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(Original article)

Conflict of Interest and Ethical Dilemmas of Independent Auditors: Situations and Strategies

Hojat Hoseini Nasab[a], Ahmad Khodamipour[b*], Omid Pourheidari[b]

a) Ph.D. Student, Dept. of Accounting, Faculty of Management & Economics, Shahid Bahonar University, Kerman, Iran
b) Dept. of Accounting, Faculty of Management & Economics, Shahid Bahonar University, Kerman, Iran.

Abstract

Background: Conflicts of interest and the resulting ethical dilemmas play a decisive role in the unethical behavior of independent auditors. The main objectives of this study are to identify different situations of conflict of interest of independent auditors and the resulting ethical dilemmas and also to find strategies for managing and controlling each of these situations.
Method: In this paper, the exploratory approach of the mixed research method (qualitative-quantitative) has been applied. In the qualitative section, the statistical population is the experts in the field of independent auditing. A sample of 14 partners, managers, and supervisors of auditing firms members of the Iranian Society of Certified Public Accountants were selected based on the theoretical sampling method. The tools of data collection are semi-structured interviews and the method of data analysis is qualitative content analysis. In the quantitative, the statistical population, Certified Public Accountants in auditing firms in which a sample of 91 of them was randomly selected. The data collection tool is a researcher-made questionnaire based on the results of the qualitative section and the data analysis method is structural equation modeling.
Results: Findings showed that independent auditors become involved in conflicts of interest and ethical issues when disagreeing with a client they fear of losing, when facing with inappropriate job opportunities, when conducting the review process, and when facing with challenges in performing tasks. Also, managing the conflict of interest of independent auditors require the collective efforts of owners, the community of certified public accountants and independent auditors at the individual level and at the level of the audit firm.
Conclusion: The results of this study are important because they can provide a good framework for promoting ethics in the auditing profession.

Keywords: Conflict of interest, Ethical dilemmas, Auditors

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[*] **Corresponding Author:** Email: **khodamipour@uk.ac.ir**
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Introduction

Ethics can be defined as a branch of philosophy that deals with the right or wrong of human behavior as well as the intentions and consequences of these behaviors (1). Ethics deals with what is right and wrong from the point of view of an individual, a group, or a profession. Accordingly, ethical decision-making is the application of ethical principles and standards in assessing the correctness of a decision (2)

Accounting ethics is an important part of a professional accountant's competencies, and a professional accountant must not only have the knowledge and skills associated with the profession, but also the ability to make judgments based on ethical values (3). Without the recipients' acceptance and trust, the accountants' provision of services is futile. Trust in services is a function of trust in the provider, as well as a function of honesty and adherence to ethical principles. Considering the vital role of accounting in the economic and social development of society as well as the importance of correct information for investors and creditors, ethics in accounting is a central element (4).

The importance of the independent auditors' performance is not hidden from anyone. Independent auditors play an important role in building public confidence for investors and provide a useful and informed decision-making basis at the public level by refining financial information. However, corruption and financial scandals that have occurred in recent years around the world, including Iran, have also affected independent auditors (5). Recent scandals show that the independent auditing profession has a high risk of violating ethical principles. Therefore, it is necessary to take seriously the issue of ethical behavior and observance of professional ethics by independent auditors.

One of the manifest features of the accounting profession is the acceptance of the responsibility to safeguard the public interest. In other words, the primary responsibility of professional accountants should be to protect the public interest, which is the primary interest (6). The primary sources of interest that serve the public interest as well; are the compliance of professional accountants' behavior with the fundamental principles of professional ethics, namely honesty, realism, professional competence, confidentiality, and professional conduct. On the other hand, a wide range of situations and relationships can pose a threat to a professional accountant's compliance with the fundamental principles of professional ethics. These threats include Threats of self-interest, threats of self-review, threats of client protection, threats of kinship, and threats of intimidation (7). These threats are interpreted as sources of secondary interest, and if a professional accountant other than the primary interest has any other interests that overshadow his or her responsibility to protect the public interest, these conditions create secondary interest. Conflicts of interest arise when a professional accountant becomes involved in secondary interest (8). Conflict of interest occurs when individuals find themselves in a situation where they have to make decisions that conflict with their self-interest, so they are more likely to ignore the interest of others (9).

The existence of a conflict of interest may lead to the desire to achieve the secondary interest at the expense of ignoring the primary interest (10). The conflict of interest includes situations that there is a risk that the professional accountant or accounting firm has incentives to deviate from the primary interest (11). According to the research literature, various sources of conflict of interest and the resulting unethical behavior of professional accountants have been summarized in Table 1.

In the research literature related to the ethical behavior of professional accountants in Iran, the effect of personal characteristics, characteristics and personality types and mental and mental state of accountants, the characteristics of the organizational environment, and the characteristics of the ethical issue have been addressed in ethical behavior and related issues (31, 32, 33, 34). In fact, despite the importance of the issue, the research has neglected the issue of conflict of interest, the same factor that leads to ethical mysteries for professional accountants and exposes them to the risk of committing

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unethical behaviors. What seems obvious is that the confrontation of independent auditors with conflicts of interest is a fact that we must accept and work to reduce its destructive effects. In this regard, it is necessary to identify different situations in which independent auditors experience conflicts of interest, and to think of strategies to manage and control each of these situations. Accordingly, the most important objectives of this study are:

- Identifying different situations of conflict of interest and ethical riddles for independent auditors.
- Identifying strategies for managing conflicts of interest for independent auditors.
- Providing a model that shows the relationship between these situations and strategies.
- Proposing model fit test.

Based on what has been mentioned, the main questions of this research are:

- In which situations do independent auditors experience conflicts of interest and ethical riddles?
- What are the strategies for managing and controlling these situations?
- What model can explain the relationship between these situations and strategies?
- Does this model fit?

By answering these questions, it is expected that reliable solutions can be found to prevent conflicts of interest for independent auditors, as well as to prevent their unethical conduct in the event of a conflict of interest.

Table 1: Different sources of conflict of interest of independent auditors

Sources of conflict of interest	Description	Source
Conflict of interest arising from the utilitarianism of auditing firms	the change of accounting firms' approach from professionalism to utilitarianism	(8), (12), (13)
Conflict of interest arising from the relationship between the auditing firm and the client	The close relationship between the audit firm and management of client and the audit firm's interest in client satisfaction to maintain the employment relationship	(14), (15)
Conflict of interest arising from the possibility of hiring a former independent auditor by the client	the possibility of hiring a former auditing firm by the client	(16), (17), (18)
Conflict of interest arising from the possibility of providing non-audit services by the auditing firm	the provision of non-auditing services by the auditing firm	(6), (19), (20), (21)
Conflict of interest arising from the possibility of hiring and firing the auditing firm by the management of client	the management of client can intervene in the recruitment and dismissal of the auditing firm	(22), (23), (24)
Conflict of interest due to workplace pressures	various workplace pressures, such as business pressures time pressures obedience pressures and pressures Social relations	(8), (12), (25), (26), (27), (28)
Conflict of interest due to incorrect reward structure	Inefficient and incorrect reward system that conflicts between the primary interests and the secondary interests of auditors	(12), (28), (29), (30)

Material and Methods

The purpose of this study is identifying different situations of conflict of interest of independent auditors and also provides strategies for managing and controlling conflict of interest in each of these situations. Accordingly, in conducting this research, the exploratory approach of the mixed research method (qualitative-quantitative) has been used.

In the qualitative section, the statistical population is the experts in the field of independent auditing. A sample of 14 partners, managers, and supervisors of auditing firms members of the Iranian Society of Certified Public Accountants were selected based on the theoretical sampling method. Table 2 lists the characteristics of the experts interviewed.

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Table 2: Composition of interviewees

Order	Experts	Number	Education	
			Master	PhD
1	Audit Firm partner	4	2	2
2	Director of the Auditing Firm	5	4	1
3	Head of Auditing Firm	5	5	0

To collect data at this stage, the semi-structured method interviews with experts and exploratory approach has been used. In the present study, after conducting 14 semi-structured interviews, theoretical saturation was obtained. The method of data analysis is qualitative content analysis. Qualitative analysis in this research has been done in the form of 2 stages of open coding, axial coding (35).
In the quantitative, the statistical population, Certified Public Accountants in auditing firms in which a sample of 91 of them was randomly selected. Table 3 presents the demographic characteristics of the respondents to the questionnaire.

Table 3: Demographic characteristics of the respondents to the questionnaire

Property	Description	Abundance	Frequency
Gender	Female	24	26%
	Male	67	74%
Age	Under 30 years old	19	21%
	From 31 to 40	28	31%
	From 41 to 50	32	35%
	over 51 years old	12	13%
Education (last degree)	Bachelor	37	41%
	Master	43	47%
	PhD	11	12%
Field of study (last field of study)	Accounting and auditing	79	87%
	other fields	12	13%
Job rank	Assistant auditor and auditor	0	0
	Senior Auditor	16	18%
	Head of Audit	20	22%
	Senior Audit Supervisor	12	13%
	Audit Manager	25	27%
	Audit partner	18	20%
Independent audit work experience	Less than 5 years	3	3%
	6 to 10 years	17	19%
	11 – 15 years	23	25%
	16 – 20 years	29	32%
	More than 21 years	19	21%

The assessment tool in this section is a researcher-made questionnaire that has been designed and compiled based on the findings of the first part of the research. The questionnaire was prepared and standardized in terms of content, form, and type of questions, with the help of 3 university professors and 3 experts in the field of research. This questionnaire was reviewed several times and finally, after the necessary changes and approval of professors and experts, it was distributed among the sample. At this stage, to analyze the data and fit the research model, the structural equation modeling method has been used by Smart-PLS software.
The spatial scope of this research is the audit firms that are members of the Iranian Society of Certified Public Accountants, its temporal domain during 2019 and 2020 and its subject area is the conflict of interests of independent auditors.

Results

Table 4 shows the open codes and categories related to situations of conflict of interest of independent auditors.
Table 5 shows the open codes and categories related to strategies of managing and controlling the conflict of interest of independent auditors.
In this research, to review and evaluate the quality of the model has been developed and the results of the research in the qualitative part and its validation, the member control method have been used. In this regard, the research findings and interpretations were presented to 4 participants in the interviews and 3 other auditing experts who had not previously participated in the interview process, and after discussion, their additional comments were received and applied. Also, the results of the research in the qualitative section have been approved by 3 university professors.
At the end of the qualitative phase of the research, the method of majority vote of experts has been used to determine the validity of the relationships between situations of conflict of interest of independent auditors and their strategies of managing and controlling. Accordingly, 14 interviewing ex-

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perts were asked to agree or disagree with the association of each of the situations in which the conflict of interest of auditors with any of the strategies identified to manage those situations. Table 6 shows the results of this step.

Table 4: Open codes and categories related to situations of conflict of interest of independent auditors

Main category	Subcategory	Open codes
Situations of conflict of interest of independent auditors	When disagreeing with the client	Due to the lack of proper disclosure
		Due to improper accounting procedures
		Due to incorrect accounting estimates
		Due to restrictions on the limit and scope of the proceedings
	When faced with an unsuitable job opportunity	Job opportunity created by a close relationship with the client
		A job opportunity that has signature content
		There is no job opportunity that the technical ability to do with the eligible quality
	When performing the handling process	When using the results of judgments and reviews of previous periods in the audit of the current period
		When evaluating the structure of internal control
		When designing and executing content tests
		When preparing the audit report
	When faced with the challenges of performing tasks	When discovering significant errors in previous judgments and reviews
		When faced with time budget pressure
		When you are assigned to a job that you do not have the technical ability to do

Table 5: Open codes and categories are related to the strategies of managing and controlling of interest of independent auditors

Main category	Subsidiary category	Subcategory	Open codes
The strategies of managing and controlling of conflict of interest of independent auditors	Client actions	Selecting the appropriate auditing firm	Selecting an auditing firm with sufficient industry experience
			Selecting an auditing firm with the necessary professional knowledge and expertise
			Choosing an auditing firm with advanced technology systems
			Selecting a reputable and reputable auditing firm
		Improving the effectiveness of the company's supervisory and control structure	Improving the effectiveness of the internal control system
			Improving the effectiveness of the internal audit unit
			Effective promotion of the audit committee
	Actions at the level of the audit firm	Job acceptance risk assessment	Communicating effectively with prior audit prior to accepting
			Checking the credibility and good reputation of managers and employees before accepting
			Examining the employer's difficulties and helplessness before accepting a job
		Managing income strategies	Managing employee hiring
			Designing and implementing effective and efficient ethical codes and regulations
			Choosing the right audit teams
			Holding professional and ethical training courses
			Replacing the partners and the audit teams between the various stakeholders
		Managing efficient human resource	Managing employee recruitment
			Designing and implementing efficient and effective ethical and disciplinary regulations
			Selecting appropriate audit teams

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			Holding professional and ethical training courses
			Replacing the companies and audit teams between different clients*
		Proceedings of handling time	Determining a reasonable and achievable time budget
			Using of up-to-date technologies
			Effective presence of the audit partner during the review process
	The Society of Certified Public Accountants actions	Proceedings of Regulatory	Continuous and effective monitoring of the quality of work of auditing firms
			Upgrading the regulations for determining the qualifications of certified public accountants
			Expanding the review of predecessors
		Proceedings of Support	Encouraging small audit firms to integrate and facilitate the process
			Improving the effectiveness of professional behavior training courses
			Organizing the fees of auditing contracts
			Investing in research projects in the field of professional ethics
	Individual level actions	Having mental independence	Accountability to the public interest
			Avoiding unethical greed
			Considering the consequences of ethical and unethical behaviors for the independent auditing profession
			Considering the consequences of ethical and unethical behaviors for professional credibility
			Considering the consequences of ethical and unethical behaviors for the credibility of the auditing firm
			Considering the afterlife consequences of ethical and unethical behaviors
		Having professional competence	Keeping specialized knowledge up to date
			Gaining experience in different workspaces
			Avoiding friendly and close relationships with managers and employees of the client
			Consulting with the right people to solve ethical issues
			Using of ethical regulations

Table 6: Results of Expert Accreditation on the Relationship between Situations and strategies of managing Conflict of interests of Independent Auditors

Order	Situations of conflict of interest of independent auditors	Strategies	Experts		Approval/disapproval of the relationship according to experts
			agreed	disagreed	
1	When disagreeing with the client	Selecting the appropriate auditing firm	10	4	✓
2		Improving the effectiveness of the company's supervisory and control structure	9	5	✓
3		Job acceptance risk assessment	12	2	✓
4		Improving income strategies	14	2	✓
5		Managing efficient human resource	13	1	✓
6		Proceedings of handling time	4	10	×
7		Proceedings of regulatory	14	0	✓
8		Proceedings of Support	14	0	✓
9		Having mental independence	11	3	✓
10		Having professional competence	12	2	✓
11	When faced with inappropriate job opportunities	Selecting the appropriate auditing firm	2	12	×
12		Improving the effectiveness of the company's supervisory and control structure	1	13	×
13		Job acceptance risk assessment	0	14	×
14		Improving income strategies	13	1	✓
15		Managing efficient human resource	3	11	×

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16		Proceedings of handling time	0	14	×
17		Proceedings of regulatory	12	2	✓
18		Proceedings of Support	11	3	✓
19		Having mental independence	11	3	✓
20		Having professional competence	12	2	✓
21	When performing the handling process	Selecting the appropriate auditing firm	9	5	✓
22		Improving the effectiveness of the company's supervisory and control structure	14	0	✓
23		Job acceptance risk assessment	1	13	×
24		Improving income strategies	10	3	✓
25		Managing efficient human resource	13	1	✓
26		Proceedings of handling time	14	0	✓
27		Proceedings of regulatory	14	0	✓
28		Proceedings of Support	10	4	✓
29		Having mental independence	10	4	✓
30		Having professional competence	12	2	✓
31	When faced with the challenges of performing tasks	Selecting the appropriate auditing firm	10	4	✓
32		Improving the effectiveness of the company's supervisory and control structure	9	5	✓
33		Job acceptance risk assessment	2	12	×
34		Improving income strategies	4	10	×
35		Managing efficient human resource	14	0	✓
36		Proceedings of handling time	14	0	✓
37		Proceedings of regulatory	13	1	✓
38		Proceedings of Support	12	2	✓
39		Having mental independence	12	2	✓
40		Having professional competence	13	1	✓

Figure 1 shows the conceptual model of the research. In the quantitative stage of the research, the conceptual model and each of the relationships confirmed by the experts were tested.

The first stage of data analysis in the PLS method is the fitting of the conceptual model of the research, which includes three parts: fitting of measurement models (external model), fitting of structural models (internal model), and general model fitting. To fit the measurement models, the criteria of factor loading of indicators, reliability of indicators, convergent validity, and divergent validity have been used. Factor load coefficients for the indices are given in Table 7

All coefficients of factor loads of the indicators are greater than 0.4, which indicates the appropriateness of this criterion.

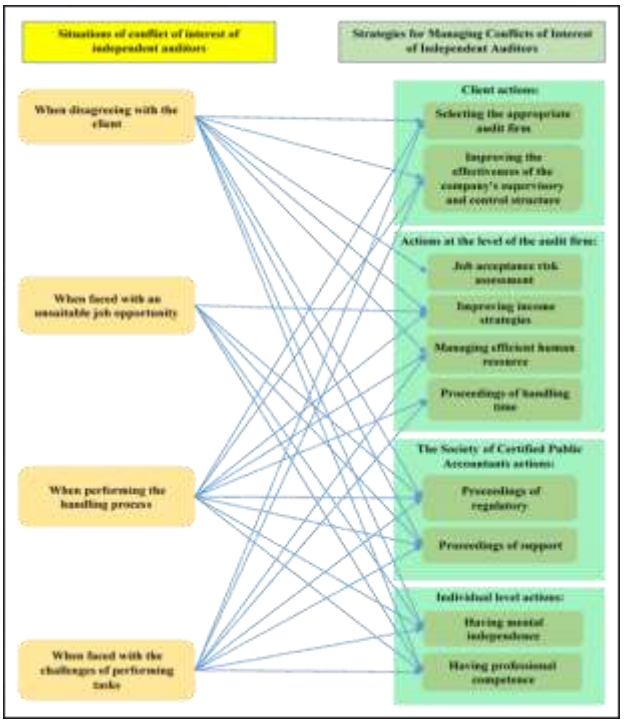


Figure 1: Conceptual model of study

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Table 7: Factor load coefficients related to the indicators

Structures	Codes	Indicators	Codes	Factor loads
When disagreeing with the client	F1	Due to the lack of proper disclosure	S1	0.791
		Due to improper accounting procedures	S2	0.990
		Due to incorrect accounting estimates*	S3	0.994
		Due to restrictions on the scope and scope of the proceedings	S4	0.826
When faced with an unsuitable job opportunity	F2	Job opportunity created by a close relationship with the client	S5	0.911
		A job opportunity that has signature content	S6	0.985
		There is no job opportunity that the technical ability to do with the desired quality*	S7	0.863
When performing the handling process	F3	When using the results of judgments and reviews of previous periods in the audit of the current period*	S8	0.850
		When evaluating the structure of internal control	S9	0.555
		When designing and executing content tests	S10	0.912
		When preparing the audit report	S11	0.701
When faced with the challenges of performing tasks	F4	When discovering significant errors in previous judgments and reviews	S12	0.943
		When faced with time budget pressure	S13	0.926
		When you are assigned to a job that you do not have the technical ability to do.*	S14	0.991
Selecting the appropriate audit firm	F5	Selecting an auditing firm with sufficient experience in the industry	S15	0.792
		Selecting an auditing firm with the necessary professional knowledge and expertise*	S16	0.828
		Selecting an audit firm with advanced technology systems*	S17	0.828
		Selecting a reputable and valid auditing firm	S18	0.727
Improving the effectiveness of the company's supervisory and control structure	F6	Improving the effectiveness of the internal control system	S19	0.804
		Improving the effectiveness of the internal audit unit	S20	0.845
		Effective promotion of the audit committee*	S21	0.871
Job acceptance risk assessment	F7	Communicating effectively with prior audit prior to hiring*	S22	0.958
		Checking the credibility and good reputation of managers and employees of the client before hiring	S23	0.911
		Examining the employer's difficulties and helplessness before accepting a job	S24	0.601
Improving income strategies	F8	Planning and trying to provide other services	S25	0.814
		Avoiding income dependence on employers*	S26	0.973
		Specialization in industry	S27	0.469
		Expanding the workspace	S28	0.821
Managing efficient human resource	F9	Managing employee recruitment	S29	0.852
		Designing and implementing efficient and effective ethical and disciplinary regulations	S30	0.860
		Selecting appropriate audit teams	S31	0.738
		Holding professional and ethical training courses	S32	0.783
		Replacing the companies and audit teams between different clients*	S33	0.892
Proceedings of handling time	F10	Determining a reasonable and achievable time budget	S34	0.765
		Using of up-to-date technologies*	S35	0.856
		Effective presence of the audit partner during the review process	S36	0.717
Proceedings of regulatory	F11	Continuous and effective monitoring of the quality of work of auditing firms	S37	0.874
		Upgrading the regulations for determining the qualifications of certified public accountants	S38	0.825
		Expanding the All-Star Review*	S39	0.989
Proceedings of support	F12	Encouraging small audit firms to integrate and facilitate the process	S40	0.431
		Improving the effectiveness of professional behavior training courses	S41	0.817
		Organizing the fees of auditing contracts*	S42	0.974

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		Investing in research projects in the field of professional ethics	S43	0.888
Having mental independence	F13	Accountability to the public interest	S44	0.702
		Avoiding unethical greed	S45	0.747
		Considering the consequences of ethical and unethical behaviors for the independent auditing profession	S46	0.683
		Considering the consequences of ethical and unethical behaviors for professional credibility	S47	0.705
		Considering the consequences of ethical and unethical behaviors for the credibility of the auditing firm*	S48	0.925
		Considering the afterlife consequences of ethical and unethical behaviors	S49	0.407
Having professional competence	F14	Keeping specialized knowledge up to date*	S50	0.911
		Gaining experience in different workspaces	S51	0.854
		Avoiding friendly and close relationships with managers and employees of the client	S52	0.527
		Consulting with the right people to solve ethical issues	S53	0.767
		Using ethical regulations	S54	0.910
* Indicators that have the largest share in explaining their structures.				

The reliability of the indices was measured by two Cronbach's alpha criteria of structures and the combined reliability (CR) of the structures and convergent validity was measured by the AVE index. Table 8 presents these results.

The results show that the measurement model has good convergent reliability and validity.

Fornell and Larker methods were used to evaluate the divergent validity. The results of this method are shown in Table 9.

Table 8: Cronbach's alpha coefficients, composite reliability of structures and AVE

Concealed Variable	Indicators reliability test		Convergent validity test
	Cronbach's alpha Coefficients (> 0.7)	Combined Stability Coefficients (> 0.7)	AVE (> 0.4)
F1	0.923	0.947	0.820
F2	0.909	0.944	0.848
F3	0.751	0.847	0.589
F4	0.950	0.968	0.910
F5	0.810	0.872	0.632
F6	0.791	0.878	0.706
F7	0.808	0.872	0.703
F8	0.776	0.863	0.626
F9	0.883	0.915	0.683
F10	0.740	0.824	0.610
F11	0.878	0.926	0.808
F12	0.793	0.873	0.648
F13	0.800	0.854	0.506
F14	0.858	0.900	0.651

Table 9: Cross-factor load matrix

Structure	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14
F1	0.905													
F2	0.049	0.921												
F3	0.719	0.211	0.767											
F4	0.557	0.201	0.610	0.954										
F5	0.850	0.167	0.708	0.691	0.795									
F6	0.865	0.182	0.692	0.713	0.697	0.840								
F7	0.864	0.229	0.608	0.456	0.638	0.625	0.838							
F8	0.685	0.476	0.633	0.606	0.701	0.668	0.702	0.791						
F9	0.727	0.127	0.617	0.760	0.654	0.609	0.643	0.721	0.827					
F10	0.605	0.221	0.703	0.644	0.644	0.631	0.491	0.665	0.673	0.781				
F11	0.850	0.149	0.642	0.512	0.706	0.625	0.807	0.718	0.714	0.532	0.899			
F12	0.721	0.440	0.679	0.578	0.701	0.679	0.767	0.602	0.701	0.608	0.756	0.805		
F13	0.665	0.266	0.641	0.647	0.690	0.656	0.621	0.689	0.648	0.604	0.626	0.660	0.711	
F14	0.710	0.211	0.654	0.705	0.667	0.623	0.680	0.707	0.773	0.665	0.704	0.730	0.756	0.807

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A model has an acceptable divergent validity of the numbers in the main diameter are more than their lower and right values. According to the explanations provided and the results of the table above, it can be concluded that the measurement model has good divergent validity.

To investigate the fit of the structural model in a study, the coefficients **Q^2** and each **R^2** are used. Table 10 shows the results of the **Q^2**and **R^2** criteria.

As shown in the table above, according to the calculated coefficients, the structural model has a strong fit.

Table 10: Benchmark Results R^2 and Q^2

Variable	R^2 (>0.67)	Q^2 (>0.35)
F1	-	0.637
F2	-	0.598
F3	-	0.434
F4	-	0.693
F5	0.832	0.380
F6	0.976	0.389
F7	0.746	0.425
F8	0.889	0.394
F9	0.855	0.499
F10	0.768	0.434
F11	0.841	0.547
F12	0.943	0.423
F13	0.771	0.424
F14	0.903	0.468

The most basic criterion for examining the fit of the structural model is significant coefficients. The significance coefficient related to each of the research variables is given in Figure 2.

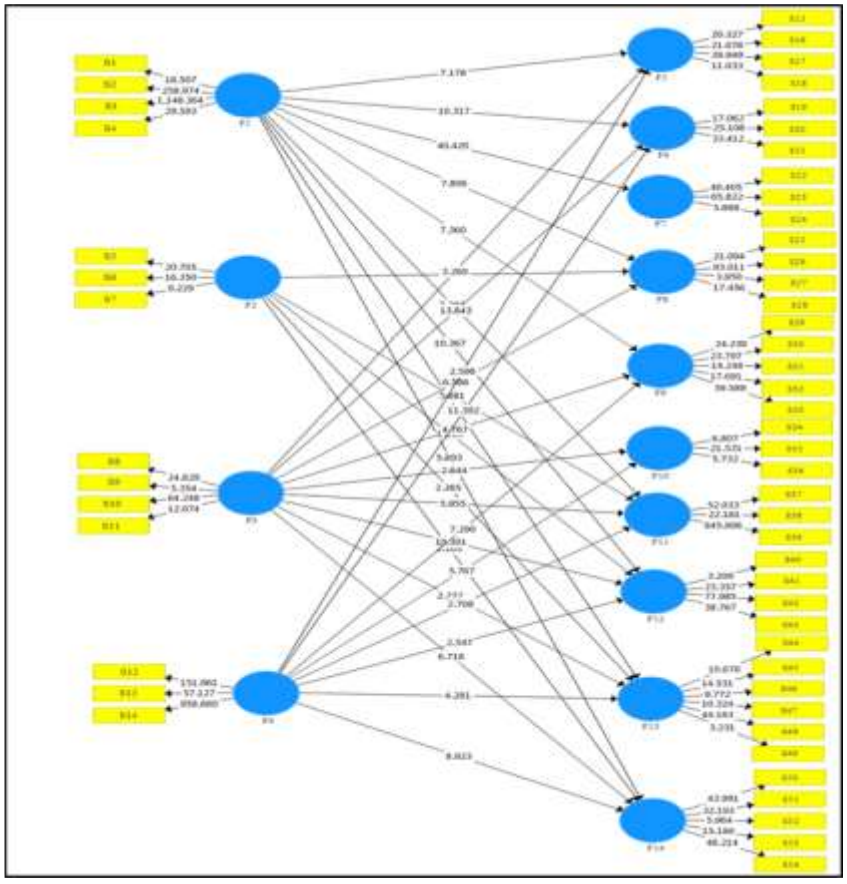


Figure 2: Drawn model with significant coefficients Z (t-value)

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In examining the fit of the structural model based on t-coefficients, if the coefficients are higher than 1.96, their significance can be confirmed at the 95% confidence level. Table 11 examines the significance of direct path coefficients between situations of conflict of interest of independent auditors and their strategies of managing and controlling.

Table 11: Test hypotheses test results

path		The standardized regression coefficient of paths	Statistics T)Significance factor Z(	
⟶			Statistics T	*Significance / insignificance*
F1	F5	0.504	7.178	Significant
F1	F6	0.376	10.317	Significant
F1	F7	0.864	40.420	Significant
F1	F8	0.463	7.806	Significant
F1	F9	0.413	7.360	Significant
F1	F11	0.542	7.280	Significant
F1	F12	0.475	10.367	Significant
F1	F13	0.415	4.780	Significant
F1	F14	0.320	5.893	Significant
F2	F8	0.364	5.824	Significant
F2	F11	0.036	5.881	Significant
F2	F12	0.322	5.616	Significant
F2	F13	0.131	2.365	Significant
F2	F14	0.038	2.163	Significant
F3	F5	0.313	3.260	Significant
F3	F6	0.404	13.843	Significant
F3	F8	0.423	6.586	Significant
F3	F9	0.314	4.767	Significant
F3	F10	0.299	2.644	Significant
F3	F11	0.512	5.955	Significant
F3	F12	0.507	10.301	Significant
F3	F13	0.186	2.272	Significant
F3	F14	0.380	6.718	Significant
F4	F5	0.219	2.596	Significant
F4	F6	0.357	11.392	Significant
F4	F9	0.338	7.290	Significant
F4	F10	0.661	5.767	Significant
F4	F11	0.110	2.708	Significant
F4	F12	0.061	2.547	Significant
F4	F13	0.376	4.281	Significant
F4	F14	0.387	8.923	Significant

As shown in the table above, the coefficients of all paths are positive and significant. Therefore, it can be concluded that all the relationships between situations of conflict of interest of independent auditors and their strategies of managing and controlling, that their validities were confirmed by experts, also proved in quantitative stage of the research.

Fitting of the general research model includes both parts of the measurement and the structural model. The fitting study in a complete model is completed by confirming its fitting. The GOF criterion is related to the general part of structural equation models.

$$GOF = \sqrt{\overline{Communalities} \times \overline{R^2}}$$

Accordingly, the GOF criterion of the model will be 0.770, which indicates a strong fit of the overall research model.

Discussion

Based on the results of data analysis, independent auditors are involved in four situations of conflict of interest and the resulting ethical issues. The first situation refers to the times when the auditing firm has disagreed with the managers and employees of the client, and at the same time has a strong desire to retain the client and continue to work with him. The next situation is when the auditing firm is faced with an unfavorable job opportunity and is very willing to accept it. Another situation is the conflict of interest related to the times when the independent auditor is performing the audit program and making judgments and gathering audit evidence. In these circumstances, the independent auditor may be reluctant to follow the code of professional conduct. The last situation is when the independent auditor faces challenges in performing his or her audit duties that may jeopardize his or her professional reputation, financial interests, or promotion. In this regard, strategies for managing conflicts of interest were identified, ie prevention of conflicts of interest and prevention of unethical behaviors caused by it were identified. According to the research findings, companies should make efforts to improve the effectiveness of internal controls, internal audit unit and audit committee in order to report financially fairly and benefit from its interests. And they should invite a reputable and reputable auditing firm, with high experience and expertise and the necessary facilities, to independently audit the financial statements. Partners of auditing firms should, before accepting audit work, have a proper assessment of the risk of hiring, manage the human resources of

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the firm and the proceedings of the time to prevent employees from encountering conflicts of interest and unethical behaviors and income strategies; adjust itself to reduce dependencies on independent auditing services and specific clients, as well as increase specialization in specific industries and expand the work space in other provinces. In the face of conflicts of interest, the most important action of the independent auditor in managing these conditions is ethical decision-making, and the requirement of ethical decision-making is the independence of independent auditors. Therefore, independent auditors must use strategies that enhance their mental independence (true independence) in order to be able to make ethical decisions. They also need to work to improve their professional competence. Also, the Society of Certified Public Accountants should play a very important role in managing conflicts of interest and promoting the auditing profession by overseeing the performance of audit firms and independent auditors. According to the research results, one of the most important platforms for managing the conflict of interest of independent auditors is the accounting training environment. Accordingly, the academic community and accounting decision-makers should include training and professional ethics promotion strategies in their training and research programs. The results of this study are consistent with the results of studies that show the conflict of interest of independent auditors and the resulting unethical behaviors due to utilitarianism in audit firms (8), close and long-term relationship between the client and the audit firm (14, 15) have considered the possibility of hiring and firing an audit firm by management of client (22, 23) and the business pressures on the audit firm (8, 12).

This research has been done in two parts, quantitative and qualitative. In qualitative research, the phenomenon under study occurs in its context, so the possibility of generalizing the results and findings of such research to other situations is limited. Accordingly, similar to all qualitative researches, the most important limitation of this research is related to the research approach and method, ie the limitation on the generalizability of the findings of this research to other cases, such as internal auditors, auditors of the auditing organization, etc. Also in qualitative research, there is the possibility of different interpretations and perceptions of the phenomenon under study. Therefore, it cannot be claimed that the interpretation made is the only possible and acceptable interpretation of the phenomenon under study, but it can be said that the interpretation made is one of the acceptable interpretations and there is a possibility of other interpretations. In the quantitative part of the research, the most important limitation of the research was due to the inherent limitation of the questionnaire, i.e. the bias of the respondents in answering. As the subject of the research and the questionnaire items were about the ethical challenges of independent auditors, given the sensitivity of the issue, the responses may have been somewhat biased by the respondents.

In this study, the issue of conflict of interest among professional accountants working in the auditing profession (independent auditors) was investigated. According to the importance of the issue, it is suggested that the issue of conflict of interest among professional accountants working in other areas, such as internal auditors, tax auditors and accountants working in firms and organizations be considered. In this study, one of the most important strategies for managing the conflict of interest of independent auditors is to diversify the services of audit firms. Regarding to the importance of the issue, researchers are suggested to examine the barriers to diversification into the services of audit firms and to seek strategies to address them. Pursuant to the results of the present study, one of the most important strategies for managing the conflict of interest of independent auditors is the promotion of certification regulations for certified public accountants by the Society of Certified Public Accountants. Researchers are advised to conduct research in order to improve the principles and criteria for determining the qualification of certified public accountants. In the present study, the issue of conflict of interest among independent auditors working in auditing firms that are members of the Society of Certified Public Accountants was investigated. Concerning

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the important differences between the work environment and the prevailing conditions of these institutions and the audit organization, researchers are advised to examine the issue of conflict of interest among independent auditors working in the audit organization. Therefore the research results, one of the most important strategies for managing conflict of interest in small auditing firms are their integration. Researchers are recommended to explore the barriers to merging these institutions and come up with strategies to address them.

Conclusion

According to the conflict of interest of independent auditors and the resulting unethical conduct, it can cause irreparable damage to the client, the independent auditor, the auditing firm and the auditing profession, and the community. In this study, with the aim of improving the ethical performance of the auditing profession, the issue of conflict of interest of independent auditors in the Iranian context was addressed. Based on this, we tried to examine the different situations of conflict of interest for independent auditors and the strategies of managing and controlling of each of these situations. The findings of this study can be used as an important achievement in reducing unethical behaviors in the audit profession by independent auditing professionals.

Ethical Consideration

Ethical issues (including plagiarism, informed consent, misconduct, data fabrication and/or falsification, double publication and/or submission, redundancy, etc.) have been completely observed by the authors.

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In this research, in introducing the sources used, the principle of scientific fidelity has been observed and the intellectual rights of the authors have been respected. The principles of scientific ethics of confidentiality and informed consent have also been considered.

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