



## Accountants' Behaviour, Performance Evaluation and Educational System

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### Abstract

**Purpose:** Retaining competent and qualified public accountants has become a challenge for most audit firms. Accordingly, some universities and audit firms are combining their efforts to attract accounting students by establishing the 'School Leavers' Program'. The objective of this research is to highlight some of the challenges auditors experience in the fieldwork. These challenges are defined by the unethical behaviour that auditors exhibit in order to achieve better performance evaluation.

**Design/Methodology:** The sample of the study comprises two subgroups stratified based on the type of educational system: Classical Accounting Education (CAE) and Work Integrated Learning (WIL) education system.

**Findings:** The research paper aids in identifying whether dysfunctional behaviour is demonstrated more within a specific academic context.

**Originality:** The results are expected to help in avoiding and preventing unethical acts, leading to two forms of dysfunctional behavior; Premature Sign-Off and Underreporting of Chargeable Time when auditors are up to performance evaluation.

**Keywords:** Big Four, Classical Accounting Education (CAE), Work-Integrated Learning (WIL), Auditors' Behaviour.

**JEL:** M40, M41

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## 1. INTRODUCTION

Economic development and reform are driven by the field of accountancy (Chan and Rotenberg, 2006; Venter *et al.*, 2018). Brierley and Gwilliam (2003) state that HRM transformation has led to establishing staff evaluation processes at audit firms. Accounting students should undergo a lengthy and strenuous period, both academically and professionally, in order to qualify as auditors and to be able to ethically and effectively handle different accounting and auditing responsibilities (Stirling *et al.*, 2016). Although the educational aspect of accounting students' development is crucial for their career progression, studies state that their compliance with accounting and auditing standards is also critical to their professional growth and to the organizations' well-being and sustainability (Srdar, 2017). The new era of knowledge requires accountants to be proactive, sufficiently innovative, and well engaged in practice and ongoing accounting education and training. It is no more “one size fits all” with respect to accounting education (Mathews, 2020). If knowledge is treated as a commodity in the future, accountants will play a vital role in producing it (Howieson, 2003). While Needles *et al.*, (2001) recommend that the IFAC establishes a program between academic institutions willing to implement the *Guideline* to expose faculty to international accounting experience; Bakre (2006) recommends that professional bodies should be established to update accounting education and professional activities serving the market public interest. In this respect, universities face education challenges regarding the new business changes (Zaid and Abraham, 1994). The gap between academic education and practice, defined by employer expectations and governmental education legislations, provides the motivation of the paper to try to bridge this gap and to pursue opportunities for future benefit. Thus, some universities are paying more attention to bridging the education-profession gap through short programs, such as the accounting student-practitioner day (ASPD) program (Law *et al.*, 2009). Public accountants and auditors should prevent dysfunctional behaviours and material misstatements that might hamper their integrity or hinder their firm's reputation and performance. Significant academic and professional attention has been devoted to the role of professional integrity among auditors. Various scholars report that the type of education that employees receive can impact their tendencies to commit auditing errors, such as premature sign-offs and the underreporting of chargeable time, since classically educated accounting professionals possess less hands-on knowledge and experience than their counterparts who receive modern education (MacDonald and Richardson, 2011; Johnson, 2014). The subject of dysfunctional auditing behaviour and the factors that influence its occurrence are of great academic significance. Dysfunctional auditing behaviour sheds light on the educational changes and improvements that should occur to provide accounting students with more knowledge at work while illuminating the benefits of new educational approaches, such as Work-Integrated Learning (WIL) (Herda and Martin, 2016). This research highlights some of the challenges auditors experience in the fieldwork, such as the unethical behaviour that auditors exhibit in order to achieve a better performance evaluation. The sample comprises two subgroups stratified by the type of educational system. In testing this sample, the research will aid in identifying whether dysfunctional behaviour is exercised more often within a specific academic context. The following section provides a review of the literature and the research questions. The research design and survey results are discussed in the third and fourth sections, respectively. The conclusion is provided in the last section.

## 2. LITERATURE REVIEW & THEORETICAL FRAMEWORK

### 2.1 *Dysfunctional Audit Behaviour*

Dysfunctional audit behaviours, defined as intentional or unintentional errors in the auditing process that hamper auditing quality, can lead to detrimental effects on the reputation of the firm or the financial well-being of its clientele (Paino *et al.*, 2010). Due to the various auditing scandals that have emerged during the past few decades, significant attention has been dedicated to the causes behind dysfunctional audit behaviours in order to mitigate facing similar events in the future. The ability of external auditors to resist pressure is affected by the continuous accounting scandals and failures (Lin and Fraser, 2008). Auditors who believe that they are not receiving sufficient support for reinforcement, and who are subject to numerous stressors and constraints, tend to regard unethical or dysfunctional practices as a necessary defence. Consequently, such auditors alter the auditing process to achieve their own performance objectives. Donnelly *et al.* (2003) reported that dysfunctional audit behaviour includes gathering insufficient proof or evidence, modifying or altering of audit procedures, engaging in premature sign-offs, as well as the underreporting of time.

Dysfunctional audit behaviour takes several forms, such as the superficial reviewing of documents, omitting audit steps, accepting weak explanations from clients, disregarding an accounting principle, and failing to research a technical issue (Aamir *et al.*, 2018). However, the most common forms of dysfunctional behaviours are Pre-Mature Sign -Off (PMSO) and Underreporting of Chargeable Time (UCT). PMSO is the practice of omitting certain steps of the auditing process without noting the omission (Otley and Pierce, 1995) and is considered as one of the most treacherous dysfunctional behaviours adopted in the auditing profession (Alderman and Dietrick, 1982). UCT refers to carrying chargeable work without charging it to the client (Lightner *et al.*, 1982). This practice includes individuals working from their personal time, charging time to another client or shifting the work from a chargeable to a non-chargeable category.

#### 2.1.1 *Premature Sign-Off*

Premature write-offs pertain to marking off a required step in the auditing process without actually completing the necessary auditing steps. This auditing error can considerably deter the quality of the internal auditing process while also negatively affecting any external auditing that will rely on the erroneous report (Paino *et al.*, 2010). Okezie (2016) found that intentional sign-offs are often caused by auditors' belief that their career growth depends on the timely accomplishment of the tasks at hand; these professionals thus prefer to omit certain steps in the auditing process to ensure the safety and development of their position. It was also found that newly employed auditors who face tight deadlines struggle to meet their tasks and tend to engage in unethical sign-offs (Umar *et al.*, 2017). Unintentional write-offs occur because of the auditors' inability to focus on heavy workloads they face at the fieldwork (Nehme *et al.*, 2016).

Paino *et al.* (2010) stated that many classically taught graduate students who do not possess sufficient practical expertise unintentionally commit premature sign-offs because they face difficulties distinguishing between the diverse steps of the auditing process. In addition, their lack of practical experience renders them more likely to commit errors on the job because they were unable to discern between favourable courses of actions that mitigate such errors. On the other hand, students who benefited from WIL are often more capable of handling stress at work and are better prepared to handle heavier workloads; hence, they have a lower propensity to commit the dysfunctional audit error of premature sign-offs. Furthermore, Paino *et al.* (2010) analysed the link between WIL and morality, finding that students who underwent WIL programs have a deeper

understanding of the regulations of the workplace and are thus less likely to engage in unethical behaviours.

### **2.1.2 Underreporting of Chargeable Time**

Herda and Martin (2016) stated that underreporting chargeable time is a dysfunctional audit behaviour that can stem from unethical client requests to understate the aggregate number of billed hours. This error can also occur when auditors complete the chargeable hours on their own time to decrease budget overruns. Although this does not directly hinder the auditing quality of the firm, underreporting the actual chargeable time (URT) can lead to a substantial reduction in the firm's aggregate revenue and overall profitability (Hyatt and Taylor, 2013). Shadmehr and Moradi (2013) mentioned that this type of error could be mitigated through proper awareness of the dysfunctional behaviour's long-term implications on the sustainability of the firm. Donnelly et al. (2003) added that promoting an ethical work environment could also alleviate the occurrence of such errors.

## **2.2 Performance Evaluations**

Performance of every firm or business is the process of evaluating goal-oriented achievements, sustainability, operational activities and profitability, although these tasks are not easy to undertake and achieve (Neely *et al.*, 1995). Students undergoing different educational schemes, with internship experience and professional education, perform and receive better appraisals (De Lange *et al.*, 2006). This is due to the gap between university classical accounting education and interpersonal, oral communication, teamwork and proper interpretation (Jones and Abraham, 2007). It is evident that not granting the firm's employees enough direction pertaining to the career development paths renders them more likely to engage in unethical practices to maximize their chances of receiving good appraisals.

In addition to the potential engagement in unethical acts and the negative perception of employees towards the fairness of performance appraisals (Rubin and Edwards, 2020), employees have a fear of 'losing the face' and the negative impact of performance evaluations on the interpersonal relationships amongst each other (Bozionelos and Wang, 2007). The enforcement of dynamic appraisals as part of internal quality rubric (Post, 1996) redirects auditors' actions towards improving their audit quality, which would benefit the firm's reputation and public image, in order to attain career growth opportunities (Paino *et al.*, 2010). According to Herrbach (2001), performance appraisals can help in evaluating audit quality. Scholars noted that static performance appraisals increase the likelihood of dysfunctional auditing behaviours (Paino *et al.*, 2010). Static performance appraisals tend to focus on past events rather than future outlooks. Dynamic performance appraisal programs aim to direct employees towards desired end states while simultaneously providing guidance. Interestingly, auditors may engage in dysfunctional behaviours to attain better performance evaluations. Nehme (2017) highlights that various actions committed by external auditors could result in dysfunctional behaviours, including the underreporting of chargeable hours. Lately, accounting students are required to undergo a lengthy and strenuous gestation period, both academically and professionally, in order to qualify as auditors (Stirling *et al.*, 2016). Accordingly, the education system plays an instrumental role in shaping auditors' type of behaviour.

## **2.3 Classical Accounting Education**

Cunliffe and Easterby-Smith (2004) concluded that the effect of the mode of learning only occurs when the student is actively engaged in the task at hand and can rely on intuition and previous experience to navigate through the unstructured environment. Since classroom learning does not

allow students to actively participate in practical settings and adapt to unstructured problems, it is neither sustainable nor applicable in the long term (MacDonald and Richardson, 2011).

Over the years, accounting education has incorporated various academic aspects that teach students the theoretical bases of accounting based on the classical framework of risk-free and stable markets (Srdar, 2017). Eraut (1990) clarified that "knowledge is transformed by the process of being used". Hence, knowledge used only in the training context is not the same as apparently similar knowledge used on the job, and knowledge used in one job context will not be quite the same as apparently similar knowledge used in a different context" (p. 25). Although accounting curricula aim to mimic real-life scenarios through textbook problems, Johnson (2014) reported that there is a considerable mismatch between graduates' knowledge acquired through classroom learning and employer expectations, as most accounting graduate students lack hands-on expertise and are not properly equipped to handle stress and demands of the job. One of the major gaps in accounting education pertains to the deficiency in the practical implementations of the theoretical concepts studied. The implication of this gap, often referred to as a schism, negatively affects students' professional performance in business settings (Srdar, 2017). This occurs because many of these academically trained graduate students are unaware of the dynamics of work environments and regularly become overwhelmed by the strenuous requirements and responsibilities instilled in these environments (Samadi, 2013).

The classical framework, consisting of theoretical settings and structured problems, often pertains to risk-free and stable markets that substantially differ from the actual real-life dynamics of unstructured problems and unstable markets (Srdar, 2017). According to Seal (2010), this schism leads to a detrimental failure in the accounting education system, which hampers the value of classical accounting learning and which deters the employability, preparedness, and competitiveness of accounting graduates. MacDonald and Richardson (2011) added that a shortage in the substantial developments in the academic field of accounting stems from the neglect of academic institutions that are not allocated sufficient resources to discover the practical skills accountants must possess in order to excel in the accounting profession. The research impact on professional practice must include education in the equation. Hence, research must enhance practice through courses taught to students who become professional practitioners (Parker *et al.* 2011).

#### **2.4 Work-Integrated Learning**

Kolb (1984) introduced the Theory of Experiential Learning, which is based on the notion that real learning is not acquired via classroom. It only occurs when students understand the benefit yielded from a certain content, concept, or process, and when they can link this new information to pre-existing experiences through perceptions, cognitions, and behaviours. The Experiential Learning Theory, therefore, aims to promote students' recognition of the previous formal and informal experiences that they amassed and which shaped their behaviours and cognitions. (Stirling *et al.*, 2016). This theory does not consider formal and theoretical teaching methods as sufficient sources of information, because they do not affect all the mode of students. Kolb (1984) added that long-term knowledge and true learning occurs when students are given the opportunity to experience, reflect on, conceptualize, and practically apply the concepts studied.

In response to the shortcomings of CAE, Smith *et al.* (2014) developed an innovative, career-focused educational approach that enhances student learning through extensive curricular and professional practices. Work-Integrated Learning (WIL) is defined by Smith *et al.* (2014) as a less didactic and more participative form of learning which incorporates both theoretical and practical

aspects to provide students with a more realistic depiction of professional settings. WIL thus aims to mitigate the drawbacks of classical education by improving graduates' employability and civic responsibility. The integration of practice and theory can be demonstrated through various WIL approaches. Eljido-Ten and Kloot (2015) defines WIL as an educational approach that enables students to develop potent critical thinking skills by reflecting on their own experiences and fine-tuning their conceptual understanding of professional work environments. The extent of theoretical or practical exposure can be adjusted, since WIL practices are based on a continuum ranging from tasks that are predominantly theoretical to those that are mostly practical in nature. Kavanagh and Drennan (2008) investigated employers' expectations toward graduates to have three top skills: analytical/problem-solving skills, business awareness and real-life experience, and basic accounting technical skills.

Jackson (2015) stated that students who have been exposed to WIL environments are more capable of adequately managing their time and efficiently allocating their resources; these students had a lower tendency of feeling overwhelmed at work, and committed fewer errors than their counterparts. Active learning approaches in accounting plays an instrumental role in student's success (Flood and Wilson, 2008)

In light of the importance of WILs and of exposure to the world of practice, supporters of the Experiential Learning Theory believe that the introduction of Work-Integrated Learning (WIL) in academic institutions significantly enhances the long-term knowledge acquisition process. WIL is strongly associated with cognitive learning, defined by Mazur (2016) as the mental process of information acquisition through conscious thought, problem-solving, and behavioural change. WIL does not only challenge students' learning through real-life unstructured problems, but also promotes their engagement with the experience.

Another mode of learning highlighted by Kolb (1984) pertains to Active Experimentation (AE). AE enables students to test different courses of actions and learn from their mistakes. This reduces their tendency to commit errors on the job, because they will possess a wider range of cognitive skills in order to discern between erroneous and risky decisions. Moreover, active experimentation enables students to become more aware of the implications of their decisions and consequently form a more realistic set of expectations of real-life business settings. This signifies that the adoption of WIL processes in educational settings could prompt students to become more mindful of their actions and their consequences and hence improve the overall quality of students' decision-making in business.

While the US was among the first countries that highlighted the need for an accounting education reform (Chen, 2015), the UK has devoted attention to the WIL through different initiatives. A limited number of universities with professional bodies and audit firms lead these initiatives. For example, the 'KPMG school and college leavers program' has worked in collaboration with XXX University. This initiative is fully accredited by the Institute of Chartered Accountants in England and Wales (ICAEW) (Huber, 2011). XXX University Business School (DUBS) has developed an innovative partnership, bringing together a rigorous higher education, a leading employer, and a professional body in the Institute of Chartered Accountants (ICAEW) in an innovative manner. The Business School's highly successful collaborative BSc Accounting programme with the Institute of Chartered Accountants England and Wales (ICAEW) and KPMG, combines part-time university study, sponsorship and employment with a major firm, together with the achievement of a professional accountancy (ACA) qualification in a new way. Students enrolled in this program are school leavers joining after achieving their A-level results. They are employed at KPMG and study at XXX university in the same time. During the first three years, they work at KPMG during

summer time, while they spend the academic year at the university. The remaining three years, they work at KPMG during the academic year and continue their modules during the summer terms inclusive ACA modules. University modules are academically focused and professionally accredited. This strategic, cutting-edge initiative is offering the essential intellectual development and professional knowledge, while giving students exposure to the fieldwork (Peacock, 2011).

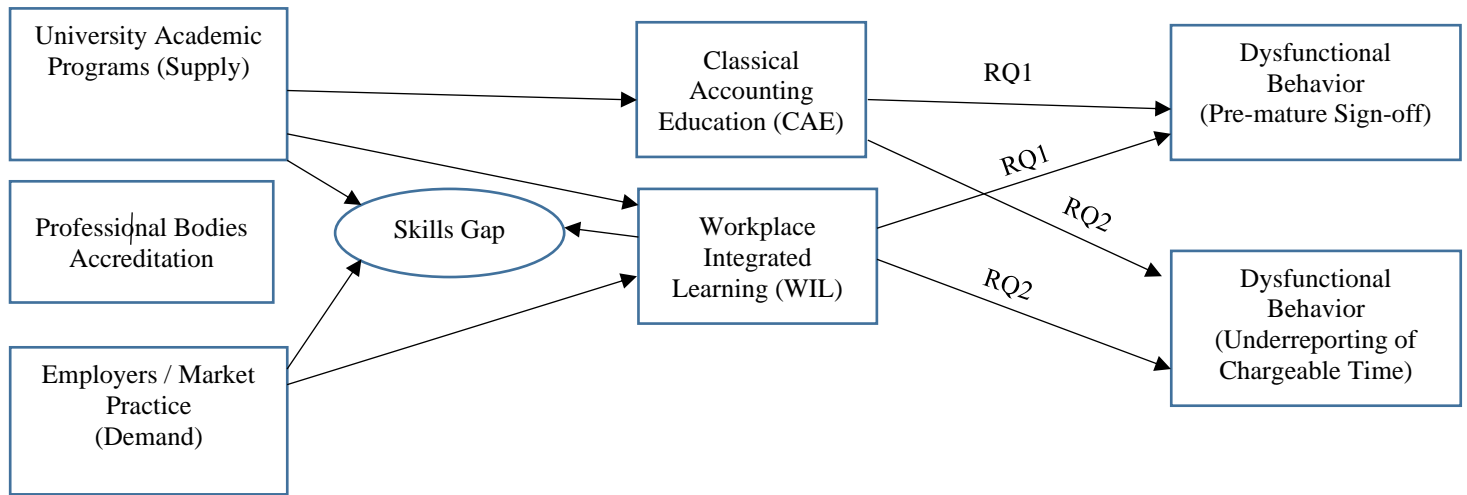
This initiative gives better access to the accounting profession, improves social mobility, and provides diverse intake of students. Students joining the programme acquire the essential knowledge and understanding of the accounting theory, whilst simultaneously gaining practical experience through being tied to a continuous training programme at the workplace. This innovative programme was mentioned in the House of Commons and cited in the government education 'White paper' as an example of good practice in higher education. It is recognized as highly influential in the Wilson 'Review of Business–University Collaboration' report to Government (Coughlan, 2011). This initiative was one of the cornerstones for the new government scheme of 'Degree Apprenticeship' to scale the initiative and to expand it to a variety of professions.

Despite the various personal, academic, and professional advantages yielded from WIL, prior literature state that the program's implementation in traditional universities is very challenging. Abeysekera (2006) reported that WIL has not been adopted in as many universities as previously anticipated, and classical accounting education remains the most prevalent type of learning provided by the majority of academic institutions. However, Smith and Wordfold (2014) stated that increased awareness pertaining to WIL's benefits in the long run will augment its adoption rate in universities, especially that recent studies have found a link between WIL and a reduction in dysfunctional auditing practices.

Leong and Kavanagh (2013) conclude that WIL enables students to learn the theoretical knowledge of the accounting discipline and apply this knowledge in practice, thereby providing a better-balanced understanding of the accounting profession, which is desired by different employers and businesses.

In relation to dysfunctional behaviour, Shephard (2008) argues that although education and training improve an individual's knowledge and capabilities, it will also influence behaviour. Consequently, Svanström (2016) showed evidence that auditors engaged in continuous education and training and are less likely to be engaged in any dysfunctional behaviour. Different scholars are trying to understand the motives behind audit dysfunctional behaviour. Tervo *et al.* (2014) claims that environmental factors within the audit firm and the relationships between auditors and their supervisors influence the acceptance of unethical dysfunctional behaviour.

Apostolou *et al.* (2015) shed light on two initiatives that deserve attention in future research: integrated learning and competency-based framework. He emphasized the need for future scholarship and research in the area of preparing students for the changing needs of the accounting profession through developing core competencies expected from accounting professionals. This is considered one of the most critical research gaps that must be filled by relevant research and scholarship.

**Figure 1 Education Impact on Dysfunctional Behavior Framework**

### 3. RESEARCH METHODOLOGY

#### 3.1 Research questions

The main research questions tackled in this study are:

**RQ<sub>1</sub>:** Will WIL, in comparison to CAE, make any difference to auditors' perception towards pre-mature sign-offs when expecting performance evaluation?

**RQ<sub>2</sub>:** Will WIL, in comparison to CAE, make any difference to auditors' perception towards underreporting of chargeable time when expecting performance evaluation?

#### 3.2 Research Design

The primary data presented in this research is gathered from a survey distributed to auditors employed at the Big Four audit firms. The aim of the survey is to shed light on the differences in the proclivity for dysfunctional audit behaviours exhibited among auditors with classical accounting educational background versus auditors with an integrated accounting learning approach. The study aims to link dysfunctional audit behaviour to performance appraisals. To ensure the credibility of the research's findings, fourteen statements are extracted from a Big Four performance appraisal template. The first seven statements are linked to premature sign-offs, whereas the other seven statements pertain to underreporting chargeable time. Respondents are asked to rate their level of agreement through a five-point Likert Scale ranging from strongly agree to strongly disagree. The possible choices of 1, 2, 3, 4, and 5 sequentially refer to “strongly agree”, “agree”, “neutral”, “disagree”, and “strongly disagree”.

#### 3.3 Population and Sample

The sample of this study includes auditors working at the Big Four accounting firms in the UK, with an experience of 3 to 4 years. The first group of auditors comes from one audit firm that is engaged in WIL. The other group of auditors is from the other three accounting firms. The latter



auditors have undergone a CAE. It is assumed that no significant practice variations are present because of the nature of work at the Big Four audit firms. A pilot study has been conducted before the survey was distributed to ensure that it meets its objectives and that no vague statements are made. Where possible, we communicated with the participants on a regular basis for a quick response. The WIL auditors were visited at their academic premises, and the survey was distributed, leading to a 100% response rate for this group of auditors. 167 surveys (Table 1) were mailed to auditors at the Big Four. Group-administered surveys were used to increase the response rate, resulting in 128 usable surveys; 66 of which are completed by auditors who studied under the CAE approach and 62 of which were completed by auditors who were exposed to the integrated accounting educational process.

**Table1. Socio demographic characteristics**

<b>Variable (n=128)</b>	<b>Frequency</b>	<b>%</b>
<i>Gender</i>		
Male	71	55.5
Female	57	44.5
<i>Educational scheme</i>		
Classical	66	51.6
Integrated	62	48.4

The sample tested was stratified based on the educational systems of every sub-group: classical accounting education versus a work-integrated learning educational system.

Given the nature of the surveyed sample that consists of one twenty-eight respondents in total, the aforementioned sample reflects a normalized data set whereby  $n$  is more than 30 and has a normal distribution. Thus, the central limit theorem applies, because the mean represents the centre of distribution (Vickers, 2005). It is statistically determined that the data is still normally distributed, even though the original sample is divided into two subgroups comprising 66 respondents under the classical educational system and 62 respondents under the WIL program, because the data did not deviate significantly from the normal assumptions of the nature of the parameters (Gleman *et al.*, 2013). Therefore, the independent T-test can generate reliable data when testing for mean variances comparing and establishing a conclusive analysis, all while highlighting that the two subgroups each have a parametric aspect of having a sample greater than 30. The study by Norman (2010) reinforces the latter, stating that some parametric tests like the T-test are robust enough to deal with distributions very close to normality.

#### **4. RESULTS AND DISCUSSION**

The results of the first test, which attempted the comparison between means of responses of classical and integrated education systems, are presented in Table 2.

There is an average agreement with regards to the tendency of building a network with clients to ensure promotion (S311). There is a significant difference in mean values between auditors exposed to WIL education in comparison to those educated through CAE. Of course, this behaviour is a clear breach of independence and maintaining professional and ethical behaviour,

when dealing with clients. This is evidenced by similar response with regards to maintaining strict methodology, when dealing with clients (S312), which is providing similar influence of WIL in comparison to CAE in relation to unethical dysfunctional behaviour.

**Table 2 Independent Samples Test**

Survey Statements	Program	Sig. (2-tailed)	Mean	Mean Difference	Std. Deviation
<b>S311</b>	WIL	<b>0.058*</b>	1.7143	-.41475	.12002
	CAE	<b>0.065*</b>	2.1290	-.41475	.18399
<b>S312</b>	WIL	<b>0.106*</b>	3.1143	-.40184	.19129
	CAE	<b>0.100*</b>	3.5161	-.40184	.14570
S313	WIL	0.736	2.7714	.09401	.19698
	CAE	0.735	2.6774	.09401	.19337
<b>S314</b>	WIL	<b>0.001***</b>	3.5143	.86912	.16588
	CAE	<b>0.001***</b>	2.6452	.86912	.18865
S315	WIL	0.919	2.1714	-.02212	.13275
	CAE	0.920	2.1935	-.02212	.17609
<b>S316</b>	WIL	<b>0.009***</b>	3.7714	.61014	.15923
	CAE	<b>0.009***</b>	3.1613	.61014	.16129
<b>S317</b>	WIL	<b>0.002***</b>	3.4857	.80829	.17572
	CAE	<b>0.002***</b>	2.6774	.80829	.16967
S321	WIL	0.409	3.5429	.18802	.15526
	CAE	0.409	3.3548	.18802	.16427
S322	WIL	0.832	2.8286	.05438	.19003
	CAE	0.830	2.7742	.05438	.16533
S323	WIL	<b>0.090*</b>	2.8857	.40184	.14066
	CAE	<b>0.095*</b>	2.4839	.40184	.19048
S324	WIL	<b>0.058*</b>	3.6000	.56774	.18876
	CAE	<b>0.061*</b>	3.0323	.56774	.22946
S325	WIL	0.610	2.2000	.13548	.18242
	CAE	0.610	2.0645	.13548	.19084
S326	WIL	0.159	2.8000	.44516	.19575
	CAE	0.164	2.3548	.44516	.24778
S327	WIL	0.618	3.0857	.15023	.20239
	CAE	0.619	2.9355	.15023	.22209

\*p < .10, \*\*p < .05, \*\*\*p < .01

There is a significant difference in the mean value between auditors undergoing WIL teaching system compared to auditors undergoing a classical accounting education (S314). The first group of auditors exhibits a tendency toward disagreement when it comes to exercising dysfunctional behaviour if such behaviour might lead to better performance evaluations. The results of the second group of auditors indicate that, for the sake of achieving better appraisal ratings, they tolerate pre-

mature sign offs during an audit assignment. Auditors who underwent a classical style of education are more prone to commit dysfunctional behaviour by erroneously signing-off audit steps if such behaviour will lead to a positive performance evaluation. According to Peterson et al. (2007), students under the WIL approach experience disciplined thinking, increased commitment to both education and work, and superior development of ethics along with work values, which explains the discrepancy between the auditors' scores. Auditors under the integrated learning undergo several trainings pertaining to the ethical issues that may arise and deter their work quality. They are also taught how to deal with delicate situations at work, unlike auditors taught under the classical accounting educational approach, which only addresses the theoretical part of accounting without exposing students to the practical implications of accounting and auditing practices. Students taught under classical accounting education are not sufficiently equipped to handle the pressures and stress that arise in practical business settings. Hence, they are more likely to engage in manipulative and dysfunctional audit behaviours to mitigate the pressures yielded by their tasks and achieve better performance evaluation scores.

The respondents under the integrated teaching approach had a response mean of 3.771 (S316), marginally leaning towards the “Disagree” range. Respondents from the CAE had a response mean of 3.161, marginally leaning towards “Neutral”. However, because the mean differences are shown to be significant ( $p < 0.1$ ), the results show different points of view. Accountants with a CAE background perceive that getting more assignments and increasing their firms' portfolio would improve their auditor performance evaluation. This can be true under the condition that no dysfunctional behaviour is exhibited. Accountants with an integrated learning style background show more maturity toward dysfunctional behaviour acts, especially when events relate to partners and managers. The respondents believe that material control weaknesses should be reported regardless of the intent to be assigned to another assignment. It is implied that completing a good assignment with quality output will help an auditor receive good performance appraisals, and that audit firms will increase their portfolio because of their good work. According to Stirling *et al.* (2016), auditors under the integrated learning approach express professionalism, citizenship, professional judgment, professional competence, and work readiness along with information literacy. WIL auditors experience accountability, commitment to quality, financial responsibility, and ethical decision making in comparison to their classically educated counterparts, who tend to care more about the outcome or ends of their actions, rather than the means employed. It is noted that auditors under the classical accounting-teaching scheme do not possess a high sense of civic and financial responsibility, compared to auditors enrolled under the integrated learning scheme. The respondents under the integrated teaching scheme had a response mean of 3.485, which lean slightly toward the “Disagree” range (S317). Respondents under the CAE approach reported a response mean of 2.677, leaning toward the “Agree” range.

The significant variance in the mean figures of the above statement is of great interest. The results show the significant difference in the perception between classical style accountants and accountants under the integrated learning style of education. The latter shows a higher commitment to quality output and professionalism. Auditors trained under the WIL, therefore, will not risk hindering the audit quality by refuting the outsourcing of an expert in certain cycles of their audit in order to maintain a high assignment recoverability rate that would lead to a better performance appraisal. It is well known that auditors can seek the support of experts in certain tasks with which they are not familiar (ISA 620). The exposure to work field and best practices in the market enables auditors under the WIL to gain a better understanding of accountancy challenges. Auditors under the classical accounting-teaching scheme do not display high citizenship behaviours, unlike their

counterparts. They perceive that, for the sake of maintaining a high recoverability rate of their assignments, there is no need to seek additional support from experts, as chargeable hours might increase, and this would harm their profitability rate, leading to negative assessments from their superiors.

## 5. CONCLUSIONS AND RECOMMENDATIONS

The research objective is to shed light on the perception of auditors, within two different accounting educational systems, toward dysfunctional behaviour of auditing practices when auditors are expecting performance evaluation. The research asserts that integrated learning processes and methods, such as Work-Integrated Learning (WIL), are more effective as they yield to more long term favourable results. WIL hence enables students to implement the theories learned academically to maximize the learning outcome and become accustomed to the business environment. The results align with Kolb's (1984) argument that long-term knowledge and true learning occurs when students are given the opportunity to experience, reflect on, conceptualize, and practically apply the concepts studied deviating from dysfunctional behaviour. The classical framework, consisting of theoretical settings and structured problems, often pertains to risk-free, stable markets that differ substantially from the actual real-life dynamics of unstructured problems and unstable markets (Srdar, 2017). This gives an edge to the WIL because the extent of theoretical or practical exposure can be adjusted. WIL practices are based on a continuum ranging from tasks that are predominantly theoretical to those that are mostly practical in nature (Elijido-Ten and Kloot, 2015).

Moreover, this study revealed that organizations must stress on the importance of integrity and honesty in order to prevent the occurrence of rushed sign-offs and the underreporting of chargeable time. In particular, when it comes to areas in audits where an expert is needed, partners and managers are perceived to behave in a dysfunctional manner to increase firms' profitability and market share, and audit steps are prematurely cleared if such behaviour would lead to a better performance appraisal. The willingness to employ deceptive and manipulative tactics play an important role in the instigation of dysfunctional audit behaviours. Auditors who believe that they are not receiving sufficient support for reinforcement and subject to numerous stressors and constraints tend to regard unethical or dysfunctional practices as a necessary defence (Donnelly *et al.*, 2003).

The tendency to commit auditing malpractices is not solely attributed to the academic background of the auditors, as different factors were identified in prior research (Nehme, 2017). The level of dysfunctional auditing behaviours can diminish if the auditor has had sufficient practice and is adequately knowledgeable in the field. The same can be true if audit firms implement fair evaluation processes, such as performance appraisals and promotions to encourage auditors to attain their goals (Nehme, 2017).

It is worth conducting future research to assess the behaviour of auditors employed at local or regional offices rather than those at the Big Four, knowing the different challenges they face. Our sample consisted of senior auditors coming from two different accounting education backgrounds. It would be interesting to assess the behaviour of staff auditors and highlight any differences in perception when it comes to their level of understanding of dysfunctional behaviour. In addition, qualitative information would be helpful in building on the statistical analysis. For example, conducting interviews with retired auditors would give additional flavour to the factors leading to DAB.

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## Appendix Checklist of Annual Plan

<b><i>Pre-mature sign-off</i></b>
S311. To progress their careers (get promotions) auditors tend to build, maintain and utilise a network of clients and internal relationships to achieve better performance rating.
S3112. Strict audit firm methodology is less exercised by senior auditors in order that they receive positive feedback from clients.
S313. When there is a risk of losing an audit assignment, partners tend to compromise rather than comply fully with audit firm methodology and auditing standards.
S314. Auditors tend to pre-maturely sign-off an audit step when such sign-off may positively affect their performance evaluation.
S315. Audit managers participate in the development of ways to meet client needs, increase clients' portfolio and have more assignments so that they get better performance from their superiors.
S316. Partners/Directors tend not to report all material control weaknesses to get assigned at a later stage to a non-audit assignment.
S317. Auditors tend to rely less on subject matter experts even if the auditors themselves are not highly knowledgeable in a certain area to maintain a good recoverability rate.
<b><i>Chargeable time - underreporting of chargeable time</i></b>
S321. An auditor expecting a promotion may exercise less professional scepticism if this would harm assignment profitability.
S322. Auditors tend to choose the highest thresholds of sampling techniques for the sake of achieving a good recoverability rate.
S323. Senior auditors who assist in proposal preparation and research tend to lower the budgeted hours to increase their chances of winning a proposal for better evaluation from their superiors.
S324. Auditors are asked to underreport chargeable hours to achieve a good appraisal.
S325. Auditors tend to work in their personal time rather than actual hours spent in order to maintain a profitable assignment.
S326. Finishing an audit assignment with a good recoverability rate is one of the most important factors for a good appraisal and performance evaluation.
S327. Audit managers delegate tasks based on the standard hourly rate of every team member rather than the skills needed for every cycle in order to achieve a good profitable assignments and consequently better appraisal.

\* EY (2011). "Check list of annual plan"; PwC (2011). "Performance Coaching & Development (PC&D)."