

# [Audit firm culture](https://assignbuster.com/audit-firm-culture/)

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A company'sculturehas a large impact on the ethical behavior of employee's and an employee's ethical behavior plays an Important role In the quality of the audit. Now, there are several factors that affect the quality of an audit but the one that will be focused on In this paper Is the effect the audit firm culture has on the audit quality.

Audit firm culture effects so many different things at a firm Including the kind of behavior that Is rewarded and determining how Important ethics are In the workplace. The audit firm culture has the largest Impact on the quality of an audit ND can either negatively or positively affect the audit outcome. Over the next few pages you will read and see Just why that Is. The kind ofleadershipthat you have wealth a company sets the tone for the way the company holds Its standards.

In a paper prepared for Ernst & Young it states that, " One fundamental driver of audit quality, agreed by all taking part in the discussion, was the need for the people at the top of audit firm to set an appropriate tone and culture, to ensure that the work was carried out conscientiously, ethically, and in line with all appropriate standards and guidelines. Bender)" The management needs to be strong examples to their subordinates of how one should ethically behave and perform a quality audit. Management sets the tone and the employees will follow suit.

If management does not reward or support positive ethical behavior then neither will the employees. An article called," The Negative Affects of Corporate Culture," (Mack) states that, " When managers are unethical, employees will emulate the bad behavior. " Employees look to management to show them how they should behave and they will copy what they see, even if it is negative or unethical. If they see managers cutting corners to get wings done faster or to savemoney, then employees will do the same which can cause the audit to be insufficient or poorly done.

Managers should make sure they are always being strong examples of how everyone should behave, even when they think no one is looking, as they set the bar for how employees should behave. Another big building block in the positive firm culture is ethics training and enforcement. Teaching new employees during their nonbinding process the Importance of ethics within the workplace and teaching them about ethics will help to foster a trustworthy workenvironment. Even though most people know right from ring It Is Important to instill what Is ethically right as well.

An article about ethics training In the workplace discusses how having a code of ethics typed out for employees to see helps them to see and understand what ethics are and how Important they are In the workplace. Also, showing them that there Is open honestcommunicationand letting them know they can come to management with concerns will help employees feel empowered to work ethically (Lollipops). The article also states that, " The expense of comprehensive ethics trailing carries the potential to more than pay for itself over the long term.

Aside from potentially costly lawsuits, (Lollipops). " Teaching ethics will only enforce honesty and integrity, which will ultimately help teams to perform quality audits. Having strong ethics in your workplace can also allow employees to work with a clear conscience and be more productive, which makes for a better quality audit. An article that talks about how ethics makes you a better person in the workplace states that, " Ethical employees build trust in their workplace relationships...

Gaining the trust of your co-workers can enhance your productivity by making it easier for you to communicate and work with there in the workplace (Ingram). " Having teammates who all trust one another due to strong ethics makes for a more cohesive team allowing them to work more productively together and helping them to create a quality audit. Another activity that causes poor firm culture and effects audit quality is hyper competitiveness. In a firm people work together as a team to perform audits, they have to feel comfortable going to colleagues and upper management with questions.

They need to feel supported by there team and feel the rewards of working as a team. If a company rewards a person's behavior to work towards their own personalgoalsto get ahead ether than contributing to the work of the entire team, employees may start cutting corners or doing things unethically to get ahead. As an article by Jarred Lewis states, " Fierce competition may also result in a " win at all costs" attitude that may even bring out the worst in some workers (Lewis). " This is not good for the quality of the audit.

We want everyone on the team to be working together towards the same goal, a quality audit. That is the kind of behavior that should be rewarded. Encouraging competition within the audit workplace can also cause individuals or teams to build rivalries against one another. Having any form of rivalry can cause the, " win at all costs" attitude but it can also cause people to start hating their Job or feeling stressed on the Job. When people are getting stressed at work or start disliking their job then usually their work will start suffering as well.

According to an article called, " StressAffects Work Performance of Nearly Half of Employees," it states that, " It [stress] most often leads to difficulty concentrating, absenteeism and poor work quality (Apse, 2013). " Having employees that are working on an audit struggle to concentrating and are producing poor work is not in any way going to help with reforming a quality audit, it will do the opposite of that, it will hinder the audit. Poor discipline has another negative effect on audit firm culture, which also affects the quality of an audit.

If employees are caught taking short cuts or cutting corners on audits and are not reprimanded or punished for it then it is only encouraging unethical behavior to continue. " If organizations did not have discipline and rules about the way their employees should behave, then quite simply they would be free to do anything they wanted and be able to get away with it - targets would not be et, work would not be completed, the workplace would be more like a zoo than a productive environment (Shipwright). It is important that employees not only understand corporate rules and ethics codes but that they are enforced as well and that those that break the codes are disciplined accordingly. If employees are not disciplined then it will only show employees that behaving unethically when performing an audit is k, which would then ruin the quality of the audit. Lack of open communication or employees feeling like they cannot go and talk to corporate culture and conducting a quality audit.

According to Gaffing, featured in he Daily Reporter, he states that, " The rewards of honest communication in the workplace are not Just esoteric. Honesty can actually help reduce work-related stress (BROWN, 2005). " We already spoke about how beneficial unstressed employees are in the workplace but think about the amount of unethical situations that can be stopped when employees feel safe going to management and discussing such issues. Having open and honest communication in the workplace will help to stop unethical behavior in their tracks, which will also increase the quality of the audit.

Arthur Anderson is a great example of how corporate culture can cause a firm to not reform quality audits, which also led to their demise. One of the problems with Arthur Andersen's culture was the, " Inability to question superior's practices and incapability to suggest new ways of doing things in all areas of the firm (mapped). " Just like we were talking about in the previous paragraph, the firm lacked open and honest communication allowing unethical behavior to fester and flourish. This hindered the firm's ability to perform quality audits.

They also lacked an ethically strong management to be an example to employees. " The root of the problem was top management figures who exemplified poor ethical practices (mapped). Clearly Arthur Anderson lacked a strong ethical and honest firm culture and it started at the top with its management. This enabled them from being able to perform quality audits, Enron was a shining example of how their audits were unsatisfactory, and most definitely lost the publics trust in them. Audit firm culture is very important in performing a quality audit.

As small business chronicle states, " Companies with cultures valuing the highest standards create an atmosphere for workers to deliver products that meet those high standards (Cleaner). " When it comes to management, Ewing a good example, setting the appropriate tone, and ethical standards expected, is important. From ethics training, to teaching the importance of ethics to employees, along with proper discipline, and open and honest communication, all of these things are important in creating a strong and positive corporate culture.