organizations across states and cities, which are mostly regarded as agencies, and can be known as a factor leading to unprofessionalism of practitioners of financial statements and other professional audit service. One other reason of the obtained result can be attributed to the disintegration of accounting standards. In addition, there is a need to ethical standards and the result of this hypothesis is compatible with the study of Fatemi and et al (2014) and Adimi and et al (2011). Perhaps another factor is the lack of spiritual intelligence among accounting professionals, which is a reason for the increase of professionalism. Akbari Lakeh and et al (1392) have reached the conclusion in their study that it can finally lead to the improvement of auditors’ professional judgment level.

About the second hypothesis results, which evaluates the effect of professional judgment on the conflict between auditor and management, it can be confessed that the higher the professional judgment level, the higher the conflict between auditor and management, resolution of which becomes challenging. Perhaps many reasons can be stated about the appearance of the effect. The size, experience, the profession ethical values, auditor’s expertise, independence level, individualism versus collectivism, popularity and credit and family and religion of auditors are among the factors which may affect auditors’ judgment and ultimately lead to conflict as a result of not receiving the expected report by customers or pressures by colleagues. The results of the present research are compatible with those of Spinosa-Peak and Barerani Koa (2015). The third hypothesis of the research states the effect of professionalism on the conflict between auditor and management, which shows no effect of professionalism on the conflict between auditor and management. Perhaps its reason can be attributed to the lack of relationship between existing pure rules and regulation in the organizational structure of auditors and the main reason for the creation of conflict between management and auditor can be a practical and application result of the rules. In this regard, no similar study was found as a result of a search in the related resources. The result of the fourth hypothesis indicate the meaningful effect of professionalism on professional judgment and the effect of professional judgment on the conflict between management and auditor. However, based on the Sobel test, professional judgment cannot be regarded as the mediator role in the effect of professionalism on the conflict between auditor and management. Perhaps, the obtained result can be analyzed in such a way that auditors don’t act professionally when doing professional operation especially in their judgments. In other words, they don’t use professional standards.

6. Suggestions based on the results

Based on the results obtained from the first hypothesis it is suggested that the Corporate Audit and audit firms have more and more comprehensive supervision over the commissioning of agents in states and cities and develop criteria based on which if some conditions such as success in audit execution tests and … are met, the license for establishing a representative office is issued. It is also suggested that more effective action be taken by authorities to integrate the standards and make a link between existing accounting and auditing standards so that the contradiction and conflict in standards doesn’t lead to unprofessional judgments. Based on the result obtained from the second hypothesis, which indicates the direct and positive effect of professional judgment level on the conflict between auditor and management, it can be suggested that it is attempted to make audit firms bigger and combining audit firms and creating bigger firms and using more experienced people to teach inexperienced individuals and using famous and prominent firms, promote small firms with less popularity and increase their audit quality. It is also suggested that
Code of Professional Conduct becomes more operational in audit firms and is not at the level of a slogan and some criteria are developed and operated by firms determining the quality of auditors’ work to evaluate them. It is also suggested that people’s religion and family is taken into account while selecting professionals.

Based on the results of the third and fourth hypotheses, which are related to each other, indicating that professionalism doesn’t have an impact on the conflict between auditor and management and professional judgment has no mediator role in the effect of professionalism on the conflict between auditor and management, it can be suggested that professionalism is remained unknown across organizations and also for users of financial statements and the audit firm and accounting association introduce fully and accurately the professionalism for the people of society especially auditors working in firms and state its effectiveness on the resolution of the conflict between auditors and management.

References


