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Ethical consciousness in auditing

A comparison of students and employees

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Independent work in business analysis

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Abstract

The purpose of this thesis has been to examine the difference in the level of consciousness towards ethics in auditing between students and employees, and further examine if the level of ethical consciousness comply with auditing standards.

To examine the level of the different groups, a survey was conducted and distributed. The survey contains questions that will give an overall impression of the ethical consciousness towards ethics, and further if this consciousness comply with the expectations in auditing standards, including ethical standards.

The surveys showed no significant difference between students and employees regarding ethical consciousness, thus both groups revealed to have a high level of ethical consciousness in auditing. This complies with auditing standards, as the standards expect the auditor to be ethical in order to fulfil the responsibility as an independent auditor.

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1. Introduction

1.1 Background

The auditing scandals the last decade have been many and also critical from an ethical point of view. Enron, WorldCom and Parmalat are the giants in the scandals, but far from the only ones. Due to this, the reputation of auditing as a profession has been severely damaged. Post-Enron the crisis has been used for the state of the profession.

In the wake of the scandals, there was a necessity to restore public trust. Actions towards ethics were taken. The Securities and Exchange Commission (SEC) suggested that by developing independence guidelines for auditors, establishing new auditing standards and investigating, monitoring and disciplining the auditing profession, trust in the profession could be restored (Rezaee, 2004). These actions have been conducted in an attempt to increase the ethical focus and restore trust within the profession.

Being trustworthy is closely related to the responsibility the auditor has towards clients and employers, as well as the public in general. The auditor needs to ensure that the financial statements are free from material misstatement and conducted according to the relevant financial framework. To do this, the relevant ethical requirements need to be fulfilled. As ethical guidelines for auditors is developed, these alone are not sufficient in order for an auditor to act according to the expectations of the profession. In addition to the guidelines given, factor such as moral also need to be taken into account.

The actions done after the scandals has led to a high level of focus towards ethics in auditing, both in auditing education as well as in auditing firms. Being an auditing student you are taught the theoretical aspect of auditing, including ethics. When one takes the plunge into working life, you will acquire practical experience. It is expected that the auditing practitioners act according to the standards and guidelines, and further fulfil their responsibility as an auditor. Since auditors has practical experience, a fair assumption would be that auditing practitioners are more conscious towards ethics than students, as they are more exposed to possible ethical dilemmas in the profession. This would then imply that there is a difference between the two groups regarding ethical consciousness.

1.2 Problem

As a result of the numerous scandals the focus has been increasing and is today largely emphasized both in auditing education as well as in auditing firms. The auditing standards and the codes of conduct, as well as the imposed regulation on ethical training, is evidence of such a high focus.

The ethical guidelines, such as *The Code of Ethics for Professional Accountants*, are constructed as a tool for auditors in ethical matters. The code can be used to identify ethical dilemmas, and further conduct the audit in accordance with the expectations. All auditing firms have adopted the code in order to enhance the ethical consciousness. Studies such as Somers (2001) showed that codes of ethics didn't necessary increase the propensity to report unethical behaviour, though it can be argued that studies conducted prior to the landslide of scandals should be considered with certain scepticism.

However, it could be assumed that the code of ethics could contribute to a higher level of consciousness towards ethics, which further could be an indication that the profession carries out its task of being an independent part. Being ethical is determined by a number of factors, including ethical education, moral and experience, as well as the environment. These factors should be reason for potential differences between students and employees in auditing, since auditors are more prone to ethical dilemmas in their work, as well as they have experience. By comparing students and employees in respectively universities and auditing firms, it is possible to examine if there are any differences between the two groups. Does experience play a role of ethical perception and the ability to make an ethical choice? Further, by comparing the two groups it is possible to get an impression of the level of consciousness towards ethics in order to see if they comply with auditing standards as well as expectations the public has towards the auditing profession.

The auditor has a responsibility towards the public, where there are certain expectations towards the profession. To fulfil this responsibility the auditor has to comply with the auditing standards as well as the ethical standards. In order to do so, the auditor should have a high level of ethical consciousness.

Doing a comparison between auditing students and newly employed auditors could give a reasonable impression of any differences, and further if the level of ethical consciousness comply with the ethical standards.

The main-problem is then:

Is there any difference in the level consciousness towards ethics between auditing students and auditing employees?

In order to examine whether the results comply with auditing standards, this further leads to the problem:

Does this level of ethical consciousness comply with the auditing standards?

The overall purpose is to examine if there are any difference in the level of consciousness towards ethics in auditing between students and employees, and if this level comply with auditing standards.

1.3 Clarifications and limitations

There are some limitations regarding the problem given. The sample of students and employees are supposed to represent the whole population and further a generalization is drawn based upon that sample. Further the survey is conducted in order to give an impression of the ethical consciousness in both groups, and further doesn't give an exact answer to what students and employees would do facing an ethical dilemma or their actual knowledge towards ethics.

1.4 Structure of the thesis

Introduction: First I will present the background for the thesis problem, and further give an introduction to the main problem.

Theoretical framework: The framework presented is ethics, auditing and ethics in auditing. The framework will present an introduction to the relevant background for the analysis, where it is merely a motivation for the study conducted.

Methodology: This section presents the methodology used including quantitative and qualitative approach, data collection, sample, survey and interviews. The validity and reliability of the empirical evidence will also be discussed.

Empirical findings: The findings from the survey conducted and the interviews will be presented in this section. The results from the survey will be presented first, followed by interviews that are used as substantiated empirical findings.

Analysis: In the analysis the empirical findings will be analysed, and further use the analysis to solve the problem in the thesis.

Conclusion: In this section I will sum up what I have discussed in the analysis and give a possible answer to the problems given.



Structure of the thesis

2. Theoretical framework

2.1 An ethical framework

In the theoretical framework there will be given an introduction to what ethics is. Further ethical theories and ethical reasoning are discussed, in order to give the background and motivation for the problems.

2.1.1 What is ethics?

Ethics (or moral philosophy) can be explained as the systematic effort to understand moral concept. Further, moral concept could be understood as the difference between right and wrong, good and evil or fair and unfair (Pojman, 1989). The distinction between ethics and morality is clear in philosophy – ethics reflects over moral, and moral is the understanding of how we actually act. In other words, ethics can be seen as the theory and morality as the practice. The ethical theories can be seen as guidelines of how the human being should act. It is a tool or a framework when considering actions in a situation, for example auditing financial statements. Using the theories can make it easier identifying moral dilemmas and to provide a pathway for moral reasoning (Melé, 2005). A situation or dilemmas that ethics cover is

- i) How to live a good life
- ii) Our rights and responsibilities
- iii) The language of right and wrong
- iv) Moral decision – what is good and bad

(BBC, 2011)

These situations or dilemmas could be applied to more or less everything in our lives, either if it is to follow an old lady across the street, if I should tell the cashier that I got too much money back or if there are some material misstatement in the financial statement. They are all situations or dilemmas that could occur, also if you are an auditor.

2.1.2 Ethical theories

Being conscious towards ethics is closely related to how you make an ethical decision. The more conscious you are, more likely would you make a good choice when facing an ethical dilemma. Ethical theories can be used as a tool in solving ethical dilemmas, both

in general and in an auditing context. They are not prescription for actions, but should rather be seen more as tools for understanding complex situations (Preuss, 1998). Though using the theories needs thoughtful consideration, due to the different purpose of the theories. The relevant ethical theories will be presented in order give an understanding of the ethical framework.

We can make a distinction between normative and applied ethics. Normative ethics is a study of what is right and wrong. The actions of the human are central, and normative ethics develops standards of morality that ought to regulate our conduct. It answers questions such as: How should we act? How should we live? (Johansen, 1994). Using normative ethics, controversial questions such as euthanasia and capital punishment is tried to being answered.

Further, next to normative ethics there is applied ethics that deals with what is right and what is wrong in a specific matter or issue (Johansen, 1994). Questions such as how to perform auditing could be examined by applied ethics. So even though applied ethics could be used for the auditing profession, further theoretical framework presented is normative ethics as it is more relevant for this thesis.

There are three principal normative ethical theories:

- Consequentialism
- Deontology
- Virtue/classical ethical theory

Consequentialism, or teleology, is the rightness or wrongness of an action depends solely on the consequences of an action for people's welfare in general (Cheffers and Pakaluk, 2005). This means that it is the consequences or the outcome of people's action that is of importance. The rightness of the conduct depends on the consequence, and it is a morally right act if the consequence is good. So how will someone act in a situation where there is an ethical dilemma? It depends on what consequentiality orientation or teleological philosophy the person is leaning towards (Cheffers and Pakaluk, 2005). Even though there are several teleological philosophies, I will emphasize two that I find the most relevant: egoism and utilitarianism.

Egoism defines right or acceptable behaviour in terms of its consequences for the individual (Ferrel et al, 2005). The decision made by an egoist is based on the

consequences for himself and the urge to maximize own self-interest. The question is whether it is possible to be ethical when you are only concerned with your own self-interest. Self-interest is individual and is defined differently from one individual to another. Some may say it is self-interest of wealth or power, and other may define it as well being, good family life or career (Duska and Duska, 2003). What is common is that an egoist will in an ethical situation choose the option that contributes to his or hers self-interest. So is really egoism and ethics compatible? An egoist will of course say yes, but it is important to distinguish between self-interest and selfishness. Dictionary.com (2011) defines self-interest as '*regard for one's own interest or advantage*'¹. Selfishness on the other hand is defined by Dictionary.com (2011) as '*devoted to or caring only for oneself; concerned primarily with one's own interests, benefits, welfare, etc., regardless of others*'². The distinction is not remarkably, but it is there. Being selfish is more negatively loaded than being self-interested. Where being selfish neglects others but by being self-interested in principle means that you are concerned for your own well-being, but you do consider other people (Barlaup et al, 2009).

For example, an auditor with financial interest in the company he or she is auditing will be acting out of self-interest by giving a clean opinion when there are possibilities that the opinion should be qualified. This might at the point serve as a good outcome for the client, but what about the other stakeholders? As a potential shareholder or an employee, it would be in my best interest that the auditor did not have self-interest in the auditing.

Utilitarianism is concerned with consequences, like egoism is. But the difference is that utilitarianism seeks the greatest good for as many people as possible, the greatest total utility for all those affected by a decision (Ferrell et al, 2005). This means that if the consequences are good, then the action is good. This theory appeals more to our moral than egoism, as I have to consider others when maximizing happiness for myself. If others are worse off by my actions, then the action is unjustifiable (Duska and Duska, 2003). Doing the right action according to utilitarianism, can be done by using a cost-benefit analysis. What you have to do is to compute benefits and costs of the consequences for everyone that is affected. If happiness is greater than unhappiness for a greater amount of people, then the benefit is higher than the cost, and the action is good (Duska and Duska, 2005). If I issue a clean opinion for a financial statement where there is reason to believe that the financial statement is misstated, the action is

¹ <http://dictionary.reference.com/browse/self-interest>

² <http://dictionary.reference.com/browse/selfishness>

according to utilitarianism justifiable if the benefit is greater for most people than the harm. This can be considered one of the weaknesses with utilitarianism as a theory.

Deontology ethics or duty ethics is a contrast from utilitarianism in a way that it considers the moral motive behind the action independent from the consequence. The moral motive behind the action is the central element, and the motive should be of 'a sense of moral obligation' or 'duty'. (Duska and Duska, 2003). In utilitarianism, lying could be justified if it benefits a greater amount of people. This is not the case for deontologist. Lying is fundamentally wrong, and it is our duty to tell the truth. So even though someone will get hurt, lying is not justifiable according to deontologists. Immanuel Kant said that our primary duty is to only act in those ways in which the maxim of our acts could be made a universal law (DesJardins, 2006). This he called the categorical imperative, where the maxim could be thought of as the intention behind the act. For instance if I was borrowing money from my company, but the amount was so low that the company would not notice if I did not pay it back – the maxim would be “Do not pay back small amounts of money that you borrow from the company”. If we now try to convert the maxim to a universal law, everyone could act after the maxim. What would happen if everyone borrowed a small amount of money from the company, without paying it back? This company, and probably every company in the world would no longer exist. This is obviously not a desired situation, and the action of borrowing money and not repay is from a deontological ethical point of view, incorrect. So, what Kant is expressing is that we should act according to those maxims that could universally be accepted and acted on (DesJardins, 2006). As with borrowing money from a company, an auditor may face the opportunity to set a lower control risk to avoid gathering more evidence. If he or she would do so, according to deontologist every auditor should be empowered to do so as well. This would lead to a reduction in the reliability of the auditor, and the role of the auditor would be impaired. To set the control risk too low would be unethical according to deontology.

The last ethical theory I am going to discuss here is *virtue theory* or virtue ethics. Both consequentialism and deontology follows rules when deciding what we should do. Virtue ethical theory on the other hand, considers what good traits of character a person should possess in order to be a good human being (Cheffers and Pakaluk, 2005). These traits or virtues that a person should have are courage, moderation, justice and prudence – the cardinal virtues. Other virtues that have been added by Christians later are faith, hope and love. Virtues that make a person do good, is virtues that enables

someone to carry out his or hers task well (Cheffers and Pakaluk, 2005). To do so, the person has to both think correctly and carry out well what we thought is correct. The distinction of these two actions of thinking and carrying it out could be divided as intellectual virtue and virtues of character. Intellectual virtue includes good judgement, discernment, understanding, objectivity, knowledge and several other characteristics (Cheffers and Pakaluk, 2005). These are characteristics that can be acquired through books and study, though carrying them out to life needs virtues of character that only could be acquired through practice (Cheffers and Pakaluk, 2005). For an auditor, it is important to both possess intellectual virtue and virtues of character. In an auditing it is necessary to think correctly, and carry out this thought. Some of intellectual characters that are of importance in the auditing profession are objectivity, good judgement and impartiality. As for character of virtue an auditor should possess the virtues of integrity, justice and courage.

So which ethical theory is suitable for the auditing profession? All the ethical theories can be used for guidelines in the field of auditing to identify ethical dilemmas, but all theories have some shortcomings. As for egoism there is an issue acting out of self-interest and acting out of selfishness. For example a baker who sells bread or a butcher who sells meat, do this because they need to make money to 'survive'. Selling these products is acting out of self-interest. If we assume they care about their customers, they are not selfish. If the butcher decided to sell bad meat and was aware of it, he would not consider his customer and it would be both a selfish act as well as an act of self-interest. But what if the butcher only had bad meat? He would have to sell the bad meat to make a living, but at the expense of the customers. This is a problem with egoism as an ethical theory – when only acting according to self-interest is at the expense of others, it is impossible to make an ethical decision. This is a situation that is also present in the auditing profession.

For utilitarianism a distribution problem of whether to bring about maximum good, or to affect the maximum number of people occur (Duska and Duska, 2003). Different people got different urges, which makes it difficult in matters of utilitarianism. A simple example is sharing a chocolate with 3 friends. If I was following the rule to affect the maximum number of people, I will share the chocolate equally between us so that all 4 of us got one piece. But what if one of my friends didn't care to much about chocolate, but one of my other friends had some kind of a sweet tooth – the reasonable choice will then be to give more to the friend that love chocolate and less to the friend that don't.

This would according to utilitarianism bring the maximum good. So what is the correct distribution - maximum good or maximum people? (Duska and Duska, 2003).

Deontology could seem to be the ideal ethical theory for the auditing profession, as it is the motive behind that decides whether it is a good action. There are some implications to this theory as well. As mentioned the moral motive behind the action is central. Is a decision ethical if it benefits you or is it ethical if it is universally? Kant argues that if the motivation is not ethical, then the action is not ethical either (Pojman, 1989). If an auditor gathers substantial evidence because he wants to get recognition from the company bosses, it is not an ethical act. The auditor has to do it because he knows it is right. But should the auditor do less substantial testing because it is according to deontology that is his moral motivation? Isn't it an auditor job to do more substantial testing if needed? It is several contradictions that are difficult for companies such as auditing firms to determine. So deontology might come short for decision-making in auditing as well.

The latter of the ethical theories is virtue theory. An assumption could be that virtue theory is the most preferable ethical theory for auditing, as it is not rule based and also due to the importance of virtues in the profession, especially courage. Though the implications with the theory is that there is different perception of what virtue is. For example, loyalty is seen as a virtue, but this virtue conflicts with other essential virtues in auditing such as objectivity.

Though the theories may be inadequate, they are all relevant in different situations. The theories may help identify moral dilemmas and could provide a pathway for moral reasoning, but only using ethical theories in decision-making is not sufficient (Melé, 2005). The ethical theories are useful tools, but have as mentioned some shortcomings. Melè (2005) explains four shortcomings only using ethical theories to solve dilemmas in the accounting profession:

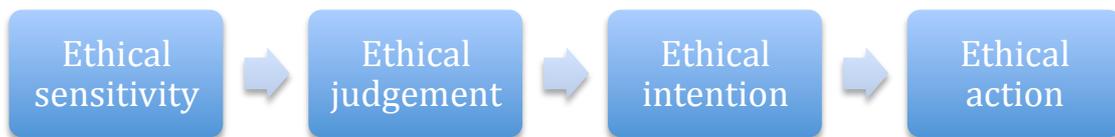
- The action can be seen only as a set of duties or consequences
- Modern philosophy err by accepting the unshakeable foundation of knowledge
- The theories do not encourage students to act well
- The personal disposition is not considered in the ethical theories

It is therefore necessary to be aware of these shortcomings of ethical theories, and know that they are merely a tool identifying moral dilemma and ethical reasoning.

2.1.3 Ethical reasoning and decision-making

Making an ethical decision is a process where an ethical dilemma is identified and further acted upon. The outcome or the action of the ethical dilemma is affected by different factors, including the choice of ethical theory. Moral could be considered one of the most important factors that influence a person's ethical reasoning, though other factors include gender, age, employment and experience (Larkin, 2000).

This process of making an ethical decision can be developed into four stages: ethical sensitivity, ethical judgement, ethical intention and ethical action. The model that has been developed by Rest (1986), is a tool to explain why people make the ethical decision they make. As people make different decision, there is a difference in reasoning between people. For students and employees this process can be different, since factors such as experience can influence the process. This process could therefore explain potential differences between the groups.



The first stage of the 4-level model, ethical sensitivity, is where the ethical issues are recognized. How we percept the situation depends on the situation itself and also the feelings of the human being. Feelings such as compassion, solidarity and sympathy may affect the recognition in a good way, but also sentiments such as greed and self-sufficiency can outdo the good behaviour (Johari et al, 2008). Ethical judgement is where the individual have to consider strategies to determine what action is morally right or wrong (Johari et al, 2008). Making a good ethical judgment will further lead to good ethical action. Practical wisdom is therefore of importance, but also objectivity and open-mindedness are highly relevant, especially for auditors (Melè, 2005). The third stage is where the decision whether to behave in an ethical or unethical manner, is made. At this stage the outcome of stage 1 and 2 is evaluated. The judgement made previously affects the outcome when the intention is ethical. The final and fourth stage is where actual action is conducted. The three previous steps define the action that is

carried out. It is important to remember that every stage is equally important as they interact with each other.

Experience could be a factor that influences decision-making. Starting a new job you are normally trained by someone with experience in the company, with the natural explanation that the person knows how the job is supposed to be done. This is certainly the case for auditors as well. Audit experience can be defined as:

“An auditors' unique knowledge, competencies and capabilities that occur from job practices in auditing profession. It enhances the auditor's abilities to process information, make mental comparisons of alternative solutions, and initiate subsequent actions”

Chung, J and Monroe G.S. p. 139 (2000)

From this definition it could be assumed that experience has an effect on decision-making. The more experience you gain the higher is the possibility to improve judgement in more complex issues (Chung and Monroe, 2000). It could not be understood otherwise that having experience is beneficial for all parts. The auditor would be able to identify problem areas better and more efficient with the client. With greater experience the auditor will more likely commit to rules given, and also to standards and guidelines as well (Chung and Monroe, 2000). Further, this entail that auditors may gain a higher ability for ethical reasoning, as this entail a better ability to consider more things in a more complex way at once (Chung and Monroe, 2000). Abdolmohammadi and Wright in 1986 confirm this on their study conducted about the effects of experience on decision-making and task complexity on audit judgement. They argue that there is a significant difference between inexperienced auditors (such as students) and experienced auditors. The more complex the task is, the more positively related is the effect of experience (Abdolmohammadi and Wright, 1986). Again it could seem like some of these studies can be somewhat outdated and some kind of scepticism should be present, though it can be argued that it is still relevant as ethical reasoning has not changed remarkably over the last decades. Further it could be argued that there is a greater connection between ethics auditing today as it is more emphasized both in universities and organizations.

With this assumption, a fair conclusion would be that employees in an auditing firm that have some kind of experience would be able to make a decision more effectively and more ethical.

The process of ethical reasoning could contribute to explain why we act the way we do, and further it can explain why there is a potential difference between students and employee in the auditing profession.

Together with ethical reasoning cognitive moral development can explain why auditors act the way they do. Learning from experience or theory, it is possible to increase the moral thinking, and further make better judgements. Kohlberg was one of the first to introduce and develop the concept of moral development, and he divided it into six stages (Armstrong, 1993):

I. Pre - conventional level – focus on self

Stage 1 – The physical consequences of actions determine their goodness or badness. Avoidance of punishment and deference to power are valued in their own right.

Stage 2 – Right actions satisfies one's own needs, and occasionally the needs of others, if reciprocity is involved.

II. Conventional level – focus on group

Stage 3 – Good behaviour is what pleases others and is approved by them.

Stage 4 – Right behaviour consist of doing one's duty, respecting authority, and maintaining the social order, for its own sake.

III. Post – conventional level – focus on inner self

Stage 5 – Right actions are defined in terms of general individual rights as well as standards agreed upon by society. Outside of democratically determined laws, the right is a matter of personal values and opinion.

Stage 6 – Right is defined by the decision of conscience in accord with self-chosen ethical principles. The principles are abstract and centre on justice and human dignity.

(Armstrong, 1993)

Kohlberg's model implies that the stage you are on, determines your moral behaviour. An example is an accountant that choose not to embezzle from his or hers company, given there was a possibility. If the accountant refrained due to fear of punishment, he or she could be considered to be on stage 1 in the model. If the accountant did not do it

because of the awareness that it was against the law, the accountant would be considered to be on stage 4. If the accountant didn't do it because of the consequences it may lead to for other human beings, he or she is on stage 6. The conventional level is the level that the majority of people hold (Sweeney & Roberts, 1997).

Ethics is an important aspect in many situations, including auditing. In the next section the auditing profession will be presented and discussed.

2.2 The auditing profession

Becoming an auditor is a long process consisting of 5 years of higher education and further practical experience. Though it seems fairly long to become an auditor, it could be argued that it is necessary. In this section of the theoretical framework, the auditing profession will be explained. This includes an introduction to the profession, as well as the responsibilities auditors face.

2.2.1 What is auditing?

Investorwords.com (2011) defines audit as

*"An examination and verification of a company's financial and accounting records and supporting documents by a professional, such as a Certified Public Accountant."*³

Auditing is relevant in different contexts and can be described in several ways (Stuart, 2012). Auditing can be considered a process of review, where the auditor reviews the financial statements in order ensure that it is done according to a particular standard (Stuart, 2012). Other possible contexts to describe auditing are a framework of the relationship of principal and agent, where the shareholders could be the principle and the management is the agent. The agent could possess information that the principal is not aware of which further leads to moral hazard – a higher cost for principal and further society (Schuler, 2002). An auditor reduces this cost, as the auditors' an independent third party. Further auditing can be described as a component of the corporate governance process (Stuart, 2012). As there has been an increasing importance in corporate governance to prevent fraud and ensure good financial reporting, auditing could be considered a monitoring device and a component of corporate governance (Cohen et al, 2002). The auditor is (or should be) independent, and further they are able to provide an opinion that is unbiased (Stuart, 2012). As for capital markets, investors rely on the numbers that an auditor has confirmed to be

³ <http://www.investorwords.com/324/audit.html>

correct (Stuart, 2012). There are consequences for an auditor not conducting his or hers job in a proper way, as there are many of stakeholders, which further indicate that the auditor has an important role in society.

As auditing is of importance in different contexts, there are three kinds of auditors – government auditors, tax auditors and internal auditors (Stuart, 2012). When discussing auditor in this thesis, I am referring to government auditors. Though all the different types of auditors are similar in nature, I choose to limit it to only government auditors, as this is most appropriate and relevant here. Conducting an audit is an intricate process consisting of 3 phases – planning, testing and decision. In the planning phase, an understanding of the environment as well as forming a strategy is done. Testing phase consists of testing internal controls and further perform substantive tests, and finally the decision phase where the audit report is issued.

The purpose of an audit is to

“Enhance the degree of confidence of intended users in the financial statements”

(ISA 200, 2009).

By conducting an audit in accordance with the relevant framework and ethical requirements, the auditor should be able to form an opinion about the financial statements (ISA 200, 2009). As mentioned, the opinion that the auditor issues is important for several stakeholders in society. The auditing profession had to restore trust in the post-Enron age, as the high amount of scandals contributed to reduce the confidence in the financial statements. Due to this, the importance of ethical consciousness has increased, and auditing standards and ethical standards has become more important.

2.2.2 The auditors responsibility

International Standards on Auditing (ISA) are standards used for conducting an audit of financial statements (ISA 200, 2009), where the International Federation of Accountants (IFAC) issues these standards. There are several auditing standards, though only ISA will be discussed here, as it is most relevant. The scope of the ISA is to present the independent auditors overall responsibilities when conducting an audit (ISA 200, 2009). As the auditor has a responsibility towards society, which includes having competence and capabilities to perform an audit (in accordance with ISA), exercise professional scepticism and judgement, as well as complying with relevant ethical requirements (ISA 200 2009, Stuart 2012).

One of the problems that auditor may face is pressure. This could be pressure from different stakeholders that makes it difficult for an auditor to conduct an audit according to the auditing standards. Pressures from the client or manager in the auditing firm may cause violation of the ethical requirements. This further leads to decrease in confidence of intended users in the financial statement, and the purpose of the audit is opposing. The requirement of the auditor to comply with ethical requirement in ISA, is a crucial part of an auditors responsibility as it fulfil one of the auditors overall objective – to be trustworthy. Cheffers and Pakaluk (2005) argues that the profession of accounting and auditing is a profession that

“Adheres to ideals of truthfulness and accuracy in order to support the trust that is necessary for flourishing business and healthy financial markets”.

Cheffers and Pakaluk, p. 14 (2005)

To fulfil this requirement, ethical conduct is necessary. Cheffers & Pakaluk (2005) argues that ethics in accounting and auditing is just as important as any other profession. ISA 200 refers to *The Code of Ethics for Professional Accountants* (IESBA Code) when discussing ethics as a requirement when auditing financial statements.

2.2.2.1 Principles and rules

The Code of Ethics consists of principles and rules that auditor has to follow in order to conduct an audit according to the requirements. Principles could be considered a moral rule or a belief that is accepted as a reason for acting a certain way (Flemming-Ruud, 2006). Rules on the other hand are statement of what must or must not be done in a certain situation (Flemming-Ruud, 2006). Though there has been discussion whether the auditing profession should limit themselves only to rules. Cheffers and Pakaluk (2005) argue that rules are not sufficient for the good practice of accounting (as well as auditing). With good practice of accounting it is meant to act with integrity and professional intelligence. This is due to the limitations rules entail and that do not state sufficient conditions, and further that rules need to be interpreted. For these reasons it is nearly impossible to only follow rules to perform good practice, as there is always need for reliance on good judgement (Cheffers & Pakaluk, 2005). Therefore principles are necessary in order to fulfil the requirements of being an auditor. Somers (2001) also supports this view. He conducted a study where he compares the code of ethics and employee behaviour. He argues that the code of ethics as component in ethical promotion encourages and supports ethical behaviour. He also distinguishes between

formal control and informal control, where the code of ethics is a formal control, and elements such as culture and values are informal control. Both types of controls are interrelated, and further impacts employee behaviour.

2.2.2.2 The Code of Ethics for Professional Accountants

The content of the code

The Code of Ethics for professional accountants is divided into three parts, where part A is the general application of the code, part B is professional accountants in public practice and part C about professional accountants in business. I will explain what part A and B entail. Part C will not be discussed any further due to relevance of the thesis. As the term professional accountant is defined differently in each country, it is necessary to define it. A professional accountant is in the US a title you receive when passing an exam. The translation of the conduct done in Norway, use the word auditor instead of professional accountant. Here I will use the terms professional accountants and auditors interchangeably, though I am referring to an auditor if not else is stated.

In part A the code gives an introduction and a presentation of the fundamental principles in auditing. The principles express the professions recognition of its responsibilities to the public, to clients, and to colleagues (Duska and Duska, 2003). In the first section (section 100), it is specified that the auditor's responsibility include not only satisfying needs of individual clients or employer, but also the responsibility of the public interest. These responsibilities may collide and ethical dilemmas will occur, a dilemma that the auditor has to make a decision. Further, the fundamental principles are of great importance of the conduct of ethical behaviour. These are:

- *Integrity*; the duty to be honest and upright in professional and business relationships.
- *Objectivity*; the ability not to compromise judgement due to conflict, bias or influence of others.
- *Professional competence and due care*; to maintain professional knowledge and skill to ensure clients or employers professional service, and to act diligently in accordance with applicable standards
- *Confidentiality*; obligation to desist from any revelation of confidential information that has occurred in the professional relationship.

- *Professional behaviour*; the auditor should behave in a manner that is according to the laws and regulation, which includes behaviour that will lead to good reputation of the profession.

These fundamental principles are crucial for an auditor to carry out the work in an ethical way. Even though it does not precisely describe what to do in each situation, the *Code of Ethics* is guidance for behaviour and responsibility within the auditing profession. However, the *Code of Ethics* entails a conceptual framework approach that requires the auditor to identify, evaluate, and address threats to compliance with the fundamental principles. In other words it helps the auditor to act in accordance with the ethical requirements in a situation where there are threats to compliance with the fundamental principles. The auditor should evaluate potential threats of circumstances or relationships that could compromise compliance. Evaluating the significance of the threats, both quantitative and qualitative factors should be considered. The codes further states that if the threats cannot be eliminated or reduced to an acceptable low level, the professional accountant should decline the service any further or resign from the engagement. The auditor should not continue the engagement if there is any possibility of not acting in accordance with the ethical principles.

Further the *Code* implies that if the code inadvertently is violated, it should promptly be corrected and safeguards should be applied.

The code further categorizes threats that may occur in the auditing profession, explains them and further possibilities to reduce the risk of threats with use of safeguards and a guide for ethical conflict resolution.

The second part of *Code of Ethics for Professional Accountants*, part B, deals with professional accountants in public practice. It describes the conceptual framework from part A and how it applies in situations for auditors in public practice. By public practice it means auditing companies that offers services to both business and public. Though it is impossible to describe every situation that might occur, the code stresses that the auditor should be aware of any situation.

Independence

Maintaining integrity and objectivity calls for avoiding both actual and apparent conflicts of interest. This notion is termed *independence* (eNotes, 2011).

The Code of Ethics presents a conceptual framework approach to independence. Today the auditing firms offers consulting, as well as auditing. This can lead to conflict of

interest and the independence of the auditor could be at stake (Duska and Duska, 2003). It has also shown the latter years that the need for an independent auditor is even higher, due to the large scandals. The members of an auditing company and the company itself should not violate *the Code of Ethics*, and further be independent of the client due to the public interest. Using the framework in *the Code of Ethics* should help the auditor achieve and maintain independence, which entails identifying threats to independence, evaluating the significance of threats and safeguards to apply.

Independence consist of two parts:

- Independence of mind
- Independence in appearance

Independence of mind entails that the auditor is not affected by any elements that might affect his or hers judgement. This type of independence includes acting with integrity and further being objective and act with professional scepticism.

Independence of appearance implies that situations should be avoided where a third party that are known of all relevant facts, concludes that the integrity, objectivity and professional scepticism is not satisfactory.

Since it is impossible to identify every possible situation that might occur where independence is threatened, the framework helps the auditor to identify, evaluate and address potential threats. It is both the individual and the audit company's responsibility to assure that there are not any threats towards independence. If there are any significant threats towards independence, safeguards should be applied to reduce it to an acceptable level. If it were not reduced to an acceptable level, a solution would be to resign from the engagement. It is important to remember that threats towards independence should be tested continuously during the engagement. This is due to the continuous possibility of threats.

Except that the Code of Conduct is a set of principles and rules that specify what society expects to be considered in decision-making (Melè, 2005), the ethical code is beneficial in other ways. Duska and Duska (2003) lists six ways where conduct can be helpful:

- 1) Motivating through peer pressure
- 2) A permanent guide to right and wrong
- 3) Guiding in ambiguous situations
- 4) Control the autocratic power of employers

- 5) Specifying the social responsibility of business itself
- 6) Contributing to the interest of business itself

As ethical behaviour is important to fulfil the requirements of ISA as well as the purpose of the audit, initiatives such as ethical code could also be beneficial in other ways.

2.3 Ethics in the auditing profession

Being ethical when conducting an audit is crucial to fulfilling the defining characteristics of the auditing profession – trust, independence and integrity. The auditing standards (and the code of ethics) reflect ethical behaviour, and states that both the auditor and auditing company have to be independent, have the required competence and exercise due care (CAG, 2002). Post-Enron, the trust with the public was considerably impaired. The intention and purpose of auditing of the financial statement is lost when there is no trust among the public (Duska and Duska, 2003). After the Enron case, Arthur Anderson & Co never recovered from the scandal, and the auditing profession all over struggled to enhance trust. The leader of the American Institute of Certified Public Accountants (AICPA) Barry Melancon, said in the wake of the scandals

“We must restore our most priceless asset – our reputation. We must reach back to our core roots which earned us enormous respect as trusted advisors”

(Rezaee, p.134, 2004)

Duska and Duska (2003) discuss the problem towards the restoring of trust post-Enron, where they assess the independence of Arthur Anderson as an auditing company. Arthur Anderson was both the auditor as well as working as a consultant for Enron, which they discuss as weakened independence (Duska and Duska, 2003). In their opinion, this created a conflict of interest and further the independence was impaired.

Independence in auditing is essential, as it is stated in auditing standards, and an important part for an economic system to function effectively (Duska and Duska, 2003). Further, the crucial role of the independent auditor is:

“To see whether the company’s estimates are based on formulas that seem reasonable in the light of whatever evidence is available and that choice formulas are applied consistently from year to year”

(Duska and Duska, 2003).

Next to independence, integrity is the latter of the defining characteristics. The case of WorldCom was lack of integrity that caused fraud. WorldCom boosted their revenue to satisfy stakeholders (Cheffers and Pakaluk, 2005). Anderson, the external auditor in this case was not sceptic enough about the WorldCom management. Anderson asked in several occasion to examine the general ledger, a request that was denied by WorldCom. Anderson would probably have discovered the fraud by examining the general ledger, but still issued an unqualified opinion without testing this area (Cheffers and Pakaluk, 2005). Anderson knew that WorldCom was a high-risk company, but chose to ignore it and further showed a lack of integrity.

In the wake of the scandals several actions were done in order to restore trust. The Sarbanes-Oxley Act of 2002 is legislation that was constructed with an aim to protect shareholders and the public from accounting errors and fraudulent practices in the enterprise (SearchCIO, 2006). The legislation made fraud a criminal offence and further set limits for penalties for corporate fraud (Ferrell et al, 2005). The SOX further established rules for organizations to establish codes of ethics for financial reporting and to create more transparency in the field of financial reporting (Ferrell et al, 2005). Though SOX is a given legislation, it can't be said that legislation and ethics are the same. There is some overlap, but a common belief is that ethics start where legislation ends (Erwin J. 2010).

2.3.1 Ethical learning

When discussing ethics in the auditing profession, it is relevant to see how ethical learning is conducted, both in universities and in auditing firms. The differing opinions on whether ethics should and can be taught are present.

In the question of whether ethics should be taught, a fair assumption would be that everyone agrees that it should. Ethics is both a requirement according to ISA and Code of Ethics, as well as a fundamental principle in life in general. The fact that ethics is already imbedded in the curricula and the high focus both in universities and in organizations on ethics should be a clear indicator that ethics should be taught. The question could then be if ethics should be taught more? Loeb (1988) stated several goals of ethics education, which included that students should be stimulated to recognize issues in accounting that could impair ethical implications and develop responsibility and morality (Armstrong, 1993). Even though Loeb (and Armstrong) is somewhat

outdated in the publication, Loeb is still highly relevant. Ethical learning is about recognition of ethical issues and the development of responsibility, and should by all means be taught.

The question whether ethics can be taught is more comprehensive. Cheffers and Pakaluk (2005) discuss both sides of the matter of ethics can be taught. It is argued that if ethics could be taught in a classroom, then everyone could have taken ethical classes and everyone would always be able to make ethical decisions. This of course seems highly unlikely, and therefore ethics cannot be taught. Further, it is stated that it is how you are raised that determines your character. This implies that by the time you are a student, it is too late to learn anything about ethics since your character is already fixed. Should ethics be taught, it is not given that the person would act in that matter. Even though the person knows what the right action is, the ethical action may be opposite. Borkowski et al (1992) also argues that ethical character is already developed when starting university, and therefore teaching ethics would not be of any use. It is also argued that if in fact ethics can be taught, it is only formally trained professionals that can effectively teach ethics (Borkowski et al, 1992).

The counterpart in this discussion disagrees to whether ethics can be taught. It is argued that to make good ethical decisions, there must be some kind of practical experience involved. Listening to a lecture is experiencing, and further can't ethics be learned (Cheffers and Pakaluk, 2005). In the case of the auditing profession – if it is possible to teach someone to be a good doctor or a good carpenter, shouldn't it then be possible to teach someone to be a good accountant? According to Cheffers and Pakaluk (2005) it should. Being a good auditor entails being an ethical auditor. For the sake of the profession, it is possible to be ethical. Pakaluk and Cheffers (2005) emphasize 4 basically components ethics in accounting involves:

- Understanding principles and rules
- Idealism or integrity
- Character and possess virtues
- Culture or ethical environment

They argue that all these four components can be taught. As for understanding principles and rules, this is typical classroom material and are undoubtedly teachable. Further they argue that idealism is intrinsic to some degree in most people. To teach

ethics in this matter, you simply have to appeal to the practitioner's idealism. They argue, *"Idealism in ethics tends to be fostered by our natural desire to imitate"*.

Cheffers and Pakaluk, p. 168 (2005)

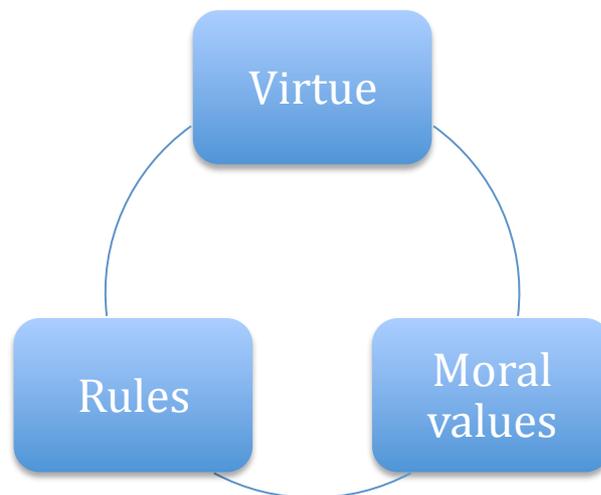
For example if I admire another employee in the auditing firm, there is an urge to imitate that persons' behaviour. (This also raise the issue of the importance of a 'role model' that is responsible for the training of new employee is auditing which will not be further discussed). Morality could be taught through stories and real life examples. As for character it is possible to learn by intolerance towards factors such as dishonesty and misrepresentation. The culture in a company is set by the management, and is according to Cheffers and Pakaluk (2005) possible to teach to the employees. Practices and the ethical environment are important in the matter of ethical behaviour.

As for the argument that when you reach a certain age, there is no longer possible to be taught ethics, Parks (1998) argues that there is without doubt possible to learn and shape students about ethics. This further leads to the great responsibility and opportunities that universities teaching auditing and accounting has. He argues that moral development can continue for a long time, and ethical consciousness therefore can change (Parks, 1998).

However, this debacle has been going on a long time before the case of Enron, and it could seem like the common perception now is that ethics can be taught or at least that it should be taught. After the implementation of Sarbanes-Oxley Act in 2002, which was a result of the numerous scandals, it could seem like there was a common agreement towards ethics being taught. The development of Code of Conduct in addition to the increased emphasize on ethics, is after my opinion a sign that it could seem that no one questioned whether ethics can be taught or not. If ethics was not included in the auditing firm or auditing education, there could be a risk of ignorance towards it and further there could be a repetition of the auditing scandals. The importance of ethics in itself leads to an acceptance of ethics as a subject.

Similar to Cheffers & Pakaluk and Parks, Melè (2005) argues that ethical education in accounting is possible, and argues that it should be an integration of rules, values and virtues. This is due to the interdependence between the three components, where moral values is acting in accordance with rules, which further leads to a development of virtues, and by having virtues it is easier to understand moral values (Melè, 2005). He argues that ethical education requires both the development of intellectual skills and

attitudes for good behaviour, and to achieve this – all three factors need to be considered in the learning process.



Relationship between factors – Melé (2005)

To learn ethics, Melé believes the main goal should be learning to impact the ethical behaviour and not a set of theories. Even though knowledge and motivation has an influence, ethics is primarily concerned with character. A way of doing this is show virtues through examples from real ethical dilemmas or role plays, and exhorts and motivates students by explaining how to do so. This includes for example code of conducts and other rules, principles and values that may be important to gain virtues.

Ethical consciousness is related to how ethical learning is conducted. The next two sections will discuss how ethical learning is conducted in universities as well as auditing firms.

2.5.1 Ethical learning and students

After the many scandals in the beginning of the decade, it didn't only lead to overall increased awareness, but also ethics was more emphasized in the auditing education. Teaching students about ethics can be a positive influence on students' ethical attitudes (O'Leary, 2008). O'Leary (2008) examined how different instruction in ethics has an impact on students. The different instructions consisted of tests, lectures on ethics and solving ethical dilemmas, and the study showed a positive relation to the influence on ethical attitudes.

Becoming an auditor there is five years of higher education ahead of one. Learning the technical (using theory) is a long process, and necessary to understand the work of an auditor. Though learning the technical is important, ethics is and should be considered just as important. An auditor that would act without integrity, would not be a trustworthy and most likely not independent. Both technical skills and ethical behaviour are interrelated, and it is natural the ethics will be focused on more.

As ethics is emphasized in auditing, it would be a fair assumption that ethics has increased in auditing programmes in universities. While this may be true, the amounts of ethical courses are limited. As for ethical courses in masters' degree in auditing in Norway, there are few. According to auditing students in Norwegian School of economics (NHH) themselves, there are no ethical courses. Though, ethics is far from excluded from the auditing education, but rather embedded in other courses, and further emphasized to a fairly high degree.

2.5.2 Ethical learning and organizations

Ethical learning is conducted in all the auditing firms, though there are different approaches to ethical learning as can be seen from the interviews of the four auditing companies. There has been an increase in the ethical focus post-Enron, though ethics was present before that. For example Arthur Anderson & Co initiated a five-year program back in 1992 to encourage universities to include ethics in the curricula, especially business. They believed that this would help students:

"Understand the ethical dimension in decision-making and sharpen their skills in moral reasoning so that they can be more successful and effective in today's business environment"

(Borkowski, p. 965, 1992).

What Arthur Anderson & Co meant by this is now difficult to say, as it should be mentioned that this auditing firm no longer exist due to the fraudulent actions conducted in the Enron-scandal.

The auditing companies are bound by the legislation when it comes to ethical education, though the rules towards ethics are not high. The Norwegian Auditing Association (DnR) has given all auditing companies a certain number of hours that auditors need for ethics training. This is continuing education, where ethics is part of it. The regulation states

that every auditor has to be trained 14 hours in ethics in auditing in a time period of 3 years. Further, there are regulations towards higher levels in an auditing company (DnR, 2011). Apart from this, it is the auditing companies own responsibility to provide ethics education. How ethical learning is conducted in the auditing firm will, as mentioned, be presented as empirical evidence from interviews with the four big auditing firms.

Ethical behaviour is not solely dependent on how ethical learning is conducted. Ethical climate is necessary to maintain ethical consciousness. One tool for this is company values. Businessdictionary (2011) defines values as:

“Important and enduring beliefs or ideals shared by the members of a culture about what is good or desirable and what is not. Values exert major influence on the behaviour of an individual and serve as broad guidelines in all situations”⁴

Values are similar to ethical guidelines – they are guidelines for individuals in situations. Common values in auditing firms such as integrity are overlapping with ethical guidelines, and further stresses the importance of this principle. Values in organizations are enduring and absolute in nature (Lord & Benoit, 2008). This means that the values will not be altered in changing situations such as economic downturns. Further, the values work as a common language (Lord & Benoit, 2008). The values relating to ethical behaviour will then increase the ethical climate, and encourage to person to act according to the values. It is also important that the values are acted upon and exemplified by higher levels of the hierarchy (Lord & Benoit, 2008).

In line with values, company procedures can also contribute to a better ethical climate. Procedures can contribute to a better understanding of responsibilities within the company. These responsibilities can relate to work tasks as well as ethical responsibilities. Either way, it encourages an ethical climate and further the consciousness towards ethics among the employees.

2.4 Summary of theoretical framework

In the theoretical framework ethics, auditing and ethics in auditing has been presented. This in order to give an introduction to relevant theory that is either relevant to the problem or that is used in the analysis in order to answer the problem. Ethics is important in almost all matters, especially auditing. Ethical dilemmas may occur at any time, and it is therefore important to be aware of ethics. Tools, such as ethical theories

⁴ <http://www.businessdictionary.com/definition/values.html>

can be helpful in certain situations, though it is not given that they are adequate for the situation. How you make an ethical decision is a process, where different factors are important for the outcome. Experience and gender could be such factors, as well as the moral stage you are on. Considering this, ethics plays an important role in auditing. As the purpose of an audit is to “enhance the degree of confidence of intended users in the financial statements”, this entails a great responsibility for the auditor towards client, employer and society. Trust, independency and integrity are defining characteristics for the profession, which further implies ethical conduct. As ethical theory can be helpful in ethical decision-making in general, ethical guidelines are useful for the auditor to make the right decisions in order to follow the expectations from the society. Post-Enron the focus has increased on ethics in the auditing profession, as well as in business in general. Ethical learning in both universities and in organizations has been emphasized in order to increase the consciousness towards ethics. Though there have been discussions whether ethics can be taught, the tendency shows that ethics is more emphasized in the curricula as well as in training in organizations. However, to fulfil the responsibility an auditor has, ethical behaviour is necessary.

3. Methodology

Writing a thesis or doing any kind of research needs the use of methodology, which can be divided into quantitative or qualitative approach. In this chapter I am going to give a presentation of the methodological theory and the approach I have chosen for this thesis.

3.1 Quantitative and qualitative approach

To solve a problem it is necessary to have information that will lead to an answer. Gathering that information, a tool is necessary to systematically gather or research that information (Halvorsen, 2008). According to the Merriam-Webster Dictionary (2011) methodology can be defined as:

1. *A particular procedure or set of procedures*
2. *The analysis of the principles or procedures of inquiry in a particular field*⁵

The procedure or set of procedure could be seen as the gathering of the data, which are called empirical data when all is gathered. Analysing the data will further give the possibility to answer the problem. Executing research it is possible to take a quantitative or a qualitative approach. Which approach that is appropriate depends on the type of data that is desirable to gather. Different data provides different approaches, which is the main distinction between quantitative and qualitative approach. The quantitative data is measurable, which entails that the data can be expressed in numbers or other quantity terms (Halvorsen, 2008). Qualitative data cannot be measured in numbers, and the data consist of either written or spoken statements. The distinction between the approaches is then if the empirical evidence is either in writings or in numbers.

Gathering data using a quantitative approach could entail using tools such as surveys or structured interviews. The benefit of using this kind of approach is that the surveys or questionnaires and the structured interview are standardized. The same questions are given to the required group of people, which are called respondents. Using this approach increases the possibility to reach out for a larger amount of people. A standardized survey can be mediated through electronic channels such as email, and further have a larger sample of respondents – it is easy to distribute. The measurable information gathered is used for further analysis by encoding the data. Of importance in gathering

⁵ <http://www.merriam-webster.com/dictionary/methodology>

and analysing quantitative data is accuracy (Gripsrud, Olsson and Silkoset, 2006). This is mainly because the state of the data, which is numerical.

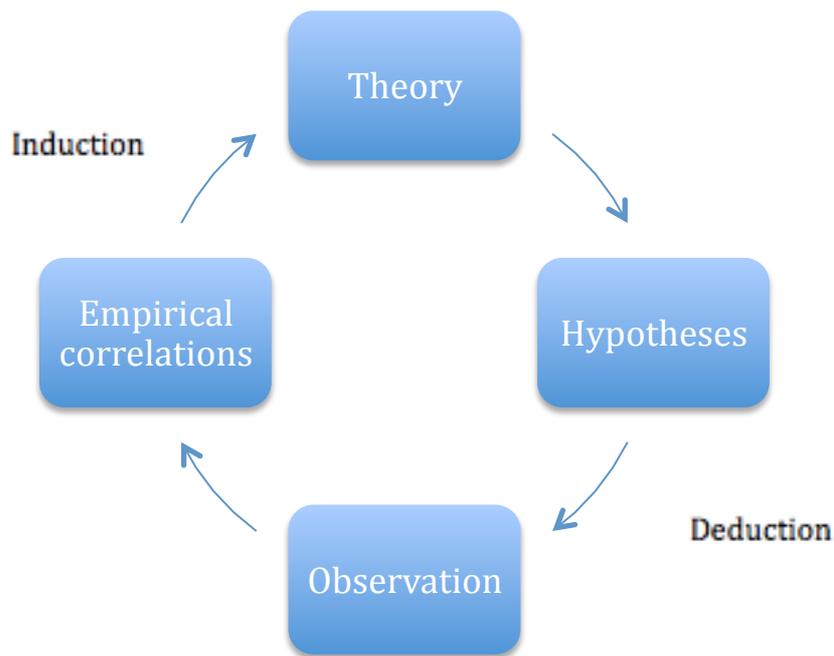
Using a qualitative approach will entail using observations, interviews or focus groups gathering the data. This method provides data that is richer compared to a quantitative approach. The interviewer is closer to the respondents, which increases the possibility to understand behaviour and situations (Halvorsen, 2008). Though the interpretation of the data is more complex, and the outcome might not give an obvious answer to the problem. The gathering of the data and the analysis is executed parallel, which is not the case for a quantitative approach. Completeness is an important keyword with qualitative data, due to the analytical description and understanding of relations (Gripsrud, Olsson and Silkoset, 2006).

I have chosen to primarily use a quantitative approach in comparing ethical consciousness between students and new audit employees. Using this approach makes it possible to have a larger sample of participants and further get more accurate data. The questions are standardized, the design structured and it can easily be distributed through email and such. To substantiate the numeric outcome, I will also conduct interviews with representatives from the four big auditing companies.

Further there are different studies one can conduct, for example longitudinal, comparative, multi-level and historical-comparative studies (Grønmo, 2004). As I am conducting a comparative analysis, I will not elaborate the other types of studies. *A comparative study* is a study that compares different relationships in societies or in organizations, and can be both quantitative and qualitative (Grønmo, 2004). Here there is a comparison of students and employees in auditing. The units that are used in the analysis are specific variables, for example the scale used in the survey.

3.2 Deductive approach

Conducting a study does not only entail choosing a quantitative or qualitative approach. The research that is performed could be in a deductive or inductive approach. The deductive approach implies that theory and hypothesis is the basis of for empirical observations (Halvorsen, 2008). Further, gathering data tests the theory and hypothesis. The other approach is inductive, which is observation without any foundation of theory. It is the observation or idea that is the origin of the theory or hypothesis. The relationship between them can be illustrated in the figure:



Ringdal (2001), Vitenskapssirkelen/Circle of knowledge

My study uses the deductive approach. My intention is to compare students and employee's consciousness towards ethics, and further use the theoretical framework to explain the findings in the analysis. However it must be stated that theoretical framework is merely a motivation rather than theory that explains the results, as there is little theory that can be used here, thus there are some. Doing the analysis the intention is to make a generalization based on the sample.

3.3 Data collection

The literature used is both studies conducted earlier about ethics in auditing, as well as some theories from textbooks. There has been done a lot of research on ethics, including studies in auditing and ethics as well. However, there are no studies conducted on difference in consciousness towards ethics between students and employees. The analysis and conclusion will therefore be based on my assumptions and interpretation on the results.

3.4 Sample

Researching any differences in ethical consciousness between students and employee and drawing a generalization, it is ideal that as many participants as possible participate. Even though there are several auditing firms in Norway, I have chosen to limit it to the big four companies (Deloitte, Ernst & Young, KPMG and

PriceWaterhouseCoopers), and not include the smaller ones. This is due to the scope of the thesis, the limit of time and the fact that I see the big four auditing companies as representative for the whole profession in this matter. This applies both to the survey, as well as the interviews. The amount of people conducting the survey had to be representative in order to make an adequate generalization, though the amount was out of my control due to the different ways the survey was going to be distributed in the auditing firms. I have also limited the employees to include only employees that have worked in auditing for 1-2 years. The reason for this is two-folded: both the scope of the thesis and the need to do set some limitation to the sample, as well as to see whether the first years in the auditing company may affect the consciousness about ethics. By doing a comparison between students in their final year and employees that has been working in auditing for maximum two years, it is possible to examine if the company has an impact on ethical consciousness. The final amount of participating employees was 69.

As for the student sample I wanted it to include last year students in auditing in NHH and BI. These are the only two universities that offer an auditing degree in Norway. By limiting it to final year students, hopefully the survey can reveal any differences that may occur the first years in auditing. Unfortunately there were limitations of distributing the surveys to the students, and therefore BI was excluded from the survey. The result of the survey is therefore solely based on NHH-students taking their final year in auditing. The amount of students in their final year is approximately 120. Since the administration at NHH has rules towards distributing surveys and the law prohibits them to give personal information such as name and e-mail, the distribution of the survey was done through the contact person in the class, who distributed it for me to the students in their final year. This limited my control of who received it, though it resulted in a fairly good group of respondents. The amount of participating students was 26. Though it would be more ideal to have a greater sample of students, I believe it is an adequate sample in order to make a generalization.

Interviews conducted was from the big four auditing firms. Interviews were done with one representative from each auditing firm, and were a person responsible or part of the learning, including ethical learning.

3.5 Survey

I have conducted a survey using the programme Qualtrics, and further distributed the link online to the respective sample. I conducted two surveys – one aimed for students and the other one for employee. The majority of the questions were similar, but some

differences relating to employer the two surveys. Since the intention with the survey is to do a comparison, the questions relating to the issue is identical. The survey further consists of 13 questions, where all the common questions are grading question with a scale of 1 – 6. Using this kind of survey makes it easier to quantify and further interpret the results. Also the amount of questions are held to an adequate level so that as many as possible would participate. The survey was also given in Norwegian to increase the number of participates. The questions used in the survey are simple questions to capture students and employee's consciousness towards ethics. The questions relate to different parts considering ethics that is relevant in auditing, such as ethical decision-making and general questions regarding ethics. The intention is to cover several parts of ethics that is relevant for auditing.

The common questions for students and employees in the survey are as followed:

- How important do you consider ethics to be in the auditing profession?
- The focus on ethics has increased over the last few years?
- How often do you face an ethical dilemma?
- How do you consider your own ability to make a choice facing an ethical dilemma?
- Do you think your ability to handle an ethical dilemma will be better after you start to work?
- To what degree should ethics be compulsory in the auditing education?
- To what degree should ethics be a part of the auditing curricula?
- How important are the following statements in order to act ethical?
 - Moral behaviour
 - Ethical guidelines
 - Values in the company
 - Company procedures

Case

At the end of the survey, a small case was given. The case presents a situation where an employee are given new information from a client, and is told by the client that he should not report this information. The employee agrees to this, and the students and practitioners are asked to rate the acceptability of this action.

The case is given to get an impression of students and employees action in a practical example, and further compare the two groups. Though the case could have a right and wrong answer, I've given the respondents the possibility to grade the degree of

acceptableness. The reason for this is to get a general impression of how conscious the groups are towards ethics. By limit down the answer to right and wrong, it wouldn't say anything about ethical consciousness, as the right answer would seem obvious.

The links to the online surveys are:

For students: https://qtrial.qualtrics.com/SE/?SID=SV_1X06egw51swwAsI

For employees: https://qtrial.qualtrics.com/SE/?SID=SV_8eLZFoc5IhJbeII

3.6 Interviews

The interviews conducted are with a representative from the four big auditing firms – Deloitte, Ernst & Young, PriceWaterhouseCoopers and KPMG. The intention with the interviews is to find out how ethical learning is conducted in the different auditing firms. Further it will be used as supporting findings in the analysis in order to answer questions relating to the survey. All interviews were executed over telephone, as the representative was located in other cities than me. The interviews mainly contained questions regarding ethical focus and ethical learning conducted in the respective auditing firm.

3.7 Validity & Reliability

Conducting a research it is important to assess how “good” the research is, by examining the validity and reliability. Validity concerns how well you measure what you intend to measure (Silkose et al, 2004), or in other words how correct the observation is. When measuring, an instrument such as a survey or interview is used. Validity is an interpretation of the data obtained using a particular procedure, where the validity could be high or low for different purposes (Grønmo, 2004).

The aim of this thesis is to get an impression of the ethical consciousness of the respective groups, and further the questions given is of different range relating to ethics. It could then be argued that the study has high validity as the survey reflects the intention of the study.

Reliability of the methods used also needs to be considered. Reliability considers how likely it is that a similar research would give the same result if it is repeated several times (Silkose et al, 2004). The less random errors that occur the more reliable the method is. For surveys these error often relates to the sample selection and sample size. The sample of auditing employees is fairly large, and could therefore argue that it is high. For students the sample is somewhat lower, and it is difficult to state is the

reliability is similar to employees. However, the sample is adequate to make generalization based on the sample, and further it can be stated that it is reliable.

It should also be stated that even though there is high reliability in the method used, it is not given that the validity is high (Silkose et al, 2004).

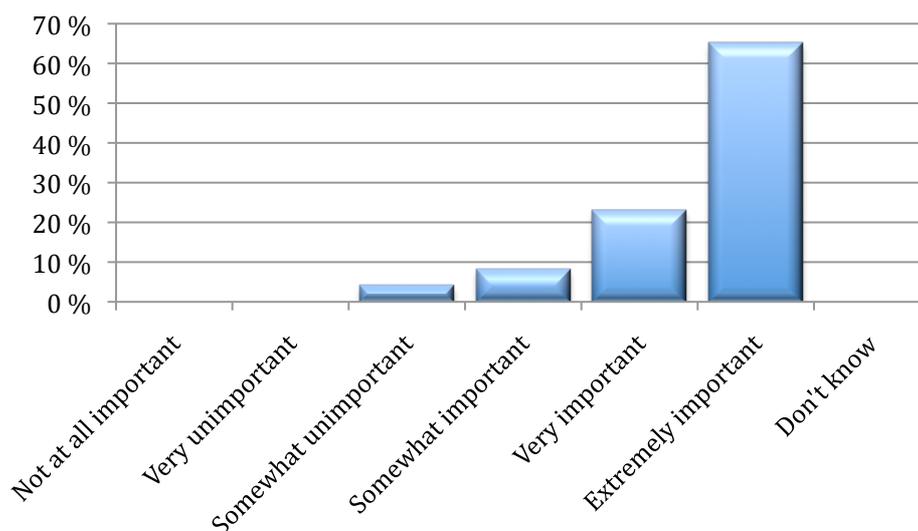
4. Empirical findings

This section presents the empirical findings of the quantitative survey conducted. The survey was sent to students in their final year of auditing in Norwegian School of Economics (NHH), and to employee that has been working for 1 – 2 years in one of the big four auditing firms - Deloitte, PriceWaterhouseCoopers, Ernst & Young and KPMG. Further the qualitative interviews with a representative from each auditing company will be presented. The questions asked are related to the ethical framework. The number of students responding was 26, while there were 69 employees responding.

4.1 Quantitative empirical findings

In the first questions about how important the students and employee considered ethics in the auditing profession to be, the students average score was 5.50, where 6 implies that ethics is extremely important in the auditing profession. Of the 26 respondents, 17 students responded that they considered ethics in the auditing profession to be extremely important, which is 65% of the total response. 6 of the respondents considered ethics very important, an overall of 23%. While 2 respondents or 8% considered ethics to be of somewhat importance, 1 respondent considered ethics in the auditing profession to be somewhat unimportant (4%). The statistics are shown (from Qualtrics):

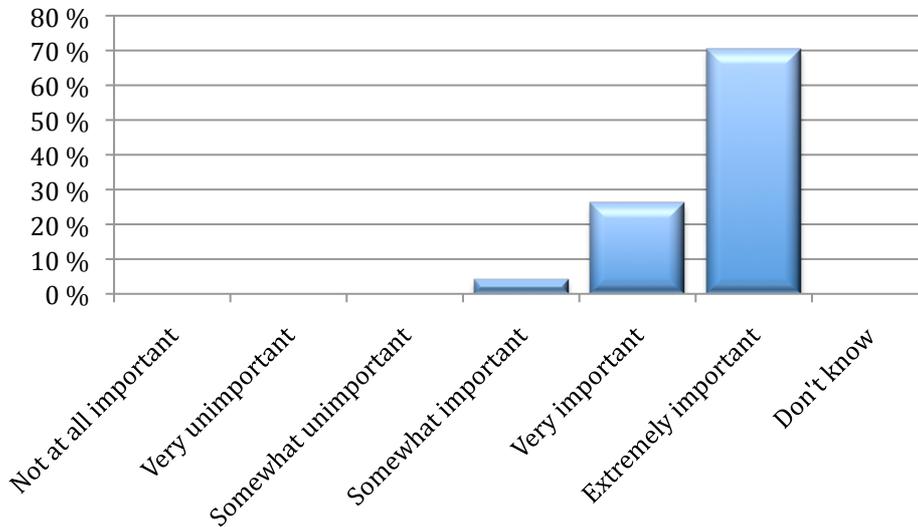
How important do you consider ethics to be in the auditing profession? (Students)



For employees the average score is 5.65, where 6 imply that ethics is extremely important in the auditing profession. 70% of the employee or 48 respondents

considered ethics in the auditing profession to be extremely important, while 26% considered it to be very important. 4% considered it to be of somewhat importance.

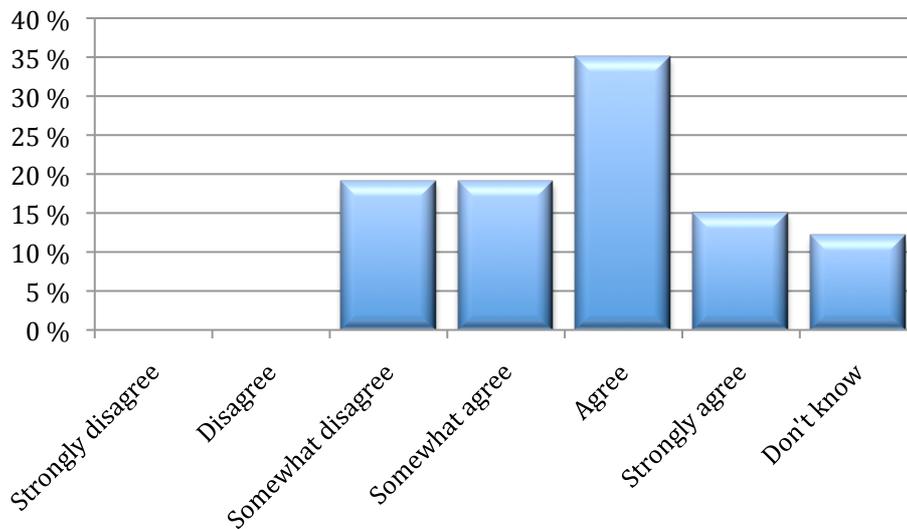
How important do you consider ethics to be in the auditing profession? (Employees)



Both students and employees consider ethics to be very important in the auditing profession, where there is a very small difference between the two groups (5.50/6 for students and 5.65/6 for employee).

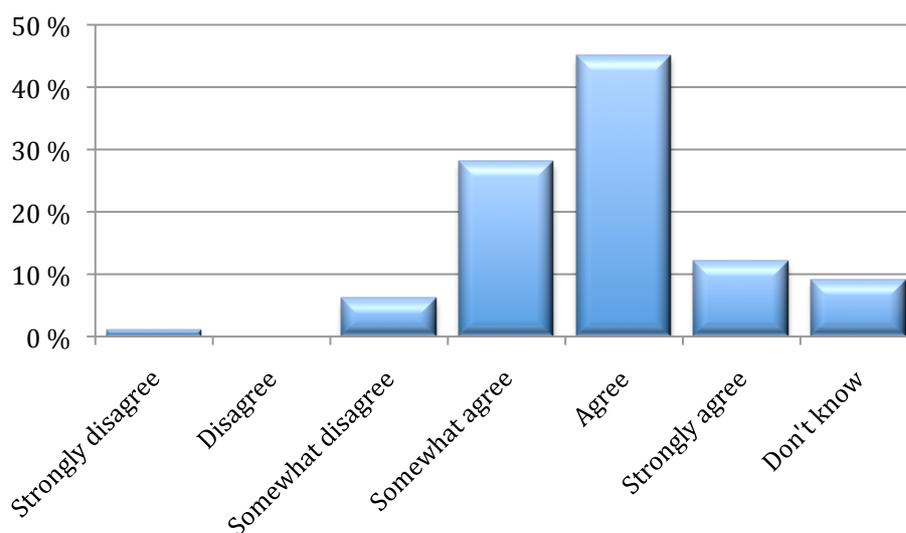
The second question is a statement that the focus on ethics has increased the last few years. The average score is 4.81, where 6 imply that the respondents strongly agree that there has been an increased focus over the last few years. Where 4 out of 26 respondents (15%) strongly agreed that there had been an increased focus on ethics over the last few years, while 9 respondents (35%) agreed that there had been an increase in ethics in the auditing profession. 19% or 5 respondents somewhat agreed that there had been an increased focus, the same amount disagreed. 3 respondents did not know if they felt there had been an increased focus on ethics the last few years, which counted for 12% of the respondents.

The focus on ethics has increased over the last few years (Students)



The average score for employee on the question whether there has been an increased focus the last few years is 4.84, where 6 imply that the respondents strongly agree that there has been an increased focus over the last few years. 12% of the respondents strongly agree that there has been an increase in focus on ethics in the auditing, while 45% agreed that there had been an increased focus. 28% somewhat agreed that there had been an increase and 6% somewhat disagreed on an increase in focus on ethics. 1% strongly disagreed towards an increase and 9% of the respondents did not know.

The focus on ethics has increased over the last few years (Employees)

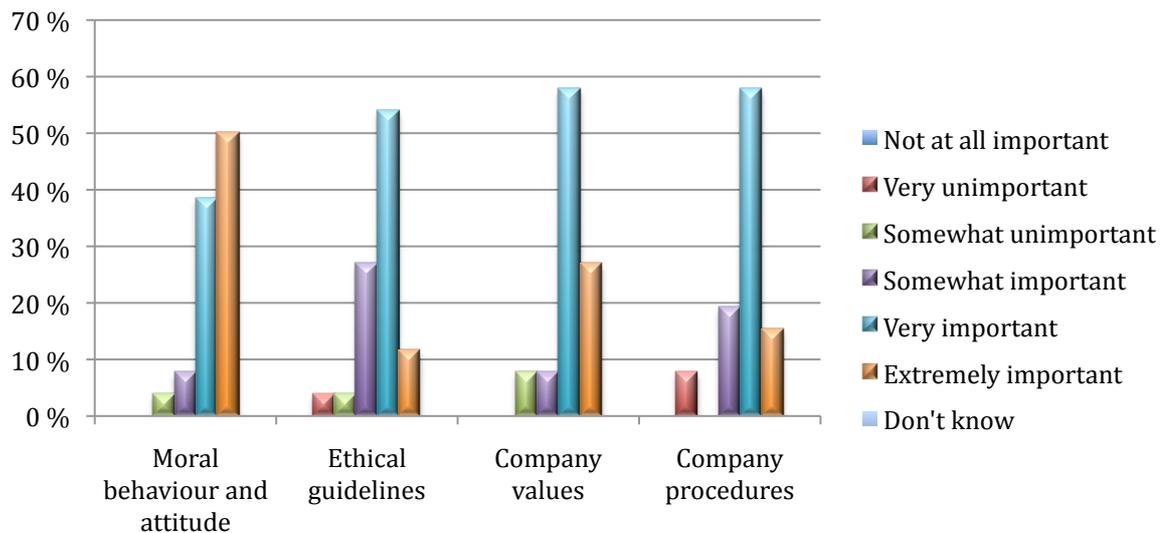


Both students and employees felt there had been increased focus on ethics the last few years (4.84/6 for employee and 4.81/6 for students). Though there is no significant difference between the respective groups.

The question regarding the statements personal moral and attitude, ethical guidelines, company values and company procedures, relates how important the respective groups find the statements.

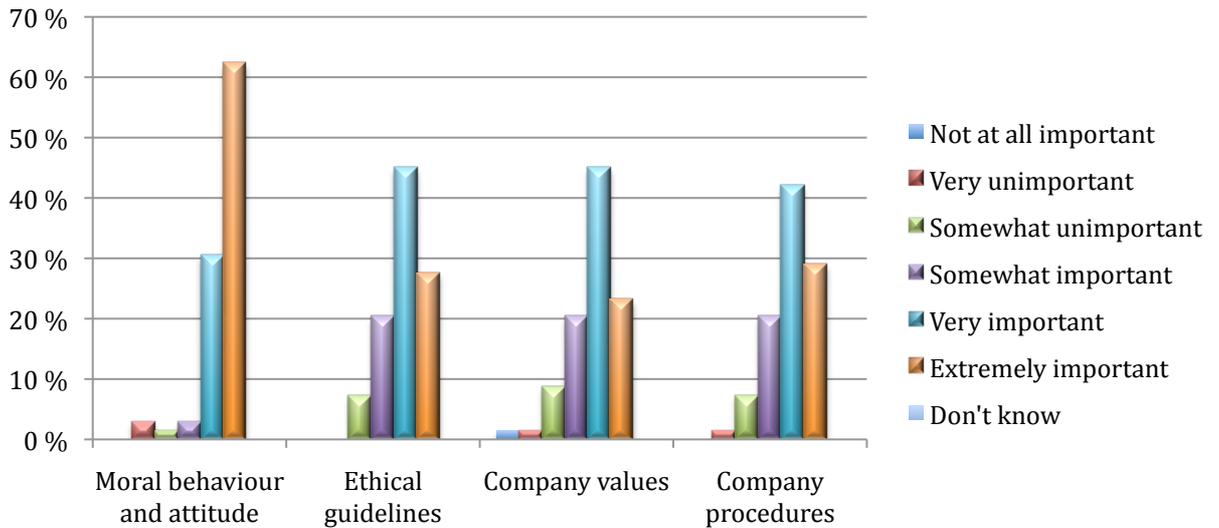
For the student group on the statement of the importance of moral behaviour and attitude the average score is 5.35, where 6 imply that moral behaviour and attitude is extremely important. The scale goes for all statements. The statement of the importance of ethical guidelines, the average score was 4.65/6 among the students. Importance of values in the company had an importance of 5.04/6, while the company's procedure had an average score of 4.73/6.

How important are the following statements to act ethical? (Students)



As for the group of employees the statement of the importance of moral behaviour and attitude show an average score of 5.48, where 6 imply that moral behaviour and attitude is extremely important. The scale goes for all statements. For ethical guidelines the importance show an average score of 4.93/6, while importance of values in the company has an average score of 4.75/6. The procedures in the company showed an average score of 4.90/6.

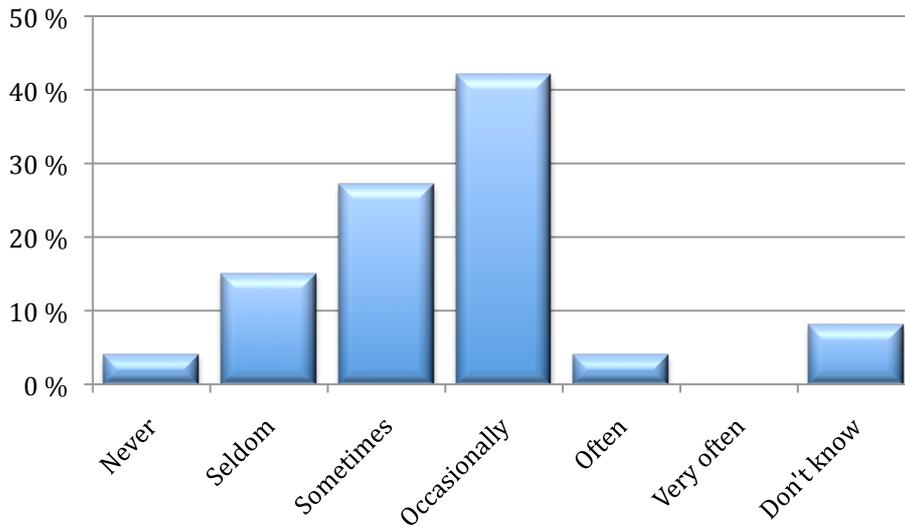
How important are the following statements to act ethical? (Employees)



The differences between the respective groups are small, and both groups consider the statements to be very important overall. Though employees find ethical guidelines and company procedures somewhat more important than students, while students find company values somewhat more important than employees.

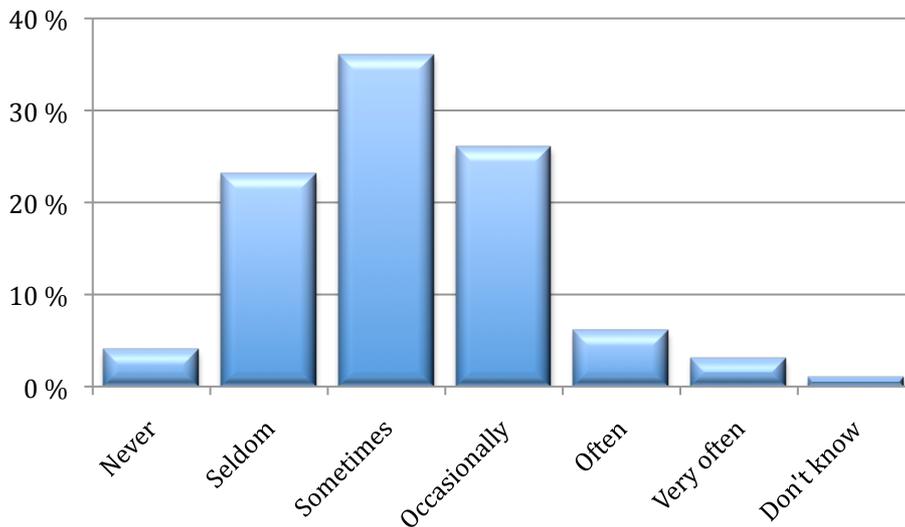
The next question, how often you encounter a dilemma involving ethical decision-making, gave an average score for students of 3.58, where 6 imply that the student encounters ethical dilemmas very often. None of the student-respondents encountered ethical dilemmas very often, though 1 respondent encountered ethical-dilemmas often (4%). The majority of the students meet dilemmas regularly (4), with a share of 42% or 11 respondents. 7 of the respondents face ethical dilemmas sometimes (27%), 4 seldom (15%), while 1 of the students which is equivalent to 4% never faced an ethical dilemma. 2 of the students replied that they did not know how often they encountered an ethical dilemma, a share of 8%.

How often do you encounter an ethical dilemma? (Students)



For employee the average score is 3.20/6 in the question of how often they encounter an ethical dilemma, where 6 imply very often. 3% of the respondents encounter ethical dilemmas very often, 6% often, 26% regularly, 4% seldom and 4% never. 1% does not know how often he/she has to encounter an ethical dilemma.

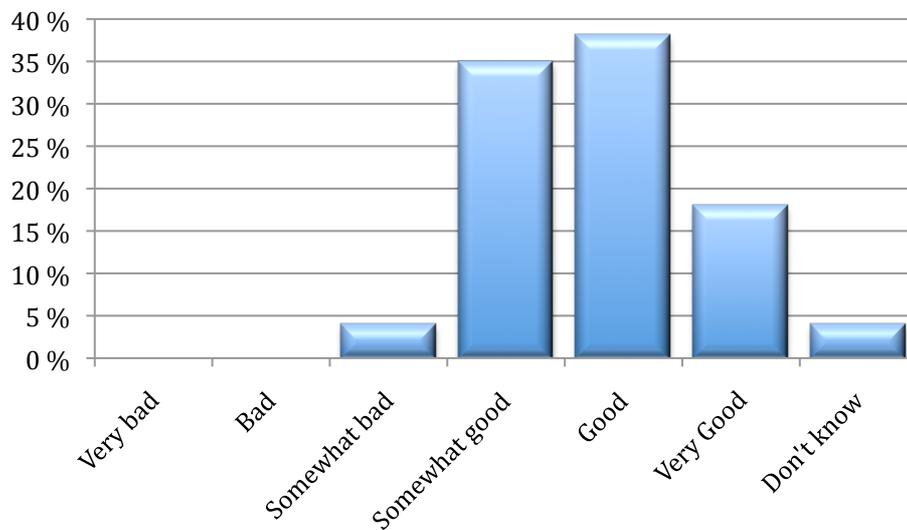
How often do you encounter an ethical dilemma? (Employee)



The difference between the two groups in how often they have to encounter an ethical dilemma - the student average was 3.58/6, whilst the employee had an average of 3.20/6. The students meet ethical dilemmas more often than employees.

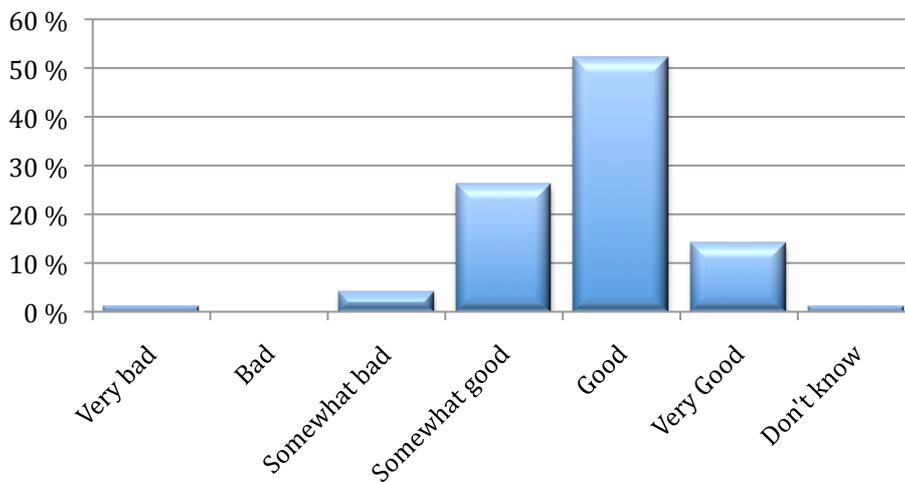
The question about the respondents ability to make a choice of an ethical dilemma gives an average score of 4.85/6 with students, where 6 is the highest and implies very good ability. 19% of the students consider their ability to make an ethical decision to be very good, while 38% consider their ability to be good. 35% of the respondents considered their ability to be fair and 4% considered it to be poor. One of the respondents did not know his/hers own ability to make a choice considering an ethical dilemma.

*How do you consider your own ability to make a choice facing an ethical dilemma?
(Students)*



For the employees the average score is 4.77/6, where 6 is the highest and implies very good ability. 14% considered their own ability to make a choice of an ethical dilemma as very good, while 52% considered it good. 26% considered their own ability to be fair, while 4% considered it to be poor. 1% had an ability to make a choice of an ethical dilemma as very bad, and 1% didn't know.

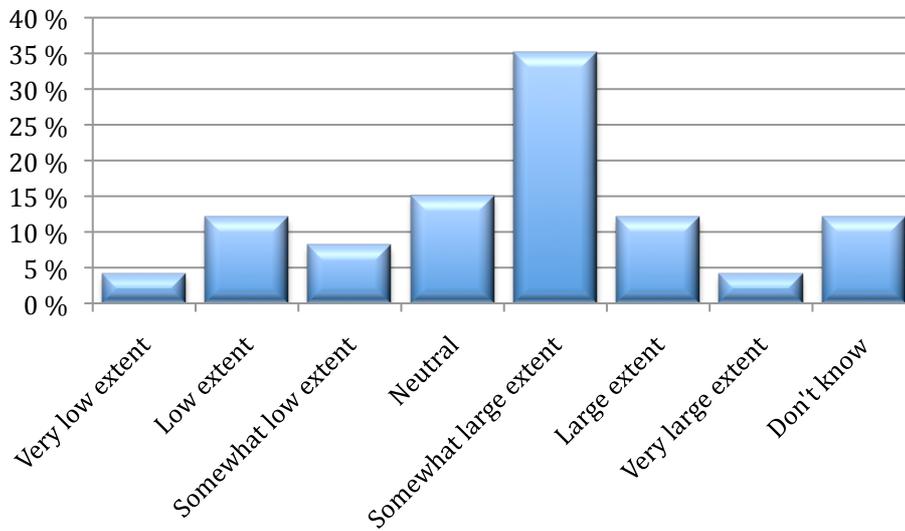
*How do you consider your own ability to make a choice facing an ethical dilemma?
(Employee)*



The difference between the two groups considering their own ability making a choice in an ethical dilemma are 4.77/6 in the employee group and 4.85/6 in the student group, a fairly small difference.

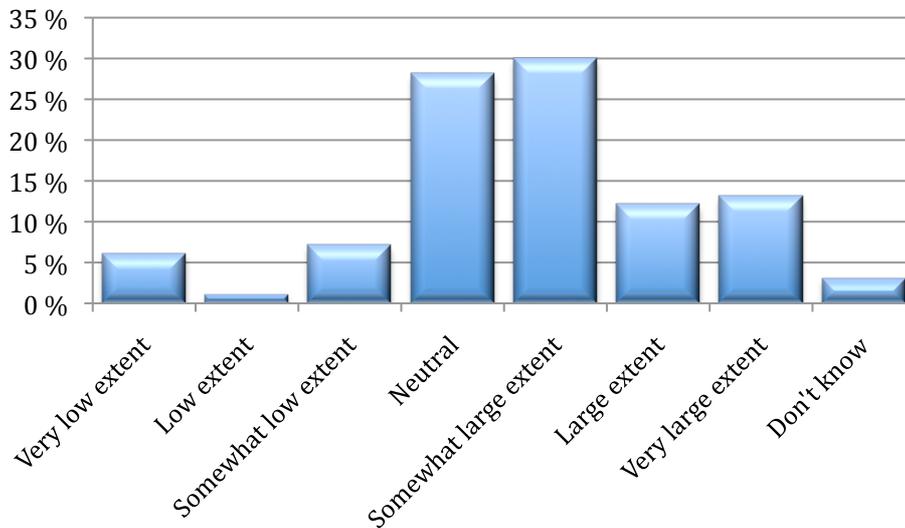
In the question to what extent the respondent will be able to handle an ethical dilemma better after starting working, the average score with students is 4.73/7 where 7 is the belief of the ability of handling an ethical dilemma better is to a very large extent. Only 4% of the respondents believe that the ability of handling an ethical dilemma increases with experience in the auditing profession to a very large extent. While 12% believes that their ability will be improved to a large extent, 35% believe that to somewhat large extent experience will contribute to a better ability to handle a dilemma. 15% of the respondents are neutral towards improving their ability when starting to work. 8% believe it is to somewhat low extent, 12% to a low extent, while 4% consider their ability to handle an ethical dilemma to be better after they start to work to a very low extent. 12% do not know if it will affect their ability to handle an ethical dilemma better. It should also be stated that the change of scale is due to a mistake, though it doesn't affect the results.

To what degree would you consider your ability to handle an ethical dilemma will be improved after you start to work? (Students)



For employee the average score is 4.77/7 in the question considering the ability to handle an ethical dilemma better after they started working in the auditing profession. 13% of the respondents believed that after starting to work their ability to handle an ethical dilemma would be improved to a very large extent. 12% considered it to be to a large extent, 30% considered it to be to somewhat large extent and 28% are neutral to the question to what degree their ability to handle an ethical dilemma will be improved after they start to work. 7% considered their ability to improve to somewhat low extent, while 1% considered it to be to a low extent and 6% considered it to improve to a very low extent. 3% didn't know if their ability to handle an ethical dilemma would improve after starting to work.

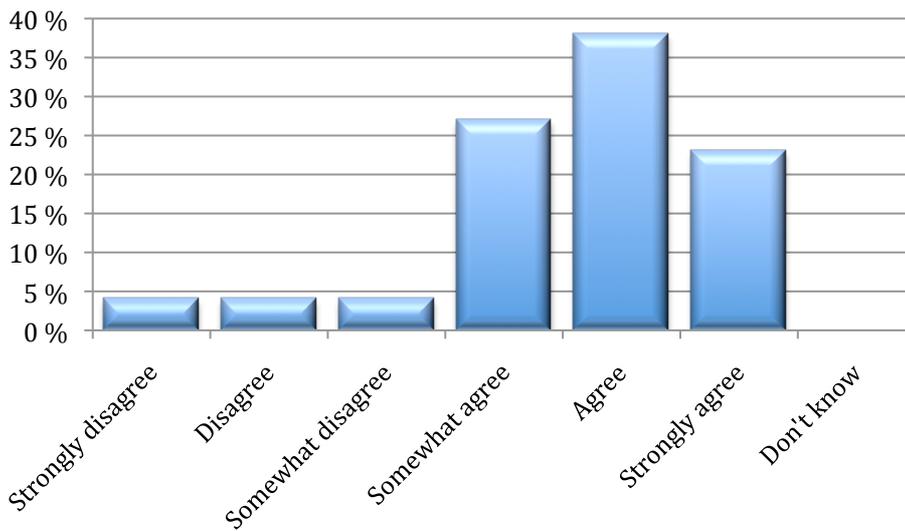
To what degree would you consider your ability to handle an ethical dilemma will be improved after you start to work? (Employee)



Both groups think that their ability to handle an ethical dilemma would improve somewhat to a large extent, and there is no significant difference between the respective groups.

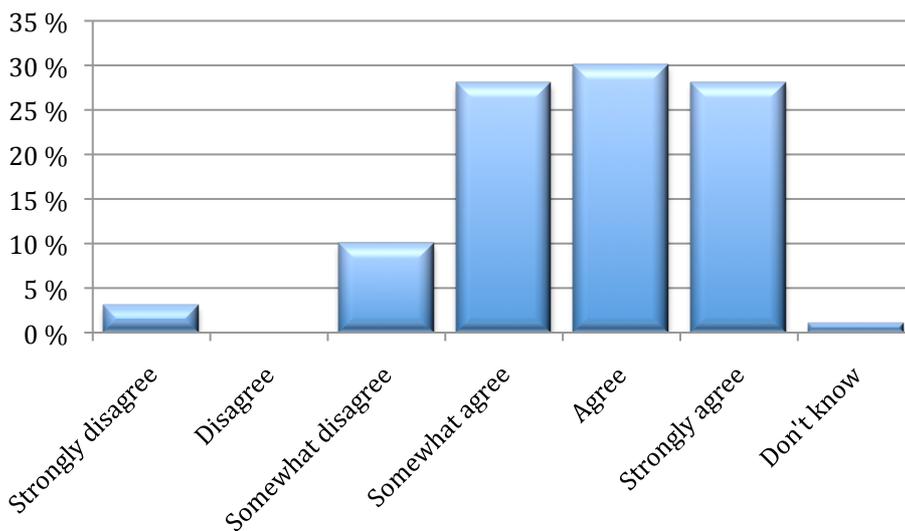
In the statement that ethics should be a part of the auditing education, the average score of student responses is 4.62/6, where 6 imply that the students strongly agree that ethics should be a part of auditing education. 23% of the respondents strongly agreed that ethics should be a part of the auditing education, while 38% agreed that it should be a part. 27% somewhat agreed, and 4% of the respondents somewhat disagreed, disagreed and strongly disagreed that ethics should be a part of the auditing education (1 respondent on each option).

Ethics should be a part of the auditing education (Students)



In the statement that ethics should be a part of the auditing education, the average score of employee responses is 4.71/6, where 6 imply that the students strongly agree that ethics should be a part of auditing education. 28% of the respondents strongly agreed that ethics should be a part of the auditing education, while 30% agreed that it should be a part. 28% somewhat agreed, and 10% of the respondents somewhat disagreed. 3% of the respondents strongly disagreed that it should be a part and 1% did not know.

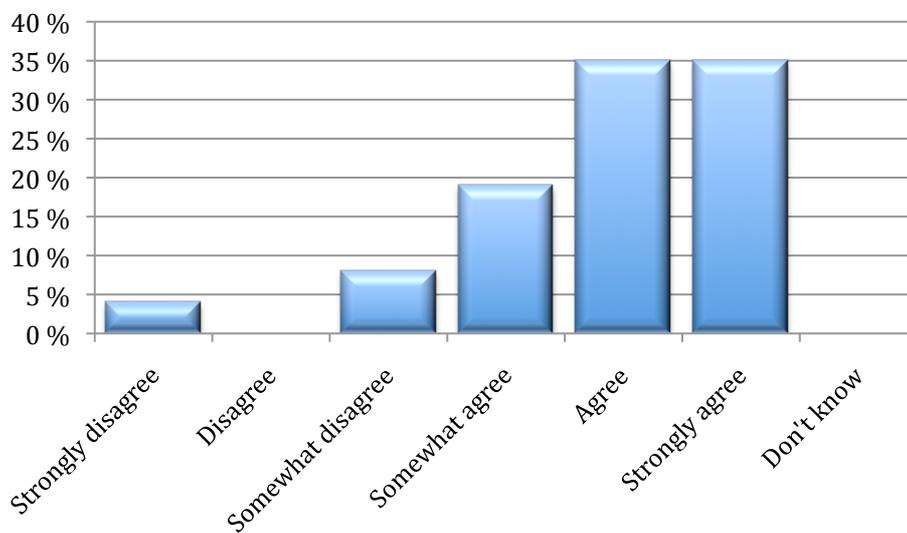
Ethics should be a part of the auditing education (Employee)



Both groups agree that ethics should be part of the auditing education, though employee slightly agrees to higher extent than students.

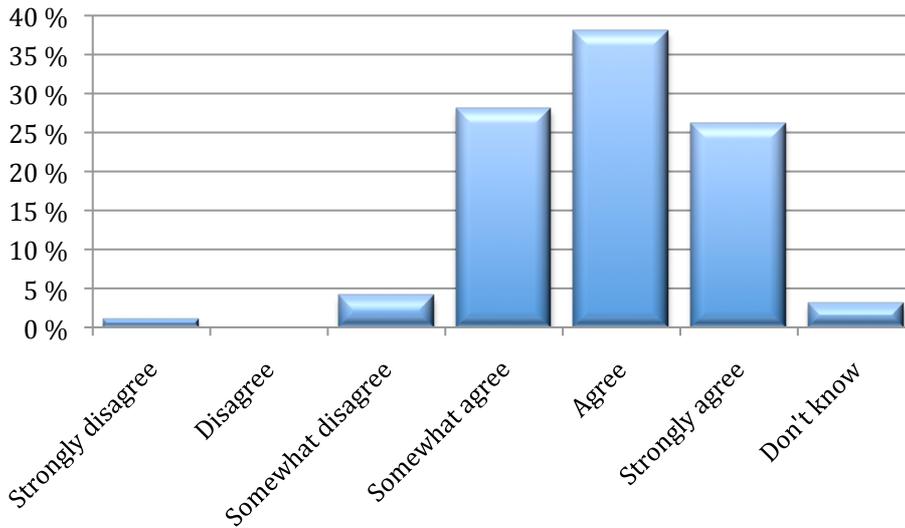
In the statement that ethics should be a requirement in the auditing education, the average score of student responses is 4.85/6, where 6 imply that the students strongly agree that ethics should be a requirement in auditing education. 35% of the respondents strongly agreed that ethics should be a requirement in the auditing education, while 35% agreed that it should be a part. 19% somewhat agreed, and 8% of the respondents somewhat disagreed. 4% of the respondents strongly disagreed that ethics should be a requirement in the auditing education.

Ethics should be a requirement in auditing education (Students)



In the statement that ethics should be a requirement in the auditing education, the average score of employee responses is 4.90/6, where 6 imply that the employee strongly agree that ethics should be a requirement in auditing education. 26% of the respondents strongly agreed that ethics should be a requirement in the auditing education, while 38% agreed that it should be a part. 28% somewhat agree, and 4% of the respondents somewhat disagreed. 1% of the respondents strongly disagreed that ethics should be a requirement in the auditing education, and further does 3% of the respondents not know if ethics should be a requirement in the auditing education.

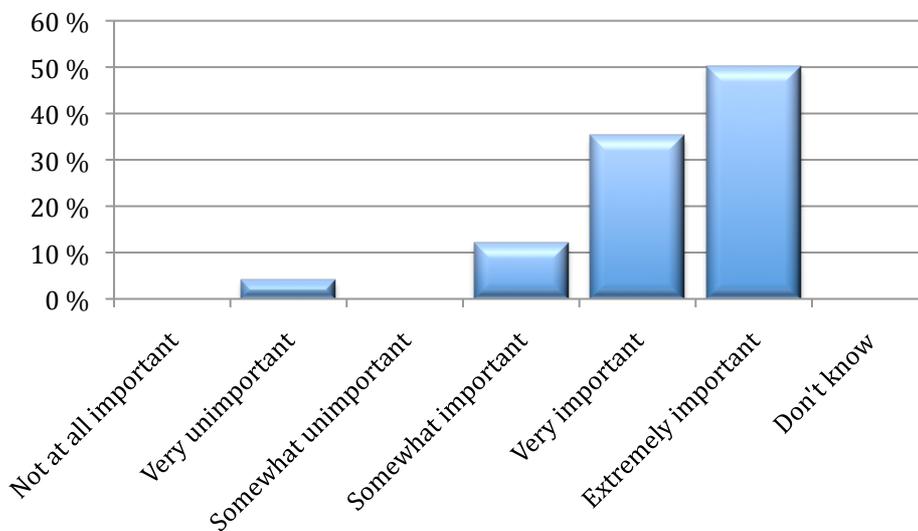
Ethics should be a requirement in auditing education (Employees)



Both groups agree that ethics should be a requirement in auditing, and there is no significant difference between the two groups.

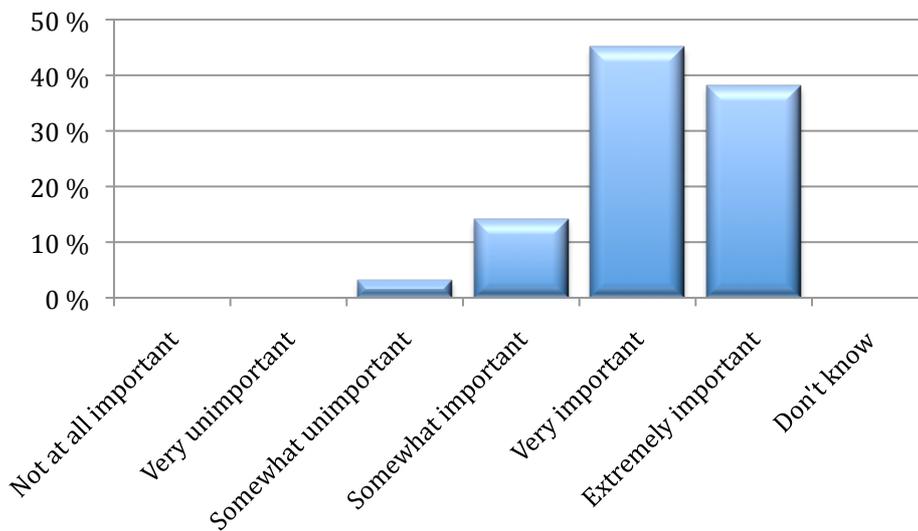
As for the question to what degree is it important to have good knowledge about ethics in the auditing profession, the average score for students is 5.27/6 where 6 implies that knowledge is extremely important. 50% of the students (which is 13 of 26 respondents) considered knowledge about ethics to be extremely important, while 9 respondents (35%) considered knowledge as very important. 3 respondents considered knowledge as somewhat important (12%) and 1 respondent considered knowledge about ethics in the auditing profession as very unimportant (4%).

How important is it to have good knowledge about ethics? (Students)



The employee had an average score of 5.17/6, where 6 imply that knowledge is extremely important. 38% considered knowledge about ethics to be extremely important, while 45% considered it to be very important. 14% considered knowledge to be somewhat of an importance and 3% considered it to be somewhat of unimportant.

How important is it to have good knowledge about ethics? (Employee)

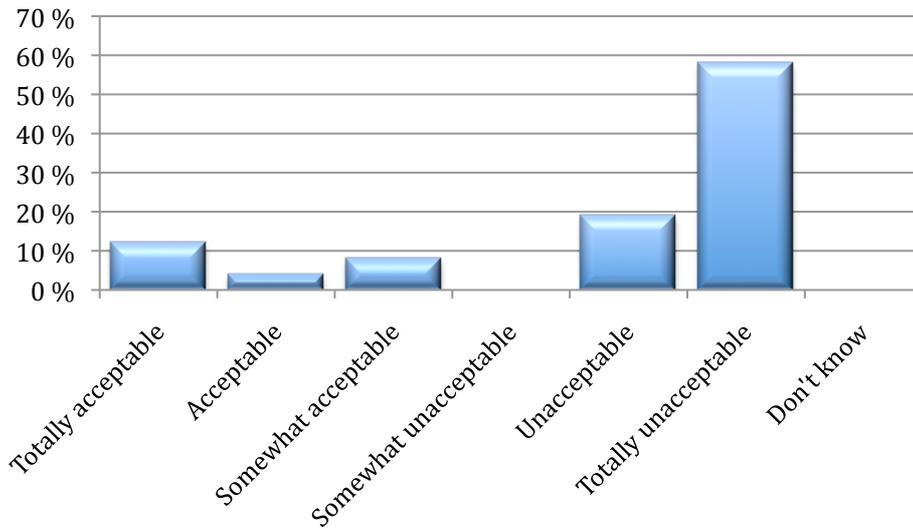


Both groups consider knowledge important, though students consider it slightly more important than employees (5.17/6 with employee versus 5.27/6 with students), but the difference is small.

Case

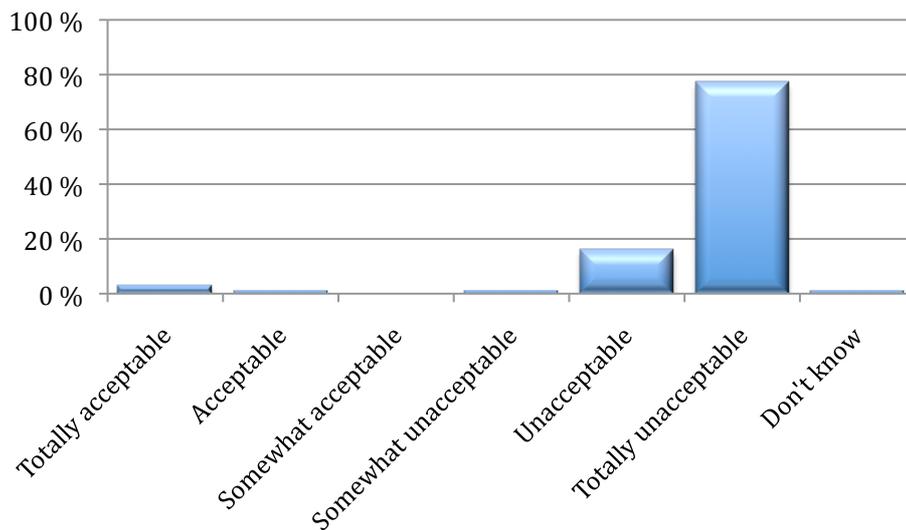
The case given in the survey will not only be used in one section of the analysis, but will be discussed where appropriate. The case shows an ethical dilemma where an auditing associate are given information from a client and are further asked by the client not to do anything about this information. The information is of significant importance for the audit. The respondents don't have the opportunity to give a right or wrong answer to the problem given, which would be reasonable in such a case. However, by using a scale in the answer, it will give an impression of the overall level of consciousness towards ethics in the two groups. The question further is to what degree this is acceptable. The average score with students is 4.85/6, where 6 imply that is totally unacceptable not to report the information given. Of the students 58% considered it totally unacceptable not to report the new information, while 19% considered it unacceptable. 8% considered fairly acceptable, 4% acceptable and 12% considered it totally acceptable.

Case (Students)



Of the employee group the average score of the case is 5.62/6, where 77% of the respondents considered it totally unacceptable not to inform about the new information. 16% considered it to be unacceptable and 1% considered it fairly unacceptable. 1% considered it acceptable, and 3% considered it totally unacceptable. 1% of the respondents of the employees didn't know.

Case (Employees)



4.3 Qualitative empirical evidence

The interviews conducted are interviews with the four big auditing companies – Deloitte & Touche, PriceWaterhouseCoopers (PwC), Ernst & Young and KPMG. Each of the firm has been given the same questions relating to how ethical learning is conducted in the company. By examining how each of the auditing companies conduct ethical learning, it could contribute to explain any differences between the responses in the survey.

All the auditing firms have a high focus towards ethics according to themselves. KPMG mention the importance of trust from the market as well as the government and their reputation as crucial in auditing, hence comprehensive routines considering ethics. Deloitte says that there is also a natural focus, as there are laws and regulation that the company need to adapt.

Ethical learning is to some degree conducted in a similar way in the four auditing companies. This is due to the regulation of ethical learning in the Norwegian Auditing Association (DnR), which states a minimum amount of time of ethical training. All the auditing firms conduct ethical training for new employees. Deloitte, PwC and Ernst & Young have a certain period of time set aside for ethical training. Deloitte uses a whole day on ethical training, while PwC and Ernst & Young uses 4 hours dedicated to ethics. KPMG has the ethical training imbedded in the general training. The content in the training is similar for all auditing firms, including an introduction of the Code of Conduct. Further are the approaches to ethical learning different. Ernst & Young uses ethical dilemma training as an approach towards ethical consciousness, where the dilemmas are relating to both general as well as dilemmas towards auditing. This is similar to Deloitte and PwC as well. KPMG uses web based ethical courses, where the employees have to pass 4 courses as well as an ethical exam. While Deloitte, Ernst & Young and PwC uses a practical approach for new employees, KPMG uses a theoretical approach.

Ethical learning beyond newly employees is both regulated by law as well as done differently in the respective auditing firms. The Norwegian Auditing Associate has rules that require 14 hours of ethical learning in a time period of 3 years. All the auditing firms meet this requirement. Further, all the auditing firms have ethical training by advancements. For example, PwC uses ethical dilemma as training for higher levels as well, and uses tools such as professional actors to encourage the involvement. As for ethical learning regardless of requirements and advancements, all auditing firms operates with web based ethical training. Ernst & Young globally got a 2 hours web-

based course that all employees have to conduct yearly. Deloitte practice a yearly web-based ethical course, which is designed as a survey. PwC has “theme days” that leaders from each department attends, and further transmit information to the respective departments. KPMG has yearly Risk Management course that is web-based, in line with what Deloitte and Ernst & Young conduct.

As well as ethical learning, all the auditing firms have ethical initiatives to promote ethical behaviour. All the firms use the Code of Ethical Conduct in order to promote ethical behaviour. As mentioned, all the employees are given an introduction to the code in the beginning, but all the firms as the code easy accessible. Further, an alert system where unethical behaviour by colleagues or superiors can be reported. This can be done anonymously to lower the threshold of reporting unethical behaviour.

All the auditing firms have focus on ethics as well as comprehensive programmes towards ethical learning. Though they differ in approach, and to some degree the extent of ethical learning.

5. Analysis

In this section, the empirical evidence and the theory will be analyzed and discussed. The questions will first be analyzed separately, and further discussed as a whole in order to answer the problem.

5.1 Ethical consciousness in auditing

An auditors' responsibility entails having appropriate competence, maintain professional scepticism, exercising professional judgement and complying with relevant ethical requirements. The latter one is, as discussed in the theoretical framework, of crucial importance in the auditing profession as the purpose of an audit is to enhance the degree of confidence of the users of the financial statements. To be ethical is in other words important in a profession like auditing. How people consider ethics and further the conduct of ethical behaviour are influenced by a number of factors, such as gender, knowledge and experience. As there is a debate whether ethics can be taught or not, the focus on ethics has increased in the post-Enron age. The increasing focus has both been introduced in auditing education as well as in auditing firms. With this basis, students and employees possible differences in consciousness towards ethics in auditing are here discussed. By interpreting the empirical findings, there will given a potential answer to the problem stated.

Trust, independence and integrity are as mentioned the defining characteristics of the auditing profession. The scandals of Enron and WorldCom (among others) are examples where these characteristics were not met. Ferrell et al. (2005) argues that there are several examples (including Enron and WorldCom) that are evidence of declining ethical conduct, which further leads to the fact that ethics is of importance. Also Cheffers and Pakaluk (2005) argue that ethics is important in accounting and auditing, as in any other profession. This is reflected in the survey, where students has an average score of 5.50/6 and employee got an average score of 5.65/6, where 6 is considering ethics extremely important. Both groups value the importance to be great, though there is an unremarkably small difference between the representative groups. This result reflected my assumption in advance of the survey. Both students and employee are aware of the importance of ethics in the auditing profession. The high level of ethical learning both in universities and in auditing firms may have contributed to the awareness. The Norwegian Auditing Association (DnR) have introduced requirements of ethical learning in the auditing firms, which also may have contributed to the awareness of the importance of ethics in auditing. Furthermore, students are exposed to ethical learning

imbedded in courses that increase the awareness. The different actions executed in the wake of the scandals (such as SOX and development of code of conduct) may have increased the awareness towards ethics. The responsibility an auditor has requires a high amount of ethical awareness and it could be assumed that the respective parts are then aware and act to fulfil this responsibility.

In accordance with the high importance of ethics in auditing profession, it is a fair assumption that the focus on ethics has increased. As for the statement that the focus of ethics had increased the last few years, the results showed an average score of 4.81/6 and the employee had an average of 4.84/6 where 6 is agreeing to the statement strongly. There is no significant difference between the respective groups to whether they feel there has been an increased focus. Furthermore there is a common belief that there has been an increased focus. Scandals such as Enron and WorldCom are all a direct reason for the increased focus. However a possible reason why both groups didn't strongly agree that the focus on ethics in the auditing profession had increased is because the scandals that caused the awareness towards ethics was approximately 10 years ago. The focus has increased, but somewhat stabilized the later years. If this is the case, ethics should be well implemented in both universities and in auditing companies at this point. Another possibility may be, taken the time-aspect taken into account, that the focus towards ethics may reflect lower increase the later years. The respondents in the two groups started to be aware about ethics (i.e. starting to study) a significant time after the scandals. As the awareness towards ethics started immediately after Enron (among others), the respective groups where not introduced to ethics in auditing before some years later. It could also be stated that the focus on ethics is high overall, considering how it is emphasized in auditing firms and auditing education.

People have different perception of what it entails to be ethical, and further there is difference in opinion to what degree different statements are of importance when being ethical. Moral behaviour and ethical consciousness is closely related, as ethics can be considered the theory (moral philosophy) and moral is the practice. How you make an ethical decision is therefore connected to moral behaviour, which further is a matter of virtues the individual possess. As virtue theory presents, possessing virtues such as courage and prudence are considered important in the auditing profession, and it further enables someone to carry out his or hers task well. In the question to what degree moral behaviour is important to act ethically, the students had an average score of 5.35/6 and employee showed an average score of 5.48/6, where 6 was moral behaviour as important to a very large extent. There are no significant differences

between the respective groups, were both groups considered moral behaviour as important to a high degree to act ethically. The results are by no means surprising, as ethics and moral behaviour is closely related. As mentioned, the virtue theory distinguishes between intellectual virtue and virtues of character. To be moral, both types of virtues is necessary to possess, though acquiring them is done differently. Intellectual virtues, such as objectivity, good judgement and knowledge is virtues that can be acquired through study and learning. Students develop these virtues as they study, and further improve their ability to be moral. This applies to employees as well. This could be an indication that both groups are aware of the importance of moral behaviour, as they acquire intellectual virtue as they study. The fact that there is no significant difference between the respective groups can be an indication that at the year or two that you work in an auditing firm will not affect the awareness of moral behaviour. What might be the reason for this? Moral is intrinsic and it contributes to separate between right and wrong. The fact that there is no significant difference between the respective groups should be reason to believe that both students and employee would behave in the same way when facing an ethical problem. It may seem like a couple of years working in auditing will not affect a persons moral awareness which further could be an indication that the ethical training given does not have any affect on moral awareness with the employee. Even though the debacle towards ethical learning and whether it can be taught is not to the same degree presence as pre-Enron, the argument that moral is something that you acquire through the years to a certain age, could be an argument for the results of the survey. When you reach a certain age, you have reached the level of moral that you later will act upon, and working for a couple of years won't change moral awareness. Approximately 78% of the students that responded to the survey were in the age between 24-27, while 77% of the employees were in the same age group. There is no significant difference in the age groups, which can further be an indication that age could be a factor to moral awareness. However, there could be other reasons to explain it then moral being intrinsic. The comparison is between students in their final year and employees that have been working for 2 years at the most. Working for two years is a relatively short period of time, and further the employee's doesn't have a great amount of working experience. Working in auditing could increase the awareness towards ethics and further the expectations an auditor face. The responsibility a new employee face is less than an experienced auditor, since an associate can't issue an audit opinion. The first two years in an auditing firm is practical experience that is necessary to become an auditor, and further the employees that completed the survey are still in this process of becoming an auditor. The lack of

experience reduces the gap between the groups. However, the responsibility an auditor has is very important for several stakeholders, and therefore an auditor has to be moral. A possibility for the results in the survey could be that the group of employees have not reached this stage yet, as experience affect moral according to Kohlberg. With increasing responsibility there could be an increasing awareness of moral in auditing. However, it must be mentioned that both groups consider moral to be important on a high level, thus it can be stated that it is a positive outcome considering the responsibility the profession has.

Students could have previous experience in auditing, which is something that has not been taken into consideration in the survey. It should therefore be discussed as a possible reason for the outcome. If this were the case it would make sense that there is no distinction between the two groups. Students may have taken a gap year or working part-time in auditing, and further have the experience that could increase the awareness towards moral and ethics.

It should also be mentioned that the distinction between knowing that moral is important and actually act upon it in a real situation. As ethics is taught in either universities or in auditing firm, there is normally an exam where questions regarding ethics are asked. Giving the correct answer or getting top score does not reflect a person's real behaviour. This is the case for the survey as well. Both groups could know or think that moral awareness is important, but not act that way.

Ethical guidelines are one of the elements that were emphasized in the wake of the scandals. All the big four auditing companies have implemented ethical guidelines as part of their ethical learning to encourage ethical behaviour. The code of ethical conduct is a framework for guiding auditors in ethical situations, and could therefore be considered a tool for ethical behaviour. The question regarding importance of ethical guidelines to act ethical, gave a result where students average score was 4.64/6 and employee had an average score 4.93/6, where 6 imply that ethical guidelines are extremely important. Both groups consider ethical guidelines to be very important, a result that confirms Somers (2001) study of the positive relation between ethical guidelines and ethical behaviour. Thus there is a small difference between the respective groups. The employees consider ethical guidelines to be slightly more important than students do, regarding acting ethical. A possible explanation for this is could be that the employee uses the Code of Conduct in practice, and as they are given an introduction to the ethical guidelines when starting their new job. The experience you gain as you start working with auditing may give greater understanding of the use

of the guidelines. Students are introduced to the Code of Conduct in their studies, though they are not used directly towards a dilemma like employees. The ethical code presents the fundamental principles that an auditor has to carry out in his or hers job – integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, as well as the importance of independence. These principles may be more acknowledged after one starts to work, due to auditing experience.

Company values has become of greater importance in line with the increasing focus of ethics. The need of values after the scandals was crucial in order to protect both employees and shareholders against unethical behaviour (Helium, 2007). Creating values is a way of encouraging ethical behaviour. Common values in the auditing firms are in relation with ethical standards, such as integrity. Other values may be empathy or interaction. In the question to what degree values was of importance to ethical acting, students had an average score of 5.04/6 and employees had an average score of 4.75/6 where 6 implied values to be extremely important. Both groups consider values to be of high importance. A reason for this might be the reason stated above – values create encouraging ethical behaviour. As values often are similar to ethical requirements, this directly relates values to acting ethical. Values can encourage and promote ethics by creating an ethical climate.

Though there is not a vast difference between the two groups, there is a small difference. Interestingly enough, students consider company values to be of slightly greater importance than employee. Considering that it is the employee that get an introduction to the company values and face these values every day, it would be reasonable to believe that employee considered it more important than students. Though this may also be the reason for the outcome. Employee doesn't consider company values as important as they emphasize other factors as more important, such as moral (5.48/6) and ethical guidelines (4.93/6). Thus, being an employee in an auditing firm may give reason to experience that the values are introduced, but is further not applied to the daily basis. However it is important to state that both groups consider values to be of high importance.

Company procedures are the procedures that explain the employee's responsibility, including ethical responsibility. All the big four auditing companies have a structured program for ethical learning, though they have different approaches it. The Norwegian Auditing Association (DnR) presents restrictions for ethical learning that the auditing companies has to follow. Though beyond this ethical learning are the companies'

responsibilities. The question in the survey regarding the company procedures towards ethical learning gave an average score with the students of 4.73/6 and employee gave an average score of 4.90/6, where 6 was importance to a very large extent. Both groups consider procedures to be important to a large extent to be able to act ethical. This reflects a common perception of the importance of ethical learning in companies. Thus employees consider it to be slightly more of importance to act ethical. As employee has in fact experienced how the procedures are working, they consider it of greater importance than students that still lack experience. By being introduced to the ethical procedures in the company, the employees will value it to a higher degree.

Facing an ethical dilemma is a difficult matter where the outcome is affected by several factors. Though, how often you face a dilemma is the person's perception of an ethical dilemma and how ethical dilemmas are recognized. This is ethical sensitivity and the first stage in Rests model. How we percept a situation depends on the situation itself and the feelings the human being have. The question relating to how often the respective groups encounter an ethical dilemma, students gave an average score of 3.58/6 and employee had an average score of 3.20/6, where 6 is encountering an ethical dilemma involving ethical decision-making very often. Both groups met ethical dilemmas sometimes, which is in accordance to my assumption prior to the survey. Considering Rests four component model, it is in the first stage that ethical issues are recognized. Identifying an ethical dilemma is not an easy task, and factors such as experience could improve this recognition. Though this question doesn't directly say anything about consciousness towards ethics, but rather give an indication of the respondents' own perception of how often they face an ethical dilemma. My assumption in advance was that employees would have a higher average score than students, as they work and most likely ethical dilemmas would occur more often in auditing. This however can be disavowed.

As for the slightly small difference between the two groups, surprisingly enough the students met ethical dilemmas more often than employee. It could be assumed that an auditor got more responsibility than students, considering that auditors have several more stakeholders that need to be considered from day to day. Trust is one of the defining characteristics of the profession, and further it would be a fair assumption that the auditor had to strive harder than students. However, ethical sensitivity is individual and students may consider ethical dilemmas differently than employees. Students face different problems, but it does not mean that they are any less ethical than auditors. Students may be more vulnerable than employee, and further let their feelings

determine what is or not is an ethical dilemma. Having working experience may influence the ethical sensitivity, though it must stressed that how ethical dilemmas are recognized is individual, and it is difficult to generalize in matters of groups.

What action you take in an ethical dilemma depends on several factors. As Rests four component model illustrates, the action you conduct depends on ethical sensitivity, ethical judgment and ethical intention. The students showed an average score of 4.85/6 in the ability of making a good decision in an ethical dilemma. The employee showed an average score of 4.77/6, where 6 is a very good ability of making an ethical decision. Both groups evaluate their own ability to make a good ethical decision to be good. To make a good action it is necessary to have good ethical judgement, which entails to consider what is morally right and wrong. Also, to decide to conduct the morally right action is necessary to act in a good way. Again, it is individual how one considers your own ability to make a good action as factors such as level of cognitive development. Kohlberg's model of moral development introduces the different levels a person can be on in moral reasoning. As presented in the theoretical framework the model consists of 6 stages. Since this is a comparison between final year students and employees that has been working for maximum 2 years, the assumption could be that they are either on the same stage, or at least on the same level considering the results in the survey.

Experience increases knowledge and improves decision-making in auditing. Abdolmohammadi and Wright (1986) conducted a study that showed that employees (experienced) solved more complex task better then students (inexperienced). Though, experience may improve solving a task, it is not necessary that experience can improve ethical behaviour. The results from the survey revealed that students had an average score of 4.73/7 and employee an average of 4.77/7, where 7 was that the ability to handle an ethical dilemma would be better to a very large degree. The reason for the change in scale was purely a mistake that was not discovered until the survey was distributed. However, this does not affect the discussion regarding the problem. Both groups have a more or less equal perception of how experience in the auditing profession could affect ethical decision-making, and believe that the ability to make better ethical decisions would be fairly high after they start to work. A reasonable outcome would be that there was some kind of difference between the two groups, as employees actually have experience. Nevertheless, this is not the issue. Considering the results, it could be that experience doesn't affect a person's ability handle an ethical dilemma better, since employees have the same perception as students. However, it is

also possible that the respondents don't consider the fact that experience could change moral behaviour and further ethical consciousness.

As ethical learning has been conducted for a long time, and Loeb (1988) states that ethical education could stimulate students to recognize issues in accounting that could impair ethical implications. A reasonable assumption would be that ethics should be taught. That further leads to the questions of whether ethics can be taught. As there are different opinions in this matter.

Regarding the statement that ethics should be a part of the curricula (not a requirement), the survey revealed that students had an average score of 4.62/6 and employee had an average score of 4.71/6, where 6 imply that the respective groups strongly agrees that ethics should be a part of the curricula. There is no significant difference between the two groups, though both groups strongly agree that ethics should be a part of the curricula. This reflects the importance that students and employee consider ethics to be. The importance of ethics is equal to knowing how to conduct an audit technically, and should therefore be emphasized in the curricula. The Code of Ethics reflects this importance, as auditors main purpose is to be trustworthy. In the auditing profession the fundamental principles needs to be carried out in order to work in an ethical way. Integrity, objectivity, professional competence and due care, confidentiality and professional behaviour are the principles that are crucial to the profession. Melé (2005) argues that ethical education should be an integration of rules, values and virtues, as they are interrelated. Following Melè, this type of ethical education in the auditing profession will contribute to a higher degree of ethical consciousness and behaviour. As both students and employee agrees that ethics should be part of curricula to a very high degree, both groups are aware of the importance of the fundamental principles, and further confirms that ethics should be taught.

In the question regarding ethics as a requirement in the auditing education, the students had an average score of 4.85/6 and employees had an average score of 4.90/6, where 6 imply that the respective groups strongly agree that ethics should be a requirement. There are no significant difference between the two groups, though it is interesting that both groups consider that ethics should be a requirements to a higher degree than it should part of the curricula in general. Possible explanation could be that both groups are aware of the importance, and thinks that ethics should be a requirement rather than "optional". However this is just my assumption.

To have good knowledge about ethics in the auditing profession, include knowing the foundations of ethical curricula in the auditing profession, such as Code of Ethics. As mentioned, the code is a framework for guiding auditors in the matter of ethical issues in the profession. The survey reflects an average score with students of 5.27/6 and an average score with employees of 5.17/6, where 6 imply that ethical knowledge is important to a very high degree. There is no significant difference between the two groups considering the importance of knowledge. The Code of Ethical Conduct for auditors has become highly relevant after the many scandals the last decade, for instance is the ethical guidelines both part of the training in companies as well as very accessible for the employee. Students are presented to the Code of Conduct in their curricula, and both groups are aware of the importance. Further, ethics as theory is given in a numerous context, and the groups have somewhat of knowledge. Also the high results in both groups indicate that knowledge is very important.

Case

Both students and employee was faced with a case, in order to get a general impression of the overall level of consciousness towards ethics between the groups, as well as between the auditing firms. Though there is no right answer to the case, the results will reflect how the respondents consider a situation where an ethical dilemma occurs. The case dealt with integrity, where an employee was given new information from a client regarding the financial statement. The employee was asked not to tell about this new information that was significant to the audit report, whereas he agreed upon. The question further was to what degree this was acceptable. By not informing the management in the auditing firm, the employee showed lack of integrity, as the right thing to do would be to inform about the changes. The students had an average score of 4.85/6 and employees had an average score of 5.17/6, where 6 imply that it is totally unacceptable not to inform. This indicates that both groups consider it unacceptable not to inform superiors about the new information that could have an impact on the auditors' opinion on the financial statements. This result is of no surprise, as this from an ethical point of view would be considered unacceptable. The high result could be explained by the increasing focus both in universities and in the auditing firm. In the interviews conducted, there was without a doubt a high focus on ethical learning. Several of the auditing firms used approaches such as ethical dilemma training in order to increase the involvement and consciousness towards ethics. If we separate the respondents after auditing firm, some significant differences could be discovered. The average score for the employees in PriceWaterhouseCoopers (PwC) was 6.0/6, Deloitte

5.52/6, Ernst & Young 5.88/6 and KPMG had an average score of 5.0/6. Though there is high level of consciousness towards ethics from the case in all the auditing firms, there is a small difference between some of them. As PwC considers the action in the case to be totally unacceptable, KPMG considers the action to be unacceptable. A fair assumption would be that all the auditing firms found the action totally unacceptable, as this action should not be executed. A possible explanation could be the differences in how ethical learning is conducted. For example, KPMG does not use ethical dilemma training like the other companies do. Ethical training using could enhance the consciousness towards ethics in the firm. Nevertheless, this does not explain the differences between the auditing firms that use ethical dilemma as a learning method. The ethical climate is of importance as it increases the ethical consciousness, where the management are a role model for others further down in the hierarchy. It must be stated that neither of the companies accept such behaviour, but some of the respondents found it more unacceptable. It should also be stated that there was a difference in the amount of respondents, where 48% of the respondents were from Deloitte, 25% from Ernst & Young, 16% from PriceWaterhouseCoopers and 12% from KPMG, which could affect the results. It is easier to draw more accurate generalization when the sample is greater, which further can be the reason for the differences in the survey.

Employees that have worked in auditing for 1-2 years, has not been involved with ethical learning on a higher level. Nevertheless, they are exposed to follow-up regarding ethical learning. This may enhance the ethical consciousness, as they are prone to ethics constantly. Students are as well prone to ethics as it is imbedded in the curricula. Nevertheless, ethics is not practiced within auditing, as they are not yet working with it. Furthermore, this could explain the difference between the respective groups. As there is overall a perception that the action in the case is unacceptable, students consider it unacceptable to a lower degree (4.85/6). This was my assumption prior to the survey, as employees have somewhat of experience in auditing. How people make decisions could be a reason why there is a difference in the respective groups. Rests 4 component model explains the different stages in ethical decision-making. What approach you have, for example a utilitarian approach, is a determining factor for the outcome of your decision. Factors such as experience may contribute to change this process, and could therefore be an explanation why students respond differently then employees. Though moral is a crucial part of ethical judgement (Rests second component), it could be impaired by higher knowledge caused by for example experience. Further, students and employee may find themselves on different stages according to Kohlberg's cognitive moral development. When studying you gain knowledge, and develops intellectual virtue,

which can contribute to reaching a higher stage. By experiencing and getting practice it is possible to develop your character virtue. Though it has been debated to what degree it is possible to become more conscious about ethics and be more moral when reaching a certain age, I will assume that there is a possibility to reach higher levels of Kohlberg's moral development. With this assumption, employees can find themselves on higher levels of the model due to the gained experiences. Nevertheless, it is important to remember that the difference between the two groups are not vast, but rather fairly small towards trivial. As this is a comparison of two groups, where one of the groups has 1-2 years more experience than the other, it can be argued that the short amount of experience is not enough for a person to change dramatically. Thus, this also supports the argument that experience does not change ethical behaviour to a great extent.

Doing a comparison of the results in the survey reveals a pattern that there are no significant differences in perception towards ethics in auditing. Before conducting the survey, my perception would be that there would be a difference between the two groups and employees would have a higher level of ethical consciousness than students. This based on my belief that of practical experience in auditing, which leads to an increased consciousness towards ethics. But considering the results in the survey, this perception is wrong. As discussed previously, there could be different reasons for this outcome. The survey hasn't taken into account the fact that students could have previous experience in auditing, due to either taking a gap year or working part-time in an auditing company. This could be an explanation of the result, as students would have similar experience as the employees that conducted the survey. As argued earlier, experience could contribute to a higher awareness towards ethics, especially in auditing. In all the big four auditing firms, ethical training is given, including an introduction to the Code of Conduct. Experience gained through real situations could enhance the consciousness towards ethics, and further will tools such as code of conduct be practiced. However, considering that student's doesn't have previous experience in auditing, why could it be that there are no differences in the overall consciousness towards ethics? First, one of the reasons why ethics is being questioned is the fact that a numerous scandals have led to an increased focus the last decade. At this point ethics consistently have a high focus both in education as well as in practice (auditing firms). Neither of the two groups can avoid ethics as it is imbedded both in education and in training in auditing firms. This further leads to the possibility that the natural high focus on ethics in different arenas leads to a general high consciousness towards ethics in both groups. The actions executed in the wake of the scandals have proven to work, both

for practicing auditors as well as for students. If this is the case, then the effectiveness of ethical training in auditing companies could be questioned. If students already were aware of the importance of ethics, and act thereafter – ethical training wouldn't be necessary. However, it sounds unreasonable ignore ethical training in auditing firms merely because of this reason. A continuous infusion of ethics during practice could be necessary to maintain the awareness towards ethics, and further that the practitioners acts in a desirable way.

As well as ethics has a high focus in auditing, it is not possible to deny the fact that people are different and possess different qualities as human regarding ethics. Moral has been discussed previously and determines what action a person does. Kohlberg (1986) categorize people to different levels of moral development, which further can explain the results. The majority of respondents consist of people in the same age group (24-27 years), which further can explain why there is no difference between the two groups, as moral development happens over time. Being moral is the ability to separate right from wrong and act upon it, though the intention behind the action determines what stage you are on. It seems like both students and employee are on the same stage, though the survey doesn't reflect which stage they are on. Moral is intrinsic and developed through experience, which should be a reason to believe that there could be differences between the groups – though it's not. As the employees only have worked there for a couple of years, this will not make any difference in the development of morality. The auditors needs more experience in order to reach a higher level in Kohlberg's model, or the respondents have already reached the highest level possible. Kohlberg argues that it is not everyone that reaches the highest level, which may be a possible explanation for the lack of differences between the groups on ethical consciousness.

The fact there is no differences doesn't have to be caused by similarities between the two groups, but could be caused by an error in the ethical training program in the auditing firms, the error being that ethical programmes doesn't have any impact on the employees. Considering that the groups find themselves on the same level, a possible explanation could be that starting to work in an auditing company doesn't have any impact on ethical consciousness. The reason for this could be two-folded: Ethical training doesn't have any impact on employees, or the ethical training conducted is not well functioning. Considering the first possible reason, ethical training is then superfluous if the intention is to create increased ethical awareness in a company. All the auditing firms has to follow rules towards ethics set by the Norwegian Auditing

Association (DNR), where there is given an amount of time that should be dedicated to ethical training. These rules could then be discontinued and ethical training could be ignored. We are then facing the same problem, as discussed previously – no ethical training sounds unreasonable. As ethics is emphasized to a large extent, then it also sounds reasonable that ethical training doesn't have any impact at all. If we consider the second reason, that the ethical training is not well functioning, then there is reason to believe that the ethical programmes can be conducted differently or the employees doesn't really care or pay attention to the ethical program. The ethical training programmes are differently in each of the big auditing firms. Some use practical examples in their way of promoting ethics, while other companies' use computer-based learning. However, overall it is not severe differences in the consciousness between ethics, so it is difficult to state anything about the methods used, and is therefore just a hypothetically explanation. However, if the employees don't care about ethical education, the challenge for the auditing company is to develop a programme that increases the involvement towards ethics. Some of the auditing companies conducted exercises with the intention of making it as real as possible, in order to enhance the ethical consciousness. If this is an effective way of ethical training is again difficult to say, though it is more related to experience then computer based training and further it seems reasonable that it is a more effective way of conducting ethical training to increase ethical consciousness. However, this is just speculation. If the case is that the employee doesn't care about ethical training, the auditing firm as other challenges as well, than just increasing the ethical consciousness.

As stated, there are no significant differences in the level of consciousness towards ethics. Even though there could speculated a numerous reasons why there is no difference, it is important to remember that the survey revealed an overall high level of ethical consciousness in auditing. This is outcome will be discussed in the next section.

5.3 Auditing and responsibility

An auditor is faced with a large responsibility and could therefore face pressure that tests the auditors' moral. An auditors' responsibility is not limited to the client and the employer, but he or she has a responsibility towards the whole society. To be able to fulfil this responsibility the auditor need to have competence and capabilities to perform an audit exercise professional scepticism and judgement, as well as complying with relevant ethical requirements. The relevant ethical requirements include integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The auditor needs to fulfil these requirements in order to comply with the

international standards on how to conduct an audit of financial statements. The Enron scandal was one of many examples where this responsibility was not present, and further the vast consequences for the society was a fact. Stakeholders such as employees and shareholders are still suffering from the choices made of the auditors' in Arthur Anderson & Co, as well as the whole profession had to restore its trust. The problem of lack of ethical and moral behaviour is the reason for these actions.

A comparison between students and employees is done in order to evaluate what level of consciousness there is between the respective groups, and if there are any differences. As discussed above, there are no significant differences between the groups. Furthermore, both groups reflect overall a high level of ethical consciousness based on the survey. The overall high ethical level could be due to a wide range of factors that has been discussed. Among these are moral and experience. Increasing focus in the auditing firms may increase the consciousness towards ethics, and are working towards an ethical climate. So what does it really entail that there is a high level of ethical consciousness? Mainly it is an indication that it complies with the ethical requirements in the code of conduct and auditing standards, which further is beneficial for the society. The reason for this is first of all one of the characteristics of the profession – trust. The purpose of the audit is to enhance the degree of confidence of intended users in the financial statement. The financial statement is for the majority of stakeholders the only information accessible and further their decisions are based upon it. This increases the importance of the auditor as an independent third party, where issuing an opinion gives a certain security for the users of the financial statements. The overall results from the survey shows that there is a high level of consciousness towards ethics, which of course is beneficial for the users of financial statements, as well as the society in general. The auditors' independence is one of the characteristics of an auditor that is most important. The Code of Conduct deals with independence in an own section, where independence includes maintaining integrity and objectivity. These qualities are necessary to be an independent auditor, and considering the results in the survey that shows a high level of ethical consciousness, it seems like both groups possess these qualities and could therefore be considered independent. Being independent include both independence in mind as well as appearance according to the code of conduct. Though it is difficult to express anything about how the respondents would be independent in appearance, it is possible to assume that both groups are independent in mind according to the results. The fundamental principles stated in *the Code of Ethical Conduct* are the principles that an auditor needs to possess and execute in order to fulfil the ethical requirement. As the

level of consciousness is high in both groups, it could be assumed that the respondents will conduct and conducts their job with integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. This is complying with the expectations towards the profession and auditing standards

6. Conclusion

The purpose of this thesis has been to examine if there are any differences between students and employees in the level of consciousness towards ethics in auditing. Further, the level of ethical consciousness was examined in order to see if the level complied with auditing standards. A survey was conducted in order to do the comparison, which further was distributed to the two groups. The comparison is between students in their final year studying auditing and auditing employees that has been working for maximum 2 years. In addition, interviews with the four big companies have been done in order to substantiate and explain the results from the survey.

My assumption in advance was that employees would be more conscious towards ethics than students, due to the experience that employees gain after one or two years in auditing, however this assumption I can now disavow. The survey indicates that there are no significant differences between the two groups in matter of ethical consciousness. Possible reasons for this could be the high focus ethics has had both in auditing education as well as in auditing firms. Further, both groups can be found on the same moral level, which further is an indication that the groups have similar consciousness towards ethics. This is by all mean positive, as a high level of ethical consciousness could indicate ethical behaviour, and further that this is the case for both students and employee. Though the reason for the results may be individual, there is a possible reason that the ethical learning programmes either are not well functioning or ethical training or experience doesn't have any impact on the employees, and further there are no significant difference. These are just possible explanations of the outcome, though it has to be taken into consideration that the overall level of consciousness towards ethics is high. This complies with the auditing standards, which require that the auditor should act according to the fundamental principles of auditing. This is further beneficial for the society, as it seems like the respondents fulfil the auditor's responsibility towards the public of being independent. The independence of the auditor is further necessary to maintain and enhance the trust the profession.

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International Standard on Auditing 200 (ISA 200) – *Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing, 2009*

International Federation of Accountants (IFAC) (2009) *Code of Ethics for Professional Accountants* (Revised)

Other:

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8. Appendices

8.1 Appendix 1: Surveys with results

8.1.1 Initial Report – Auditing students

1. Kjønn?

#	Answer		Response	%
1	Mann		18	69%
2	Kvinne		8	31%
	Total		26	100%

Statistic	Value
Min Value	1
Max Value	2
Mean	1.31
Variance	0.22
Standard Deviation	0.47
Total Responses	26

2. Alder?

#	Answer		Response	%
1	20 - 23		2	8%
2	24 - 27		20	77%
3	28 - 30		4	15%
4	30 og over		0	0%
	Total		26	100%

Statistic	Value
Min Value	1
Max Value	3
Mean	2.08
Variance	0.23
Standard Deviation	0.48
Total Responses	26

3. Hvor viktig anser du etikk i revisjonsyrket?

#	Answer	Response	%
1	I liten grad 1	0	0%
2	2	0	0%
3	3	1	4%
4	4	2	8%
5	5	6	23%
6	I stor grad 6	17	65%
7	Vet ikke	0	0%
	Total	26	100%

Statistic	Value
Min Value	3
Max Value	6
Mean	5.50
Variance	0.66
Standard Deviation	0.81
Total Responses	26

4. Vurder følgende påstand: Fokuset på etikk har økt de siste årene

#	Answer	Response	%
1	Helt uenig 1	0	0%
2	2	0	0%
3	3	5	19%
4	4	5	19%
5	5	9	35%
6	Helt enig 6	4	15%
7	Vet ikke	3	12%
	Total	26	100%

Statistic	Value
Min Value	3
Max Value	7
Mean	4.81
Variance	1.60
Standard Deviation	1.27
Total Responses	26

5. I hvilken grad er følgende påstander viktig for at en ansatt i revisjon skal handle etisk forsvarlig?

#	Question	1 I liten grad 1	2	3	4	5	I stor grad 6	Vet ikke	Responses	Mean
1	Den ansattes personlige moral og holdning	0	0	1	2	10	13	0	26	5.35
2	Yrkesetiske retningslinjer	0	1	1	7	14	3	0	26	4.65
3	Bedriftens verdier	0	0	2	2	15	7	0	26	5.04
4	Bedriftens prosedyre	0	2	0	5	15	4	0	26	4.73

Statistic	Den ansattes personlige moral og holdning	Yrkesetiske retningslinjer	Bedriftens verdier	Bedriftens prosedyre
Min Value	3	2	3	2
Max Value	6	6	6	6
Mean	5.35	4.65	5.04	4.73
Variance	0.64	0.80	0.68	1.00
Standard Deviation	0.80	0.89	0.82	1.00
Total Responses	26	26	26	26

6. Hvor ofte møter du på et dilemma som involverer etisk beslutning?

#	Answer		Response	%
1	Aldri 1		1	4%
2	2		4	15%
3	3		7	27%
4	4		11	42%
5	5		1	4%
6	Svært ofte 6		0	0%
7	Vet ikke		2	8%
	Total		26	100%

Statistic	Value
Min Value	1
Max Value	7
Mean	3.58
Variance	1.85
Standard Deviation	1.36
Total Responses	26

7. Hvordan vurderer du din egen evne til å ta et valg ved et etisk dilemma?

#	Answer		Response	%
1	Svært dårlig 1		0	0%
2	2		0	0%
3	3		1	4%
4	4		9	35%
5	5		10	38%
6	Svært god 6		5	19%
7	Vet ikke		1	4%
	Total		26	100%

Statistic	Value
Min Value	3
Max Value	7
Mean	4.85
Variance	0.86
Standard Deviation	0.92
Total Responses	26

8. I hvilken grad tror du at du vil få bedre evne til å håndtere et etisk dilemma etter at du har begynt i revisjonsyrket?

#	Answer		Response	%
1	I liten grad 1		1	4%
2	2		3	12%
3	3		2	8%
4	4		4	15%
5	5		9	35%
6	6		3	12%
7	I stor grad 6		1	4%
8	Vet ikke		3	12%
	Total		26	100%

Statistic	Value
Min Value	1
Max Value	8
Mean	4.73
Variance	3.48
Standard Deviation	1.87
Total Responses	26

9. Vurder følgende påstand: Etikk bør være et krav i utdanningen

#	Answer		Response	%
1	Helt uenig 1		1	4%
2	2		0	0%
3	3		2	8%
4	4		5	19%
5	5		9	35%
6	Helt enig 6		9	35%
7	Vet ikke		0	0%
	Total		26	100%

Statistic	Value
Min Value	1
Max Value	6
Mean	4.85
Variance	1.50
Standard Deviation	1.22
Total Responses	26

10. Vurder følgende påstand: Etikk bør være en del av utdanningen

#	Answer	Response	%
1	Helt uenig 1	1	4%
2	2	1	4%
3	3	1	4%
4	4	7	27%
5	5	10	38%
6	Helt enig 6	6	23%
7	Vet ikke	0	0%
	Total	26	100%

Statistic	Value
Min Value	1
Max Value	6
Mean	4.62
Variance	1.53
Standard Deviation	1.24
Total Responses	26

11. I hvilken grad er det viktig i revisjonsyrket å ha god kunnskap om etikk?

#	Answer		Response	%
1	I liten grad 1		0	0%
2	2		1	4%
3	3		0	0%
4	4		3	12%
5	5		9	35%
6	I stor grad 6		13	50%
7	Vet ikke		0	0%
	Total		26	100%

Statistic	Value
Min Value	2
Max Value	6
Mean	5.27
Variance	0.92
Standard Deviation	0.96
Total Responses	26

12. Knut er nyansatt i revisjonsfirmaet Revisjon på 1-2-3 AS. Hans første revisjonsoppdrag er for bakeriet Tadegeinbolle AS, en klient som har brukt Revisjon på 1-2-3 AS de siste 20 årene. Bakeriet er en familiebedrift som har holdt det gående i 3 generasjoner, men som nå sliter i kampen mot brødgiganten MorgenBrød AS. Det er møte mellom klienten Tadegeinbolle AS, revisor Gullborg og revisormedarbeider Knut: "Knut, jeg stikker ut for jeg må ta denne telefonen. Men vi er jo så og si ferdig her, så kan ikke du fullføre?", sier Gullborg og river med seg kaffikoppen i det hun galopperer mot døren. "Ja jo, det var vel ikke flere spørsmål fra vår side. Har dere noen?", sier Knut. "Nei, ikke noen spørsmål slik sett. Du vet, det går jo ikke så bra med familiebedriften. Vi har jo 100 års jubileum til neste år, og hadde håpet at vi skulle få til en skikkelig feiring med et utvidet bolleassortement. Vi er i tvil om hva som skjer", sier en fortvilet og stakkarslig økonomisjef. "Ja jo, det er harde tider, det ser jeg", sier Knut i all sympati. "Men jeg får nok komme meg av avgårde". Knut reiser seg og strekker seg etter anorakken. "Jo forresten, jeg glemte helt å si det", sier økonomisjefen i det Knut er på vei ut. "Vi måtte kaste halve lageret med fryste boller grunnet utløpsdato, men det trenger man vel ikke gjøre noe med. Blir så mye merarbeid for alle parter, sant?" "Ja jo, det gjør vel det?", mumler Knut. I hvilken grad er det greit at Knut ikke sier fra om informasjonen som har oppstått?

#	Answer		Response	%
1	Helt akseptabelt 1		3	12%
2	2		1	4%
3	3		2	8%
4	4		0	0%
5	5		5	19%
6	Helt uakseptabelt 6		15	58%
7	Vet ikke		0	0%
	Total		26	100%

Statistic	Value
Min Value	1
Max Value	6
Mean	4.85
Variance	3.18
Standard Deviation	1.78
Total Responses	26

8.1.2 Initial Report – Auditing employees

1. Kjønn?

#	Answer		Response	%
1	Mann		32	46%
2	Kvinne		37	54%
	Total		69	100%

Statistic	Value
Min Value	1
Max Value	2
Mean	1.54
Variance	0.25
Standard Deviation	0.50
Total Responses	69

2. I hvilket revisjonsselskap jobber du?

#	Answer		Response	%
1	Deloitte		33	48%
2	PriceWaterhouseCoopers		11	16%
3	Ernst & Young		17	25%
4	KPMG		8	12%
	Total		69	100%

Statistic	Value
Min Value	1
Max Value	4
Mean	2.00
Variance	1.21
Standard Deviation	1.10
Total Responses	69

3. Alder?

#	Answer		Response	%
1	20 - 23		0	0%
2	24 - 27		54	78%
3	28 - 30		12	17%
4	30 og over		3	4%
	Total		69	100%

Statistic	Value
Min Value	2
Max Value	4
Mean	2.26
Variance	0.28
Standard Deviation	0.53
Total Responses	69

4. Hvor viktig anser du etikk i revisjonsyrket?

#	Answer		Response	%
1	I liten grad 1		0	0%
2	2		0	0%
3	3		0	0%
4	4		3	4%
5	5		18	26%
6	I stor grad 6		48	70%
7	Vet ikke		0	0%
	Total		69	100%

Statistic	Value
Min Value	4
Max Value	6
Mean	5.65
Variance	0.32
Standard Deviation	0.56
Total Responses	69

5. Vurder følgende påstand: Fokuset på etikk har økt de siste årene

#	Answer		Response	%
1	Helt uenig 1		1	1%
2	2		0	0%
3	3		4	6%
4	4		19	28%
5	5		31	45%
6	Helt enig 6		8	12%
7	Vet ikke		6	9%
	Total		69	100%

Statistic	Value
Min Value	1
Max Value	7
Mean	4.84
Variance	1.19
Standard Deviation	1.09
Total Responses	69

6. I hvilken grad er følgende påstander viktig for at en ansatt i revisjon skal handle etisk forsvarlig?

#	Question	1 I liten grad	2	3	4	5	6 I stor grad	Vet ikke	Responses	Mean
1	Den ansattes personlige moral og holdning	0	2	1	2	21	43	0	69	5.48
2	Yrkesetiske retningslinjer	0	0	5	14	31	19	0	69	4.93
3	Bedriftens verdier	1	1	6	14	31	16	0	69	4.75
4	Bedriftens prosedyre	0	1	5	14	29	20	0	69	4.90

Statistic	Den ansattes personlige moral og holdning	Yrkesetiske retningslinjer	Bedriftens verdier	Bedriftens prosedyre
Min Value	2	3	1	2
Max Value	6	6	6	6
Mean	5.48	4.93	4.75	4.90
Variance	0.75	0.77	1.10	0.92
Standard Deviation	0.87	0.88	1.05	0.96
Total Responses	69	69	69	69

7. Hvor ofte møter du på et dilemma som involverer etisk beslutning?

#	Answer	Response	%
1	Aldri 1	3	4%
2	2	16	23%
3	3	25	36%
4	4	18	26%
5	5	4	6%
6	Svært ofte 6	2	3%
7	Vet ikke	1	1%
	Total	69	100%

Statistic	Value
Min Value	1
Max Value	7
Mean	3.20
Variance	1.37
Standard Deviation	1.17
Total Responses	69

8. Hvordan vurderer du din egen evne til å ta et valg ved et etisk dilemma?

#	Answer		Response	%
1	Dårlig 1		1	1%
2	2		0	0%
3	3		3	4%
4	4		18	26%
5	5		36	52%
6	Svært god 6		10	14%
7	Vet ikke		1	1%
	Total		69	100%

Statistic	Value
Min Value	1
Max Value	7
Mean	4.77
Variance	0.83
Standard Deviation	0.91
Total Responses	69

9. I hvilken grad tror du at du vil få bedre evne til å håndtere et etisk dilemma etter at du har begynt i revisjonsyrket?

#	Answer		Response	%
1	I liten grad 1		4	6%
2	2		1	1%
3	3		5	7%
4	4		19	28%
5	5		21	30%
6	6		8	12%
7	I stor grad 6		9	13%
8	Vet ikke		2	3%
	Total		69	100%

Statistic	Value
Min Value	1
Max Value	8
Mean	4.77
Variance	2.50
Standard Deviation	1.58
Total Responses	69

10. Vurder følgende påstand: Etikk bør være et krav i utdanningen

#	Answer	Response	%
1	Helt uenig 1	1	1%
2	2	0	0%
3	3	3	4%
4	4	19	28%
5	5	26	38%
6	Helt enig 6	18	26%
7	Vet ikke	2	3%
	Total	69	100%

Statistic	Value
Min Value	1
Max Value	7
Mean	4.90
Variance	1.06
Standard Deviation	1.03
Total Responses	69

11. Vurder følgende påstand: Etikk bør være en del av utdanningen

#	Answer	Response	%
1	Helt uenig 1	2	3%
2	2	0	0%
3	3	7	10%
4	4	19	28%
5	5	21	30%
6	Helt enig 6	19	28%
7	Vet ikke	1	1%
	Total	69	100%

Statistic	Value
Min Value	1
Max Value	7
Mean	4.71
Variance	1.41
Standard Deviation	1.19
Total Responses	69

12. I hvilken grad er det viktig i revisjonsyrket å ha god kunnskap om etikk?

#	Answer	Response	%
1	I liten grad 1	0	0%
2	2	0	0%
3	3	2	3%
4	4	10	14%
5	5	31	45%
6	I stor grad 6	26	38%
7	Vet ikke	0	0%
	Total	69	100%

Statistic	Value
Min Value	3
Max Value	6
Mean	5.17
Variance	0.62
Standard Deviation	0.79
Total Responses	69

13. Knut er nyansatt i revisjonsfirmaet Revisjon på 1-2-3 AS. Hans første revisjonsoppdrag er for bakeriet Tadegeinbolle AS, en klient som har brukt Revisjon på 1-2-3 AS de siste 20 årene. Bakeriet er en familiebedrift som har holdt det gående i 3 generasjoner, men som nå sliter i kampen mot brødgiganten MorgenBrød AS. Det er møte mellom klienten Tadegeinbolle AS, revisor Gullborg og revisormedarbeider Knut: "Knut, jeg stikker ut for jeg må ta denne telefonen. Men vi er jo så og si ferdig her, så kan ikke du fullføre?", sier Gullborg og river med seg kaffikoppen i det hun galopperer mot døren. "Ja jo, det var vel ikke flere spørsmål fra vår side. Har dere noen?", sier Knut. "Nei, ikke noen spørsmål slik sett. Du vet, det går jo ikke så bra med familiebedriften. Vi har jo 100 års jubileum til neste

år, og hadde håpet at vi skulle få til en skikkelig feiring med et utvidet bolleassortement. Vi er i tvil om hva som skjer”, sier en fortvilet og stakkarslig økonomisjef. ”Ja jo, det er harde tider, det ser jeg”, sier Knut i all sympati. ”Men jeg får nok komme meg av avgårde”. Knut reiser seg og strekker seg etter anorakken. ”Jo forresten, jeg glemte helt å si det”, sier økonomisjefen i det Knut er på vei ut. ”Vi måtte kaste halve lageret med fryste boller grunnet utløpsdato, men det trenger man vel ikke gjøre noe med. Blir så mye merarbeid for alle parter, sant?” ”Ja jo, det gjør vel det?”, mumler Knut. I hvilken grad er det greit at Knut ikke sier fra om informasjonen som har oppstått?

#	Answer	Response	%
1	Helt akseptabelt 1	2	3%
2	2	1	1%
3	3	0	0%
4	4	1	1%
5	5	11	16%
6	Helt uakseptabelt 6	53	77%
7	Vet ikke	1	1%
	Total	69	100%

Statistic	Value
Min Value	1
Max Value	7
Mean	5.62
Variance	1.06
Standard Deviation	1.03
Total Responses	69

8.2 Appendice 2: Interviews in full

Intervju Ernst & Young – Representant fra HR - avdelingen

1. Hvilket fokus er det på etikk i deres bedrift? Og hvorfor nettopp dette fokuset?

Ernst & Youngs representant sier det er et stort fokus på etikk innad i firmaet. Blant annet praktiserer de "tone fra toppen" holdning hvor det er fokus på å skape et etisk klima. Ved å ha en ovenfor og ned holdning, bidrar det til å skape et fokus på etikk og et etisk klima.

2. Har fokuset på etikk økt de siste årene? I så fall hvorfor/hvorfor ikke?

Ifølge representanten fra Ernst & Young var det ikke særlig fokus på etikk for 10 år siden da vedkommende var ny i bransjen. Derimot er det annerledes i dag, og det er stor sannsynlighet for at det er skandalene som har bidratt til et økt fokus. Videre sier vedkommende at en også har en annerledes måte å forholde seg til etikk på, i forhold til hvordan det var før hvor man tilpasser seg på en annen måte.

3. Hvilket ansvar har dere etter deres syn som revisjonsfirma i forhold til etikk?

-

4. Hvilke konkrete tiltak gjør bedriften for å fremme etikk?

Et av de konkrete tiltakene i Ernst & Young er det globale varslingsystemet. Vedkommende kjenner ikke så mye til varslingsystemet, men skulle det bli tatt i bruk vil HR-partner bli varslet umiddelbart, hvor overtrederen blir innkallet til samtale. Det vil bli en advarsel og overtredelsen ikke er av særlig grov karakter.

5. Hvordan foregår etisk læring i bedriften?

Av etikkopplæring følger Ernst & Young krav fra Den Norske Revisorforeningen, hvor det skal være 14 timer over 3 år som er forbeholdt etikkopplæring. Ernst & Young følger Code of Conduct, som også er en del av opplæringen (den ikke-tekniske opplæringen). I opplæringsfasen for de nyansatte er det gitt 4 timer som er forbeholdt etikkopplæring. Dette foregår som en del av kurs som holdes

for de nyansatte. Av metoder bruker Ernst & Young dilemma-trening, hvor dilemmaene er alt fra dagligdagse spørsmål til dilemma knyttet til revisjon. Spørsmålene kan være enkle, men også mer komplekse. For å skape mest mulig engasjement blir alternative metoder brukt, blant annet ved avstemming ved bruk av skilter og lignende. Slik trening foregår på alle nivå i organisasjonen. For opplæring på høyere nivå (for eksempel partner nivå), er etikk innlemmet i trening på rundt ½ time i forbindelse med samlinger og/eller fagdager.

6. Hvordan blir etisk læring testet/fulgt opp?

Etteropplæring er i all hovedsak web-basert opplæring. Dette foregår årlig over 2 timer, et krav satt globalt av Ernst & Young. I tillegg foregår det standardkurs ved opprykk til høyere nivå. Blant annet er det kurs som "Misligheter og aktsomhet" for seniorer.

Intervju med Anna-Carin Westberg, ansvarlig for etisk opplæring i Deloitte

1. Hvilket fokus er det på etikk i deres bedrift? Og hvorfor nettopp dette fokuset?

Fokuset er iflg. Westberg stort på etikk i Deloitte. Selskapet har lover og regler å forholde seg til, og det blir derfor også et naturlig fokus. Selskapet har utarbeidet sin egen Code of Conduct som er grunnlaget for etikk i selskapet. Denne er basert på verdiene i selskapet, som er felles for Deloitte Globalt. Disse verdiene er

- Integritet
- Dynamikk
- Empati
- Vidsynt

I tillegg er den også basert på etiske prinsipper, som ærlighet, profesjonelle handlinger, kompetanse, objektivitet, sosialt ansvar og respekt. Utarbeidelsen av retningslinjene skjer internasjonalt, og den er derfor felles for alle i selskapet.

2. Har fokuset på etikk økt de siste årene? I så fall hvorfor/hvorfor ikke?

Westberg har jobbet i Deloitte i 4 år, og mener fokuset på etikk innad i bedriften ikke har økt i denne perioden, men det har vært et kontinuerlig fokus. I forhold til om fokuset har økt i kjølevannet av store skandaler som Enron, kan det i så fall være ettersom Code of Conduct ble utviklet i 2005-06 og derfor kan være noe som har skjedd i kjølevannet av skandalene.

3. Hvilket ansvar har dere etter deres syn som revisjonsfirma i forhold til etikk?

Westberg mener spørsmålet er litt uklart, men viser til Code of Conduct i Deloitte, og sier at Deloitte har både et ansvar ovenfor samfunnet, klientene og kollegialt. Dette er moralske handlinger som er gitt i Code of Conduct, og som de ansatte må forholde seg til.

4. Hvilke konkrete tiltak gjør bedriften for å fremme etikk?

I forhold til konkrete tiltak sier Westberg at det er et økt fokus på etikk, og selve Code of Conduct i seg selv er et verktøy, og at disse retningslinjene må etterleves.

Code of Conduct ligger tilgjengelig på intranettet, slik at de ansatte kan benytte seg av den ved behov.

5. Hvordan foregår etisk læring i bedriften?

Etisk læring er iflg. Westberg i fokus. For nyansatte i bedriften har de et 3 dagers kurs som er en innføring av Deloitte som bedrift. 1 av disse dagene er dedikert til etikk, og Deloittes Code of Conduct. Det er et krav at de nyansatte skal ha gjennomgått denne, og videre kunne den. I tillegg til en teoretisk innføring av retningslinjene, er det også praktiske øvelser hvor de nyansatte får "dilemma trening". Dette innebærer at man blir satt i grupper hvor en blir utsatt for etiske dilemma som en må løse i fellesskap. Dette kan være dilemma av generell art eller direkte knyttet til for eksempel revisjon. Hun nevner eksempelvis dilemma hvor det er brudd på taushetsplikt og dilemma hvor det forekommer utrivsel på arbeidsplassen.

I oppfølgingsspørsmål om etikk blir gjenspeilet i opplæring av det rent tekniske, altså arbeidsoppgavene, viser Westberg til lederopplæringsprogrammet. Mellomledere og ledere må gjennom et opplæringsprogram som inkluderer etikk. Hva dette opplæringsprogrammet innebærer kom ikke frem.

I neste oppfølgingsspørsmål om forholdet mellom teori og praksis, og hva Deloitte anser som mest effektivt og nyttig sier Westberg at de bruker en kombinasjon, hvor Code of Conduct er teorien og det blir brukt praktiske øvelser som skissert over. Hun sier de fokuserer på en bevisstgjøring av etikk, reflektert i moralske handlinger.

6. Hvordan blir etisk læring testet/fulgt opp?

Westberg viser til kravet om etikk undervisning som tilsvarer 1 time per ansatt annethvert år. I forhold til partnere er det et krav om 14 timer over en 3 år periode. Videre sier hun at Deloitte gjennomfører årlige etikkurs, som gjerne foregår som en survey over nett. Hvert år er det et fokus, hvor det i år er konfidensialitet. Akkurat dette er forbeholdt revisjonsdelen av Deloitte. Det er ingen av de ansatte som blir overvåket eller kontrollert i det de gjør. Skulle en mot formodning observere at noe er 'galt', er det oppfordret til å prate med vedkomne, og å konsultere noen på et høyere nivå. Det finnes altså ikke noen varslingsystem, men hvordan en skal gå frem er gitt av retningslinjene.

Intervju KPMG – Else Skranefjell, Risk Manager

1. Hvilket fokus er det på etikk i deres bedrift?

I følge Skranefjell er dette et område som er viktig for KPMGs omdømme og den tilliten de er avhengig av fra markedet og offentlige myndigheter. Det er derfor forbundet med mange og til dels omfattende rutiner og forpliktelser både for den enkelte ansatte og i forbindelse med utøvelsen av KPMGs virksomhet.

2. Har fokus på etikk økt de siste årene?

Skranefjell sier at de siste årene har ikke fokuset økt noe vesentlig de siste tre år, men at etter de store skandalene som Enron for rundt 10 år tilbake, ble det klart en betydelig endring. Mange av reglene som kom i USA i kjølevannet av skandalene, har fulgt her til Norge ettersom KPMG er internasjonalt. Manualene som KPMG har følger internasjonal standard og styres av de.

3. Hvilket ansvar har dere etter deres syn som revisjonsfirma i forhold til etikk?

I følge Skranefjell har KPMG som leverandør av revisjonstjenester, samt å være KPMG-firma, en rekke lover reguleringer og krav innenfor etikk og uavhengighet som de er underlagt. Det at KPMG som revisjonsselskap også leverer rådgivnings og juridiske tjenester, stiller krav til prosedyrer og retningslinjer som sikrer at det ikke kan stilles spørsmål ved KPMGs rolle som uavhengig revisor.

4. Hvilke konkrete tiltak gjør bedriften for å fremme etikk?

KPMG har en uavhengighets- og taushetserklæring som skal signeres ved nyansettelse. I tillegg forekommer det en uavhengighetserklæring årlig, hvor samtlige medarbeidere i KPMG på underskrive. I tillegg vil det være en bekreftelse på uavhengighetserklæringen ved oppsigelse.

Videre opplyser Skranefjell om at managere, partnere og ledende ansatte er forpliktet til å registrere hvorvidt de har aksjer i børsnoterte selskap på verdensbasis (KICKS). Oppfølging av dette blir gjort i et system (KPMG Independence Compliance System), hvor alle må logge seg på to ganger i året (blant annet i forbindelse med uavhengighetserklæring), for å bekrefte

riktigheten av opplysninger vedrørende aksjeeierskap. For øvrig så må kjøp av aksjer registreres her inne 14 dager etter transaksjonen.

5. Hvordan foregår etisk opplæring i bedriften?

For nyansatte er etikk en del av opplæringen, men det er ikke egne dager eller tilsvarende dedikert til etikk, men heller integrert i øvrig opplæring. De nyansatte må gjennom 4 webbaserte kurs, hvor det er en avsluttende eksamen. Ved bestått, vil man motta et bevis på at man har bestått etikk eksamen.

Oppgavene som blir gitt over nett er i hovedsak etiske dilemma i form av case. Nyansatte får innføring i Code of Conduct, hvor det er et eget risk management kurs som er forbeholdt i Norge hvor en blir kjent med prosedyrene.

Skranefjell forteller at KPMG har globale webbaserte Risk Managements kurs, som består av årlige kurs (independence training) som de ansatte må igjennom, kurs i Compliance With Law som foregår annethvert år, samt privacy kurs hvert 5. år. Utenom globale webbaserte kurs, er det egne regionale og nasjonale etikk-kurs, som holdes i tråd med krav i Den Norske Revisorforeningen (DnR). KPMG følger DnRs krav om etikk opplæring, men har ikke opplæringer utover disse kravene.

Videre forteller Skranefjell at KPMG internasjonal utarbeider et nytt system angående etikk. Da dette er ikke fullført, kan ikke Skranefjell si mer utover det.

6. Hvordan bli etisk læring testet/fulgt opp?

KPMG har som nevnt disse Risk Management kursene som foregår fra tid til annen, i tillegg til uavhengighetserklæringen som må underskrives fra år til år. De webbaserte kursene som blir sendt er obligatorisk, hvor det blir gitt en tidsfrist for gjennomføring, samt 2 purringer og eventuelt varsel om disiplinærtiltak om det ikke gjennomføres.

KPMG har et varslingsystem som er likt KPMG internasjonalt, men som i følge Skranefjell ikke har så langt blitt brukt i Norge.

Intervju PriceWaterhouseCoopers (PwC)- Ellen Sjølie og Roger Kjelløkken

1. Hvilket fokus er det på etikk i deres bedrift?

I følge Sjølie er det et høyt fokus på etikk i PwC, hvor selskapets egen Code of Conduct er sentral. Etikk generelt, uavhengighetserklæring, IT/sikkerhet og risikostyring er elementer som er inkludert.

2. Har fokus på etikk økt de siste årene?

Kjelløkken sier det har blitt et økt fokus på etikk de siste 10 år, hvor blant annet Code of Conduct ble utviklet for rundt 10 år siden.

3. Hvilket ansvar har dere etter deres syn som revisjonsfirma i forhold til etikk?

Sjøli sier PwC har et stort ansvar i forhold til etikk, hvor tillitt står sterkt. PwC har selv et uttrykk – "Å være PwCer", hvor det nettopp er vektlagt å være bevisst på etikk.

4. Hvilke konkrete tiltak gjør bedriften for å fremme etikk?

PwC har blant annet Code of Conduct som de vektlegger, et hjelpemiddel for å løse etiske dilemma. Videre sier Kjelløkken at PwC har en varslingsfunksjon, hvor varsleren kan være anonym om ønskelig. I følge åpenhetsrapporten til PwC er det også rutiner for kunde- og oppdragsaksept, samt regler for rotasjon slik at objektiviteten ikke trues. Opplæring av etikk foregår ved nyansettelse og ved endring av nivå, samt kontinuerlig opplæring etter krav fra Den Norske Revisorforening (DnR).

5. Hvordan foregår etisk opplæring i bedriften?

For nyansatte er det i følge Sjølie et oppstartsprogram hvor det er opplæring i Code of Conduct, med en tidsramme på ca 4 timer. I tillegg til denne innføringen, foregår mye av opplæringen i form av det som blir kallet "dialog-duker". Dette er en form for opplæring hvor medarbeiderne blir plassert i grupper og skal diskutere etiske dilemma. Oppgavene kan være av generell art eller direkte knyttet til revisjon. Dette opplæringsopplegget er likt for alle avdelinger i PwC, altså både for revisjon, rådgivning og advokatvirksomheten.

PwC bruker praktiske tilnærminger samt teoretiske (web-baserte tester) i opplæringen. Bant annet i etiske dilemma på høyere nivå, blir skuespillere innhyret for å illustrere etiske dilemma. I tillegg kommer deltakerne med etiske dilemma selv for å skape enda mer engasjement. De mener at en blanding av begge tilnærminger er mest effektiv.

I tillegg foregår det opplæring av etikk når noen beveger seg til andre nivå. Dette inkluderer manager, senior associate og partner. Kursene de gjennomfører er såkalt GO-kurs. Slike kurs inkluderer dilemma-trening som er tilsvarende "dialog-duker" med diskutering av ulike etiske dilemma. Sjølie sier videre at det er viktig at ansatte på høyere nivå er gode rollemodeller, og det er da nødvendig med slik opplæring.

6. Hvordan bli etisk læring testet/fulgt opp?

Sjølie forteller at det er fokus på etikk i årlige fagdager i PwC. Her er en halv dag dedikert til etikk, hvor ledere fra hver avdeling deltar for så å viderebringe eventuell opplæring til sine respektive kontor.

I tillegg er de ansatte pliktige til å underskrive en uavhengighetserklæring hvert år. Tester er også brukt for å etterprøve etisk kunnskap og bevissthet.