

## Does Dysfunctional Behavior Matter When it comes to Audit Quality in Malaysia?

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### ABSTRACT

*Audit quality is becoming a concern and a problematic issue due to corporate scandals in the business sector. The auditors were accused of incompetence and lack of independence in detecting fake financial reporting, which led to the company's failure. The dysfunctional auditors' behaviour has an impact on audit quality. As a result, this study aims to scientifically investigate and analyse the elements that may lead to dysfunctional auditor conduct and decreased audit quality. The factors addressed include time constraints, task complexity, and client importance on dysfunctional auditor behaviour and audit quality in the Malaysian setting. A total of 133 respondents were involved in this survey, selected by the snowball sampling method. The results reveal the propensity of individual auditors to accept dysfunctional behaviour due to time, budget pressure, and task complexity. Surprisingly, client importance does not impair auditors' independence. Auditors play an essential role in maintaining the quality of audit reports and restoring public trust in the audit profession since auditors are granted credibility to assure financial accounts. As a result, this paper has important implications. It provides valuable insight for Malaysian regulators and audit firms to identify factors influencing dysfunctional auditor behaviour and deterioration of audit quality and develop various approaches to address these issues while maintaining the value of an audit for external users.*

*Keywords: Time budget pressure; task complexity; client importance; dysfunctional behavior; audit quality*

### INTRODUCTION

Audit quality is a common subject of interest among practitioners, investors, and regulators. In the past years, the world has witnessed various corporate scandals and the business communities and regulators concerned about the alarming rate of corporate scandals. A series of corporate collapses is mainly due to concealing material financial information and earning management conduct (Bing et al., 2014; Koh et al., 2013). The earnings management and collusive fraud lead to diminished quality and low reliability of information usefulness. Consequently, the investors had suffered losses due to these non-stop corporate scandals, while the capital market was severely affected. The Enron scandal drew attention to accounting and corporate fraud as its shareholders lost \$74 billion in the four years leading up to its bankruptcy. In Malaysia, Malaysia International Shipping Corp Bhd (MISC) had come under MACC's radar following allegations of accounting fraud involving about RM109 million. As a result, the external auditors have been the target of criticism for several corporate scandals on the misrepresentation of facts, and questions have been raised about the auditor's competency and independence in picking up financial irregularities (Khaneja et al., 2017; Mansouri et al., 2009; Paris, 2011). The auditors were also found guilty of their failure to exercise professional scepticism on unusual transactions (Khaneja et al., 2017). The general public assumed that auditors either failed to do their duties or knowingly cooperated with management and the board of directors. The corporate scandals have vested a greater responsibility on auditors in detecting

and preventing manipulation of financial statements and pressurised to produce high-quality audit reports (Broberg et al., 2017). Numerous studies have highlighted many pressures on audit quality (Al-Qatamin, 2020; Putu et al., 2020; Yuen et al., 2013; Svanström, 2016; Umar et al., 2017). The detrimental effect of different pressures on auditors' control environments is cause for worry, mainly when auditors and their work have come under criticism and the auditing profession is under fire.

Time budget constraints are one sort of constraint that can substantially affect auditors' control environments (McNair, 1991). This pressure is caused by "time restrictions that arise throughout the audit engagement due to a lack of resources available to conduct the essential audit activities" (Putu et al., 2020). Undeniably, auditors are expected to finish the review assignment within the time frame to formulate audit opinions in compliance with auditing standards (Yuen et al., 2013). Therefore, rushing to complete the report may result in an inaccurate report and impair the reliability of the audit report. Hence, auditors are put in a "compromise zone" (McNair, 1991, p. 637). Budget pressure is persistently associated with dysfunctional behaviour, which directly and significantly threatens audit quality. When an auditor is assigned a complex or poorly designed task, regardless of how hard the auditor works, it will be challenging to finish the job effectively (Griffith et al., 2021; Abu & Jaffar, 2020; Hakami et al., 2020; Wright & Wu, 2018). Each year, audit firms may acquire many new clients, and these clients may expect financial reporting within a short period, putting auditors under tremendous work pressure.

Furthermore, audit quality may be compromised if auditors are inexperienced with new clients or their affiliated companies (Neu & Saxton, 2022), and reports for clients with complicated company operations may take longer to compile. Previous studies have reported that the auditor will act positively with management, reducing audit quality (Asein, 2004; Bazerman et al., 2002).

To come to the point, the critical interest of audit quality is the audit process and the behaviour of auditors in conducting the audit process. The auditor plays a vital role in preparing useful and timely audit reports to reduce possible audit risk and minimise corporate fraud (Khaneja et al., 2017). Earlier studies in behavioural research indicated that dysfunctional auditor behaviour has a significant negative impact on audit quality and responds to the stressful atmosphere created by tight management control in audit companies. An auditor's dysfunctional behaviour is characterised as any action taken during the audit programme that has the potential to reduce audit quality (Paino et al., 2019; Donnelly & Mulcahy, 2006; Otley & Pierce, 1995).

Earlier research has focused on the impact of time budget constraints, auditor independence, and auditor tenure on audit quality in Malaysia (Paino et al., 2019; Nor et al., 2009; Astuty et al., 2022; Ismail & Mustapha, 2015), and there is still little research that analyses the complex task, client importance of audit quality. This study attempts to expand the past research by including the auditor's dysfunctional behaviour. Thus, the current study contributes to the body of knowledge empirically. So, based on the discussion above, the research objectives are formed:

1. To investigate the association between the time budget pressure with dysfunctional auditors' behaviour.
2. To investigate the association between task complexity with dysfunctional auditors' behaviour.
3. To investigate the association between the client's importance with dysfunctional auditors' behaviour.
4. To investigate the association between dysfunctional auditors' behaviour and audit quality.

The study aims to obtain a comprehensive understanding of the dysfunctional auditors' behaviour and thereby provide some suggestions to tackle the reduction audit quality in Malaysia. It investigates the factors that influence dysfunctional auditors' behaviour and the relationship with audit quality. The factors considered include time budget pressure, task complexity and client importance in affecting dysfunctional auditors' behaviour. It is important to identify these influencing factors so that dysfunctional auditors' behaviour can be mitigated at the early stage. It is noted that the quality of audit firms' opinions is a key driver of their long-term viability, yet audit quality is difficult to assess, making it especially vulnerable to the actions of the

people who conduct audits. The findings add to the literature by providing practitioners and policymakers with useful information on the auditing profession. The findings might help the auditing sector strengthen auditor accountability and responsibility for their job in order to protect the public interest.

This paper is structured as follows: the background and problem statement have been explained in the introduction section. Section 2 contains a literature review along with hypotheses development. The third section describes the research methodology. Following that, the result and discussion are provided. The last section contains the conclusion of the study.

## UNDERPINNING THEORY

### AGENCY THEORY

Agency theory is the most prominent and widely used audit theory describing the connection between shareholders and agents. For this study, agency theory is applied to solve the asymmetry information problems. There is a need for an independent third party to objectively evaluate the financial statement prepared by the management to ensure that the financial data provided is accurate and fair view (Beekes et al., 2014; Majidah et al., 2018). The auditor is appointed to minimise managerial reporting discretion and adequately reduce the information risk for the public (Ettredge et al., 2008; Rani et al., 2007).

### JOB-RELATED STRESS MODEL

Stress is a psychological and physical state that results when the resources of the individual are not sufficient to cope with the demands and pressures of the situation. In this context, the complexity and Time budget pressure are the primary concern that auditors face that affects the decision making of the auditor when carrying out the audit work (Yien et al., 2013). Such pressure can lead to dysfunctional behaviour by the auditor, as mentioned by Majidah et al. (2018). Dysfunctional auditors' behaviour detriment the audit quality and it is consistent with the job-related stress concept.

### LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Dysfunctional auditor behaviour represents approving an audit step without finishing the entire auditing (Beekes et al., 2014; Majidah et al., 2018). Dysfunctional audit behaviour increases the risks of issuing incorrect audit opinion opinions in flawed outcomes of audit engagement (Johansen & Christoffersen, 2017). The auditor's dysfunctional behaviour poses a significant threat to the audit process's trustworthiness, and rising dysfunctional behaviour would diminish the audit quality (Astuty et al., 2022).

#### TIME BUDGET PRESSURE AND DYSFUNCTIONAL AUDITORS' BEHAVIOR

Time budget pressure is a negative attribute that has a strong influence on a profession, particularly auditors, since it overlooks the significance of integrity and honesty in attaining goals. When an auditor is under time budget constraints, he or she is more likely to engage in dysfunctional behaviour while performing the task. Time budget pressure is consistently associated with dysfunctional behaviour, which directly and substantially concerns audit quality (Monoarfa & Dama, 2018). Johansen and Christoffersen (2017) contend that the majority of the auditors tend to resort to dysfunctional behaviour such as external review of audit evidence, premature sign off of audit procedure without completing it, and reducing the query on the client so that the audit work can be completed on time. Mangiwa et al. (2017) found that time budget pressure is consistently associated with dysfunctional behaviour, and it will severely impact the audit quality when the auditors are easily stressed. The research from Svanström (2016) indicates that time pressure is positively associated with dysfunctional auditor behaviour, especially in a small firm. This is in line with the study from Broberg et al. (2017), where the time budget pressure negatively correlates with audit quality. Accordingly, our first hypothesis is:

H<sub>1</sub>: There is a significant positive relationship between time budget pressure and dysfunctional auditors' behaviour.

#### TASK COMPLEXITY AND DYSFUNCTIONAL AUDITORS' BEHAVIOR

Task complexity refers to the auditor's perception of auditors' capability, knowledge, and critical thinking in analysing the audit task (Jamilah, 2007). Due to task complexity and rising workload, auditors tend to engage in dysfunctional behaviour by carrying out simple audit approaches to complete the audit work within the deadline. Thus, the auditor may be incapable of providing high-quality audit assessments, which will reduce the decision quality. The higher the level of task complexity, the more the work to be done by the auditor, and this will affect the auditor to perform dysfunctional because the auditor is challenged to provide an audit assessment (Sanusi et al., 2018). Adnyana and Mimba's (2019) research state that the more complex tasks performed by the auditor cause the auditor's performance to decline. The complexity of the task can increase the stress level of auditors, and thus, it diminishes audit performance and audit quality. As demonstrated, the second hypothesis is developed:

H<sub>2</sub>: There is a significant positive relationship between task complexity and dysfunctional auditors' behaviour.

#### CLIENT IMPORTANCE AND DYSFUNCTIONAL AUDITORS' BEHAVIOR

The client-auditor relationship has received considerable attention (Yuen et al., 2013). In recent years, the competition among audit firms led to a sharp fall in audit fees, where it is essential to create cost control to maximise audit firms' profit (Paino et al., 2019). Since the audit firms are rational economic agents, the revenues received from auditing a client will be financially crucial for the audit firm. This indicates that higher fees are perceived to be necessary to audit firms. The audit firm possesses a high propensity to produce favourable opinions for critical clients due to fear of losing clientele and undue influence by the client.

In addition, the client is more result-oriented where they are focused on the satisfaction level of services provided by the auditors. Moore et al. (2006) contend that audit clients tend to appoint a responsive audit firm implying that the accounting firms have significant incentives to avoid negative audit opinions issued by the auditors. The auditors tend to compromise and are reluctant to challenge client explanations or perform vigorous procedures that may upset the client. The auditor may also avoid audit procedures that reveal findings that the client would not desire to reveal. Since the client's importance can potentially influence the auditors' reporting behaviour, it is crucial to investigate the relationship between client importance and dysfunctional auditors' behaviour. Therefore, based on the above discussion, the third hypothesis is developed:

H<sub>3</sub>: There is a significant positive relationship between client importance and dysfunctional auditors' behaviour.

#### DYSFUNCTIONAL AUDITORS' BEHAVIOR AND AUDIT QUALITY

Audit quality is imperative as it will impact the audit quality and affect the confidence level of the investors and stakeholders. Audit quality is measured by earning management indicators, the restatement of financial statements, and audit reports (Knechel et al., 2013; Langli & Svanström, 2014). However, since it is difficult to measure the earning management indicators, an alternative approach has been suggested by Svanström (2016) to capture the dimensions of audit quality by questioning auditors on their quality reduction acts. On the other hand, dysfunctional behaviour is more than simply an irrational human propensity; it has the potential to become a rational activity to manage and adapt to current processes. Dysfunctional conduct as an activity driven by an employee or group of employees has adverse effects on people inside the organisation, groups of persons within the organisation and the organisation itself (Ghazali et al., 2020; Umar et al., 2017).

It cannot be denied that auditing is a stressful profession known for the increasing workload and tight deadlines to be met. Due to the tense working environment, auditors undoubtedly get job burnout and dissatisfaction, resulting in dysfunctional behaviour. Dysfunctional behaviour is the ineffective execution of an audit method that reduces the amount of evidence acquired for the audit making the evidence inaccurate, false, or quantitatively insufficient (Beekes et al., 2014; Majidah et al., 2018; Nehme et al., 2016; Svanström, 2016). This dysfunctional audit behaviour will increase the risks of issuing incorrect audit opinions or result in poor outcomes of audit engagement (Johansen &

Christoffersen, 2017). As a result of dysfunctional audit behaviour, the audit process fails to gather sufficient and reliable evidence verifying financial statements' conformity with accounting standards. Therefore, it is possible to deduce that dysfunctional auditors' behaviour will reduce the reliability of the audit report issued to the financial statement user, and the fourth hypothesis is formed:

H<sub>4</sub>: There is a significant negative relationship between dysfunctional auditors' behaviour and audit quality.

Figure 1 indicates the research framework of the study.

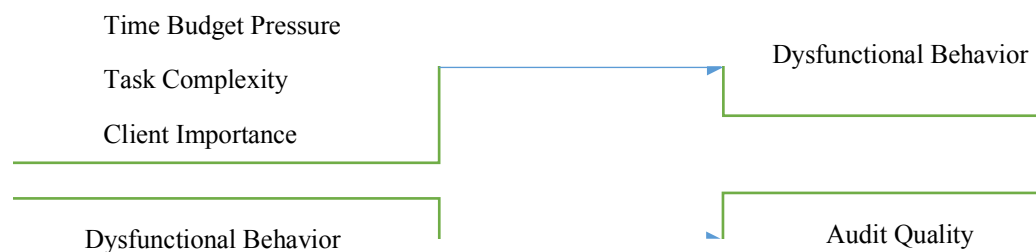


FIGURE 1: Research framework

#### METHODOLOGY

This study employs the quantitative method as a research approach. For this research, questionnaires were employed to examine the factors influencing audit quality. The measurements of the constructs, namely time pressure, task complexity, client importance, and dysfunctional behavior and audit quality, are adapted and modified based on the previous research, as shown in Table 1. The questions were adapted from existing literature and measured using a five-point Likert scale.

The population being targeted to conduct this study is auditors working in Malaysia. Malaysia is being chosen because the respondents can be identified and contacted. However, due to some limitations in identifying the total population of auditors in Malaysia, snowball sampling was used to determine the sample size. The target respondents will be audit trainees, juniors, and seniors from Big 4 and non-Big 4 firms. This method allowed the researchers to gather the data and information for the research study.

A pre-test is occupied in this study to test the survey questionnaires developed for data collection purposes. A pre-test is a crucial process required right after the survey questionnaire is developed and before it distributes to the respondents (Silverman, 2016). A pre-test was able to pinpoint the problem parts, the measurement error, whether the questions were interpreted correctly by the researcher, or figure out whether the sequences of the questions will affect the respondent's answers. Three

academicians and three students scrutinised the first draft of the questionnaire to increase the reliability and ensure that the variables conformed with the purpose of the study. The review led to rephrase of questions, and the ambiguous terms were replaced. Next, the adjusted version was tested on ten audit practitioners to test the validity and suitability of the proposed survey questionnaires. The finalised questionnaire was used for data collection after the pre-testing process.

133 respondents from audit firms in Malaysia participated in this study and completed the survey that encompassed respondents' information such as personal background, time budget pressure, task complexity, client importance, dysfunctional auditors' behaviour, and audit quality. The auditors from local audit firms include 63 and 70 from Big 4 and non-Big Four firms, respectively. There were 50 audit trainees, 54 audit juniors and 29 audit seniors. The audit trainees have their industrial training in the audit firm for six months to gain experience and knowledge. After completing their studies, they can join the audit firm as audit juniors. For the audit junior position, they are generally associates that will be promoted to senior associates after two years with the firms. The senior auditors usually have more than three years of experience in the auditing field, and most of the respondents possessed less than one year of experience. Only 34 respondents pursued professional qualifications such as ACCA, ICAEW and MICPA.



TABLE 1. Measurement of the constructs

Constructs	Items	Sources
Dysfunctional Auditors' Behaviour	Taking actions that enhance the short-term performance of the firm even though it may negatively impact long-term performance Skipping a required procedure Taking actions that are against your better professional judgement Being unable to record all the time spent on the work that is assigned to you Having to stay long hours in the office to indicate to your superior or colleagues that you are working hard Laws, standards or internal regulations that are rigid or burdensome to such an extent that it is appropriate to avoid or skip a procedure	Johansen and Christoffersen (2017)
Audit Quality	Senior internal audit staff are appointed through the audit committee of this entity. Internal audit has an independent budget in this entity Staff in this entity are quick at providing internal auditors with the necessary information Internal audit staff in this entity are professional accountants Internal audit staff here frequently attend CPD programmes/ seminars Internal audit staff are knowledgeable in all operations of this entity Internal audit staff have the necessary experience to perform their duties External auditors must ensure that our accounts comply with International Accounting Standards Our external auditors have always advised on accounting standards applicable to our firm	Nalukenge et al. (2021); Kaawaase et al. (2016)
Time Budget Pressure	The auditor perceives the audit time budget as an obstacle to implementing or completing specific audit procedures. The auditor perceives that implementing or completing specific audit procedures within the audit budget time limit is hard to accomplish. The auditor perceives that the audit time budget for implementing a particular audit procedure is insufficient. The auditor perceives that the audit time budget for implementing specific audit procedures is very tight.	Umar et al. (2017)
Task Complexity	The task needs much thought and the ability to solve the problems. The task is challenging and demanding. They are motivated to give the best performance on the task. Task requires much effort into coming up with the best possible solution.	Umar et al. (2017)
Client Importance	Most of my auditing clients are extremely important to the firm. The degree of service satisfaction amongst my clients is significant to me. I have a client that occupies more than 40 per cent of my work schedule.	Yuen et al. (2013)

## CONTROL VARIABLE

Audit firm size is used to examine how firm size affects audit quality. Bing et al. (2014) confirm that firm size is closely associated with audit quality, where the larger audit firms are more reputation concerned to provide higher quality audits (Francis & Yu, 2009). As the company size can affect the results of this study, it is put as a control variable in this research.

## RESULTS AND DISCUSSION

The overview of the respondents' background is illustrated in this section. As shown in Table 2, the respondents' background was obtained in this study consisting of gender, position, years of experience, qualification, types of the audit firm, and firm location. The majority of the respondents were female (78.9%), audit junior (40.6%),

had less audit experience (51.1%), holding a bachelor's degree (63.2%). In terms of company, most of the

respondents were from non-big four audit firms (52.6%) and located in the central region (66.9%) of Malaysia.

TABLE 2. Respondent profile

Variables	Frequency (n)	Percentage (%)
Gender		
<i>Male</i>	28	21.1
<i>Female</i>	105	78.9
Position		
<i>Audit Trainee</i>	50	37.6
<i>Audit Junior</i>	54	40.6
<i>Audit Senior</i>	29	21.8
Experience		
<i>Less than one years</i>	68	51.1
<i>1 to 2 years</i>	39	29.3
<i>2 to 4 years</i>	19	14.3
<i>More than four years</i>	7	5.3
Qualification		
<i>Diploma Holder</i>	7	5.3
<i>Degree Degree Holder</i>	84	63.2
<i>Professional Qualification</i>	34	25.6
<i>Degree with Professional Qualification</i>	8	6.0
Firm Size		
<i>Big 4 Audit Firm</i>	63	47.4
<i>Non-Big 4 Audit Firm</i>	70	52.6
Location		
<i>Eastern Region</i>	11	8.3
<i>Northern Region</i>	13	9.8
<i>Central Region</i>	89	66.9
<i>East Malaysia</i>	20	15.0

Table 3 presents the descriptive statistics of the research variables, including the mean, standard deviation, kurtosis and skewness values of the data. The results shown in Table 3 indicate mean values for all variables ranging from 2.76 to 3.76; the standard deviation (SD)

values are between 0.852 and 1.033. The normality of the data was tested through the kurtosis and skewness values, as shown in Table 3. All the kurtosis and skewness of the research variables are within the normality range of -2.0 to +2.0 (Pallant, 2020).

TABLE 3. Descriptive statistics of the research variables

Variables	Mean	SD	Kurtosis	Skewness
Time Budget Pressure	3.57	0.987	0.538	2.124
Task Complexity	3.60	0.852	1.714	0.930
Client Importance	3.75	1.033	-1.452	0.520
Dysfunctional Auditors' Behavior	2.76	0.947	1.629	-0.379
Audit Quality	3.76	0.978	3.529	1.842

Table 4 depicts the Cronbach's Alpha reliability finding. Since the Cronbach's Alpha values are more than

0.5 indicating all of the variables in this study are reliable (Hair et al., 2014).

TABLE 4. Reliability result

Variables	Cronbach's Alpha
Dependent Variables	
1. <i>Dysfunctional Auditors' Behaviour</i>	0.821
2. <i>Audit Quality</i>	0.821
Independent Variables	
1. <i>Time Budget Pressure</i>	0.696
2. <i>Task Complexity</i>	0.700
3. <i>Client Importance</i>	0.580

Pearson's Product-Moment Correlation test was carried out to determine the relationship between variables like independent and dependent. It was also performed

to fulfil research questions and hypotheses; the result is presented in Table 5.

TABLE 5. Correlation matrix

Variables	1	2	3	4	5	6
Time Budget Pressure	1					
Task Complexity	.501**	1				
Client Importance	.346**	.447**	1			
Dysfunctional Auditors' Behavior	.316**	.446**	.236**	1		
Audit Quality	-.061	-.081	-.195*	-.201*	1	
Firm Size	-.468**	-.248**	-.274**	.091	.289**	1

Note: \*\* Correlation is significant at the 0.01 level (2-tailed), \* Correlation is significant at the 0.05 level (2-tailed)

Table 6 reports the correlation matrix. Based on the table, the findings explain that the Correlation between the independent and dependent variables is less than +/- 0.51. Thus, all independent and dependent variables are not highly correlated, according to the rule of thumb of Hinkle et al. (2003) mentioned in section 3.8.2. Some of the variables are in a moderate relationship, but some are in a low relationship.

This study presents the zero-order correlations among the study variables. As shown, audit quality is negatively correlated with client importance ( $r = -.195$ ,  $p < .05$ ) and auditors' behavior ( $r = -.201$ ,  $p < .05$ ) suggesting that the higher the audit fees contributed by the audit client,

the lower the audit quality. Variable audit quality is not significantly correlated with the time budget pressure and task complexity. In addition, dysfunctional auditor's behavior correlated positively with time budget pressure ( $r = .316$ ,  $p < .01$ ), task complexity ( $r = .446$ ,  $p < .01$ ) and client importance ( $r = .236$ ,  $p < .01$ ).

Furthermore, the correlation matrix indicates the relationship between the independent variables and control variable. As shown, firm size is negatively correlated with task complexity ( $r = -.468$ ,  $p < .01$ ), task complexity ( $r = -.248$ ,  $p < .01$ ) and client importance ( $r = -.274$ ,  $p < .01$ ).

TABLE 6. Result of collinearity tests

Model	Variables	Collinearity Statistics	
		Tolerance	VIF
1. Independent Variables and Dependent Variable (Dysfunctional Auditors' Behaviour)	Time Budget Pressure	.730	1.369
	Task Complexity	.664	1.506
	Client Importance	.781	1.281
2. Dysfunctional Auditor's behaviour and Audit Quality)	Dysfunctional Auditors' Behaviours	1.000	1.000

The results of collinearity tests are shown in Table 7. The tolerance and VIF findings are within the allowed

range, indicating no multicollinearity concerns.

TABLE 7. Summary of regression analysis

Model		Unstandardised Coefficients	Standardised Coefficients	P-value
		b	Beta	
Model 1: IVs and DV (DAB)				
Model 1: $DAB = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \beta FSize + e$				
Dysfunctional Auditors' Behavior (DAB)	Intercept	-1.179		0.046
	Time Budget Pressure ( $X_1$ )	0.312	0.260	0.007
	Task Complexity ( $X_2$ )	0.459	0.363	0.000
	Client Importance ( $X_3$ )	0.104	0.072	0.398
	Firm Size (FSize)	0.477	0.323	0.000
<i>Note:</i> $F = 13.110$ , sig $F = .000^b$ , $R = .539^a$ , $R^2 = .291$ , adjusted $R^2 = 0.268$				
Regression Equation= $DAB = -1.179 + 0.312 X_1 + 0.459 X_2 + 0.104 X_3 + 0.477 FSize$				
Model 2: IV(DAB) and DV(AQ)				
Model 2: $AQ = \alpha + \beta DAB + \beta FSize + e$				
Audit Quality (AQ)	Intercept	0.919		0.002
	Dysfunctional Auditors' Behavior	-0.189	-0.177	0.035
	Firm Size (FSize)	0.432	0.273	0.001
<i>Note:</i> $F = 8.391$ , sig $F = .000^b$ , $R = .338^a$ , $R^2 = .114$ , adjusted $R^2 = 0.101$				
Regression Equation= $AQ = 0.919 - 0.189 DAB + 0.432 FSize$				

The table above (Table 7) presents the regression analysis results. It reveals that the adjusted  $R^2$  of Model 1 and Model 2 are 0.268 and 0.101, respectively. The adjusted  $R^2$  is used to compare the explanatory power of regression models that contain different numbers of predictors. The regression equations are summarised as follows:

Model 1: To determine the significant relationship between independent variables (time budget pressure, task complexity, client importance) with dependent variables (dysfunctional auditors' behaviour).

Model 1, as shown in Table 7, examines the relationship between independent variables (time budget pressure, task complexity, and client importance) and dysfunctional auditors' behaviour. Dysfunctional auditor behaviour refers to the auditors' reporting behaviour that can impair the audit quality. It is noted that the client's importance is not significant in model 1. One explanation could be that the auditor firms focus on professional ethics to maintain their reputation. Hence, the audit client does not have much bargaining power in convincing the auditors to make decisions in line with their suggestions.

Besides that, based on the result, there is a statistical relationship between time budget pressure and task complexity with dysfunctional auditors' behaviour. As a concern, the audit working environment is stressful, especially during peak periods when the auditors are rushing to lodge the audit report to the Companies

Commission of Malaysia. Due to a limited timeframe, auditors tend to omit audit steps and procedures when executing the audit to get the audit assignment completed. Auditors are prone to signing off on audit steps without completing the entire auditing procedure.

In addition, task complexity is statistically correlated with dysfunctional auditors' behaviour, which implies that task complexity seems to increase the likelihood of dysfunctional auditors' behaviour. Most respondents have less than one year of experience and are still new to the industry, indicating that the auditors lack related knowledge and information about the industry. Consequently, this has led to the failure in identifying potential misstatements and may have a high chance of accepting weak client explanations, which may affect the audit quality.

The results of the multiple regression analysis further show that firm size as the control variable is significantly correlated to audit quality. This is consistent with Bing et al. (2014), that firm size is closely associated with audit quality. The smaller audit firm with resource constraints supports the auditors in audit fieldwork (Krieger et al., 2021; Lowe et al., 2018). Smaller audit firms would properly provide a little budget and lesser timeframe, increasing auditors' burden. Large audit firms possessed a high level of resources, more wide-ranging expertise in identifying issues, and better training (Francis & Yu 2009). Thus, there is a high possibility that the auditors will behave dysfunctionally when they face difficulties completing the audit assignment. Furthermore, increasing



workload and tight deadlines due to limited budgets by the small firms would lead to job burnout and job dissatisfaction, and this may result in dysfunctional behaviour. Dysfunctional auditors' behaviour such as signing off on an audit step without completing the entire auditing procedure or accepting weak client explanations due to lack of competence, under-reporting auditing time to complete their assigned job and rushing to complete audit report without gathering sufficient appropriate audit evidence (Beekes et al., 2014; Majidah et al., 2018; Nehme et al., 2016; Svanström, 2016).

Model 2: To determine the significant relationship between dysfunctional auditors' behaviour and audit quality.

Model 2, as shown in Table 7, it examines the relationship between dysfunctional auditors' behaviour and audit quality. The regression analysis results show that dysfunctional auditors' behaviour negatively correlates with audit quality. This could indicate a high possibility that the auditors will tend to avoid testing on problematic samples so that they will not need to clarify or prove those samples. If they identify problematic samples and discuss them with the audit client, the client may not want to explain more or refuse to make adjustments to those particular items. The auditor may tend to accept weak client explanations or reject the awkward samples. This will increase the risk of material misstatement and affect the reliability of the audit report. This is consistent with Johansen and Christoffersen (2017), where dysfunctional behaviours will increase the risks of issuing incorrect audit opinions.

The first hypothesis is to examine the existence of the significant relationship between time budget pressure and dysfunctional auditors' behaviour. Following the hypothesis developed (H1), the results of this study show a positive relationship between time budget pressure and dysfunctional auditors' behaviour. This indicates the auditors feel stressed because they cannot complete the audit assignment as expected due to tight deadline constraints in gathering sufficient evidence. The auditors experience time budget pressure and feel the planning is unreachable most of the time. The auditors need to spend extra time to complete the audit task, which appears to resort to dysfunctional behaviour in coping with the pressure. The auditors tend to omit certain parts of audit procedures or take the shortcut by taking the previous audit working paper to understand and assess the internal control system, which indicates the propensity to compromise audit quality. Hence, the finding is consistent with the earlier studies (Svanström, 2016; Devi & Ramantha, 2017; Hamdani et al., 2020; Putu et al., 2020; Monoarfa & Dama, 2018), following the assumption of attribution theory suggesting that the more time budget pressure on the auditors, the greater his or her likelihood of engaging in dysfunctional audit behaviour since time budget constraints throughout the audit period

will depress the auditor. The auditor will do whatever, even deviant conduct, to accomplish his objectives.

The second hypothesis examines the significant relationship between task complexity and dysfunctional auditors' behaviour (H<sub>2</sub>). Following the hypothesis developed (H<sub>2</sub>), the result of this study indicates that task complexity has a positive relationship with dysfunctional auditors' behaviour. This result might be explained because the respondents are mostly newly appointed auditors. They might be inexperienced and lack a comprehensive understanding of the client, which has raised the likelihood of making mistakes. Since the auditors will take time in familiarizing themselves with the client's business nature, accounting, and internal control system, the auditor could potentially fail to detect discretionary accruals to uncover potential earning management that can reduce the audit quality. This indicates that specialisation in the industry will help to constrain earning management while, in the meantime can, improve the earning quality. However, perhaps, no matter how complicated the audit work is, the auditor would need assistance, perhaps even supervised by his or her line manager, to accomplish a task. The findings support the earlier studies conducted by Sanusi et al. (2018); Tjan et al. (2017), implying that when auditors are assigned complex or unstructured duties, it is challenging to finish the task efficiently; hence, increasing the dysfunctional auditors' behaviour. This finding backs up recent studies by Tjan et al. (2019) and Wright and Wu (2018), demonstrating that the higher the level of task complexity, the more audit fieldwork and testing auditors are required to do to assure the financial statement's credibility. The auditors are required to coordinate multiple things at one time. This will increase the stress level and cause the dysfunctional behaviour of auditors as the auditors feel challenged to provide adequate review evaluation and adopt relevant audit procedures within a short timeframe.

According to Table 6, there is no significant association between client importance and dysfunctional auditor behaviour (H<sub>3</sub>). Surprisingly, it was discovered that customer importance does not affect auditor reporting behaviour. This implies that the auditors are not prejudiced in favour of the client's interests and that the importance of the client does not influence the auditor's judgement and decision. This could indicate that the auditors are unwilling to compromise because of their relationship with the client. Based on their professional scepticism, they are independent to do reviews and audits and examine customers' accounts (Broberg et al., 2017; Akbari et al., 2016). The auditors can promptly identify suspicious transactions and include them in the audit report. This can improve quality assurance, which will lead to an improvement in financial statement quality (Umar et al., 2017).

On the other hand, according to Table 7, there is a significant association between dysfunctional auditors' behaviour and audit quality (H4). The inverse link between these two factors shows that the behaviour of

dysfunctional auditors will impair audit quality which supports the findings of Putu et al. (2020), Monoarfa and Dama (2018); Tjan et al. (2019); Yuen et al. (2013). When the auditors reject problematic samples or accept weak client explanations, they tend to rely on the information provided by the audit client without further clarification. The audit client may conceal important information or manipulate the financial statement for their interest. Besides that, if the auditors failed to investigate the suitability of accounting treatment, it would affect the reliability and accuracy of the financial information and affect the stakeholders' decisions. In short, the dysfunctional auditors' behaviour has reduced auditors' ability to detect possible fraud or intentional misstatement done by the client. There is a high possibility it could lead to corporate failure when the irregularities have been identified after a few years. The fraudulent financial reporting will then affect the global financial stability and economic development (Tjan et al., 2019; Yuen et al., 2013; Astuty et al., 2022; Ismail & Mustapha, 2015).

#### CONCLUSION

This study aimed to explain how time budget pressure, task complexity, and client importance influence dysfunctional auditors' behaviour and how dysfunctional auditors' behaviour reduces the audit quality in the context of Malaysia. This study shows that time budget pressure, complex task, and client importance influence the dysfunctional behaviour of auditors, while dysfunctional auditors' behaviour significantly reduces the quality of audits in Malaysia. The results suggest that the higher a person's tendency to take unethical actions by auditors when auditors are on under high time budget pressure and have a complex task. An auditor is likely to take actions that violate the rules of professional ethics to cause dysfunctional behaviour.

On the other hand, this study also shows that the auditor's dysfunctional behaviour negatively influences the audit quality. It can also be said that the lower the auditor's dysfunctional behaviour, the better the audit quality will be.

The findings of this study have several implications. This study provides empirical evidence of a potentially serious risk of dysfunctional behaviour that leads to deterioration of audit quality to address the concern of Malaysian regulatory authorities regarding audit quality. The regulatory body such as MIA can initiate proactive actions by reviewing and refining its strategies in light of the circumstances that affect auditor performance and audit quality. This can boost the efficiency and effectiveness of standard-setting and monitoring.

Furthermore, auditing authorities must evaluate the audit work completed by auditors to ensure no accounting manipulations. The findings of this study could be a valuable technique for scrutinising accountants' and external auditors' monitoring operations. This study provides deep insight to the audit firm in dealing with

the quality stances and the ethical aspects by changing strategy and structure to mitigate the audit failures and performance-related inefficiencies (Asif et al., 2016). However, numerous significant constraints must be considered. To begin, the research method employed in this study is quantitative. Therefore, a qualitative study can be conducted to get in-depth knowledge. Aside from that, this study had a low response rate because only a small number of observations were made, and the respondents were mostly audit trainers and audit juniors. The researcher was unable to regulate the type of the respondents because most of them were audit trainees and audit juniors, limiting the use of the survey approach. Aside from that, this study only looked at three independent variables that affect audit quality, although other scholars have proposed other determinants that could affect audit quality. Furthermore, most respondents in this study are from the central region, specifically Kuala Lumpur and Negeri Sembilan. There should be more respondents from various regions to make comparisons between locations.

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