

## **The Impact of the Strength of Accounting Firm's Ethical Environment on Auditors' Decision Making**

The aim of this study is to examine the impact of the strength of the firm's ethical environment (presence and reinforcement vis-à-vis merely the presence of a firm's code of conduct) on the quality of auditor judgment. The results of the study will assist in filling a void in academic research pertaining to the impact of ethical environmental factors on the actual overall decision-making judgment quality of auditors, as previous research has focused solely on the ethical dimension of the judgment, rather than overall judgment quality. Furthermore, it is timely for the auditing profession in light of the potentially significant effort and financial burden upon firms to comply with the mandatory changes of the newly introduced International Standard on Quality Controls 1 (ISQC 1). These changes include, amongst many things, a focus on the ethical competencies of auditors.

Using a behavioral experimental approach, with audit managers and seniors as participants, it was shown that: (i) the stronger ethical environment had no significant impact on the quality audit judgments; (ii) more experienced auditors made higher quality technical judgments; and (iii) more experienced auditors were more sensitive to differences in the strength of the ethical environment than less experienced auditors. These results suggest that regulators and accounting firms may need to consider carefully the manner in which they attempt to strengthen the ethical environment in which auditors work.

**Nonna Martinov-Bennie's** key research interests are in the area of audit methodology, materiality, audit judgment, auditor independence and ethics. Nonna's M.Com (Hons) research project "The Assessment and Integration of Materiality and Inherent Risk: Major Firms' Audit Practices" involved an analysis and comparison of the methodologies of the 'Big 5' accounting firms. Her PhD thesis titled "An Investigation of the Moral Intensity Construct on Auditors' Decision Making and Independence" investigated auditors' ethical decision making and independence judgments in the post Enron and HIH environment. Nonna has also recently become interested in the impact of the code of ethics on the audit firm environment. Her research focus is on bridging the gap between academia and the profession by providing timely and relevant investigation of research areas which are informative to academic researchers, the auditing profession and the regulators.

Nonna has published her research in a number of top ranking international journals such as *Auditing: A Journal of Practice and Theory*, *International Journal of Auditing* and *Journal of Business Ethics*. Nonna reviews papers for many international journals and conferences, such as the *Accounting, Auditing and Accountability Journal*, *Auditing: A Journal of Practice and Theory*, *International Journal of Auditing*, *Accounting and Finance* and *Australian Accounting Review*.

Nonna has been lecturing the undergraduate or postgraduate auditing and assurance courses since 1991. She is passionate about the role of auditing in the context of the business environment and strives to provide the most relevant, interesting, up to date and practical course for her students. Prior to her involvement in academia, Nonna was employed as a Senior Audit Manager with Deloitte Touche Tohmatsu for a period of ten years. She is a FCA and continues to be actively involved with various aspects of the Institute of Chartered Accountants in Australia (ICAA), such as the CA Program and its Continuing Professional Education activities.