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Do Organisational Ethical Culture, Audit Experience and Ethics Awareness Influence Internal Auditors' Ethical Judgment?

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Abstract

This study examines the factors influencing internal auditors' ethical judgement. Specifically, this study examines the effect of organisational ethical culture, audit experience and ethics training on internal auditor's ethical judgement in a bank in Malaysia. Using questionnaire survey on 162 internal auditors, this study shows that organisational ethical culture, audit experience and ethics training can influence the internal auditors' ethical judgement. The findings in this study can assist the management team in executing effective control measures and procedures in achieving effective ethical judgment. This study can also assist in strengthening the governance structure to promote the importance of ethical judgement at all levels. In addition, this study adds values to the existing literature on the factors that can influence the internal auditors' ethical judgement in the context of a financial institution.

Keywords: Organisational Ethical Culture, Audit Experience, Ethical Training, Ethical Judgment, Auditors

Introduction

Corporate scandals continue to be as a major concern which resulted in severe financial and non-financial impacts. One of the contributing factors to such concern is the failure of the internal auditors to fully comply with the requirements in the Code of Ethics when executing their professional roles and responsibilities (Darussamin et al., 2018). The high-profile corporate scandals on corruption and fraud cases implicate the internal auditors' capabilities (Ghani et al., 2019). For example: Toshiba, a multinational Japanese company faced ethical issues of internal auditors, reporting 1.58 billion yen of accounting anomalies and allegation of overstatement profits from the 2008 to 2014. In Malaysia, the auditors of Transmile Group Berhad did not highlight the misstatements in the financial statements. These cases have drawn the attention and questionable of the professional practices since these affect the stakeholders of the companies (Ghani et al., 2019).

Accounting scandals produce a profound financial effect on business owners and stakeholder continue to occur (Jones, 2011), since it involves large amounts of monetary losses, charges and even arrestment attributed by poor internal control and ethical judgement. In view of this, the Institute of Internal Audit Malaysia urged the public listed companies to promote independence and professionalism in their organisation by strengthening their internal audit functions (The Sun Daily, 1970). Due to the significant increase of criticisms by the public on the professional auditors' ethical judgement and misbehaviour (Ghani et al., 2019; Tenbrunsel, 1998, Knittel & Stango, 2014). The Code of Ethics was introduced to serve as reference in addressing and mitigating any ethical issues in the organisations. The Code of Ethics also serve as a guideline in consulting activities to improve an organisation's operation and created add value point of view. In addition, the Code of Ethics assists in improving risk management and governance processes and hence providing assurance on risk management, control measure and governance (Bebeau, 2002; Fombrun & Foss, 2004),. In other words, implementing the code of ethics demonstrate an organisation's robust attitude in combatting ethical issues (Meador, 2007),

This study aims to examine the factors influence internal auditors' ethical judgement. Specifically, this study examines the effect of organisational ethical culture, audit experience and ethics training on internal auditor's ethical judgement in a bank in Malaysia. The findings of this study can shed some lights on what are the factors that can influence the auditors' ethical judgment so that the banks can strategies ways to mitigate the factors influencing the auditors' judgment. The next section, Section 2 presents the literature review. This is followed by Section 3 that presents the research methodology and Section 4 that presents the results and discussion. The last section concludes this study.

Literature Review

Ethical Judgment

Several definitions of ethical judgment have been provided in the literature. Ethical judgement refers to decision that acceptable both morally and legally for a large part of society (Jones, 2011). Ethical judgment can be seen as a situational ethicist whose work has implications on the ethical issues in professional (Hunt & Vitell, 1986; Ford, 2010), in which can be either "right or wrong" (Rest et al., 1999), "ethical or unethical" (Schwepker, 1999), or "good or bad" (Valentine & Rittenburg, 2004), equivalent to the decision maker knows what constitutes right or wrong behaviour in the given condition (Haines et al., 2008). In addition, ethical judgment can be seen as an individual's personal evaluation of the degree to which some behaviour or course of action is ethical or unethical (Sparks & Pan, 2010).

A group of studies have suggested that ethical judgements that not are ethical are caused by lack of awareness, misused incentives and temptations (Ruedy & Schweitzer, 2010). These studies suggested that the quality of ethical judgments can be affected by many kinds of individual factors and issue related factors through the first stage of the ethical decision-making process. Following this, studies have introduced various models of cognitive development of ethical judgement to describe the process of ethical decision-making in areas (Gaudine & Thorne, 2001).

In Malaysia, the Code of Ethics include principles to be applied and uphold and rules and conduct. Both components consist of four elements namely, integrity, objectivity, confidentiality

and competency. Integrity refers to the integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. Objectivity refers to the internal auditors exhibiting the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements. Confidentiality refers to the internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. The last element is competency that refers to the internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services (Noor et al., 2017).

Organisational Ethical Culture

Organisational ethical culture refers to the aspects and conventions of organisational behaviour that either encourage the organisation to operate in a sustainable way or deter it from doing so (Rilvari et al., 2012). *'Ethicality, meaning right, admirable and fair values and practices, is the essence of the culture of an organisation. Ethical culture encompasses the experiences, expectations and presumptions of how the organisation promotes ethical and prevents unethical'* (Rilvari et al., 2012, p.8). Hence, organisational ethical culture plays an essential role in an organisation that has an engagement with the internal and external stakeholders. However, ethical culture in an organisation can be effective through proactive steps to establish and maintain a supportive organisation ethical culture to encourage more ethical decisions by employees (Grojean et al., 2007).

A group of studies have examined the link between organisational ethical culture on individual unethical behaviour. These studies showed strong linkages between organisational ethical culture and unethical behaviour (Shafer & Simmons, 2011). Other studies highlighted ethical culture influence individual ethical judgement. Similarly, organisational culture influence ethical consideration of internal auditors (Wawo et al., 2015) and organisational culture, ethical training, experience and professional commitment have effect on auditors' ethical judgements (Kim & Trotman, 2015). However, most of these studies were conducted in a non-Malaysian setting.

Another group of studies found that the code of ethics influences ethical culture for leaders and employees therefore directly and indirectly has affected the internal auditors' ethical judgement (Trevino, 1986). A study found that the Chinese public accounting practitioners in China accounting firms show the framework of organisation ethical culture in the organisation has significant effects on their ethical judgement and decision-making level (Shafer & Simmons, 2011). This study posits that the organisational ethical culture can affect the internal auditors' ethical judgment either positively or negatively and therefore, this study develops the following hypothesis:

H1: Organisation ethical culture influences the internal auditors' ethical judgement.

Audit Experience

Audit experience refers to an auditor experiences in delivering the investigation of financial statements in terms of both the length of time, and the number of tasks that have been completed (Praditaningrum & Januarti, 2012). Audit experience is an ability in performing the duties prescribed by the auditor's experience in solving review tasks that are well structured, semi-structured and not structured (Mumford et al., 2010). One key variable commonly assumed to influence ethical behaviour, ethical judgement and ethical decision-making is the person's level of working experience in the field of their profession.

A group of studies has examined the link between audit experience and ethical judgments (Weeks et al., 1999). This group of studies showed years of experience has significant impact for the auditor and professional in delivering ethical judgement and resulted to ethical decision making in conducting audit. For example: a study found that experience led to betterment of developments in ethical decision-making (Rest et al., 1999). Other studies found that the more work experience led to sterner ethical judgments. Experience in work field is expected to improve the ethical decision-making and behaviour because with experience people acquire both knowledge about ethical issues and better strategies for working through ethical problems if compared to the less experience employee (Kidwell et al., 1987; Ericsson & Charness, 1994). In another study, the indicators of the auditors' length of experience to measure the influence to the auditor's judgment (Pflugrath et al., 2007). Their result showed that the influence of experience to the ethical considerations of auditors are mainly determined by the auditors' experience. These studies indicated that the more work experience of an individual the sterner ethical judgments could be produced.

Other studies however, showed contradictory findings. For example: work experience lowers the sternness of ethical judgments (Katavic et al., 2006), This study found no significant changes as a function of experience in the ethical decision-making. Similarly, a study found no significant relationship between ethical judgement and the level of experience level as no significant different of the accountants' ethical levels towards the level of experience (Hashem et al., 2013). Other studies also show similar findings that work experience and ethical judgement variable (Schepers, 2003; Barnett & Valentine, 2004). This study posits that audit experience can influence the internal auditors' ethical judgment and therefore, the following research hypothesis is proposed:

H2: Audit experience influences the internal auditor's ethical judgement.

Ethical Awareness

Ethical awareness is defined as perception owned by an individual in a situation of ethical dilemmas that require a decision or action that may affect the interests of themselves or others in a way that may opposite from the moral standards (Butterfield et al., 2000), An organisation could facilitate in-house or external training on ethics awareness in order to provide exposure to its employees in addressing any ethical issues or dilemma that could lead to unethical judgement as well as unethical decision making. Ethical training would increase ethical judgement, consistent with studies that suggested deficiency of ethical training in business schools contribute to the failure in meeting professional responsibilities (Jennings, 2004, Waddock, 2005).

A group of studies have examined the auditors' awareness on the need of ethics training. These studies suggested that the accountants can be a part of the ethic trainings and awareness (Pillalamarri, 2014). Other studies stated ethics training has a positive effect on auditors' ethical judgment skills (Sweeney, 1995; Eynon, Hills & Stevens, 1997) since it can equip the internal auditors with the current knowledge and this will assist and growth the auditor's competency. From the theory of ethical decision-making (EDM), found ethical awareness is a strong factor of ethical judgment (Jones, 2011). Other studies have found that training in ethics has a positive result on auditors' ethical judgment ability and lead to ethical decision making (Eynon et al, 1997). A study found the Malaysian accounting students who had attended an ethics course had improved significantly in their ethical judgement-making ability compared to students who did not attend the ethics course (Naslmosavi et al., 2015).

Another group of studies have examined the link between ethical awareness and ethical judgement. They found significant relationship between ethical awareness and ethical judgement among marketing professionals (Singhapakdi et al., 1996), and upper division business students from a major Northwestern U.S. university and informal infrastructure for supply management (Rottig et al., 2011). Other studies found that an ethics course involvement has significance influence to improve the level of ethical judgement (Armstrong, Ketz & Owsen, 2003). Therefore, form these statements the following hypothesis is proposed:

H3: Auditors' ethical awareness effect their ethical judgement

Research Design

This study aims to examine the factors influence internal auditors' ethical judgement. Specifically, this study examines:

1. The effect of organisational ethical culture on internal auditor's ethical judgement in a bank in Malaysia.
2. The effect of audit experience on internal auditor's ethical judgement in a bank in Malaysia.
3. The effect of ethics training on internal auditor's ethical judgement in a bank in Malaysia.

The objectives of this study are met by way of questionnaire survey.

Sample Selection

The sample selected for this study is the employees at various levels of designation with job function of an internal audit officer, compliance officer, and operational risk and compliance officer of a bank in Malaysia. The employees are working at the bank's headquarters and at the forty-six branches throughout Malaysia. The bank adopts three lines of defence of risk management and governance which play a significant role in the organisation and governance culture in risk management, risk control, compliance and independent assurance. Such selection is consistent with the Institute of Internal Auditor's position paper on the three lines of defence in effective risk management and control (Institute of Internal Auditors, 2013).

Research Instrument

This study chose the questionnaire survey as the research instrument. The questionnaire is developed based on several studies (Forsyth, 1980; Victor & Cullen, 1987). The questionnaire comprises of five parts. The first part of the questionnaire survey requires respondents to provide their perception of view on internal auditors' ethical judgement. There are five questions in this part. The second part of the questionnaire requests the respondents to provide their perception of view on organisation ethical culture. There are five questions in the second part. The third part of the questionnaire requests the respondents to provide their perception of view on years of experience. In this part, there are also five questions. The fourth part of the questionnaire survey requests the respondents to provide their perception of view on ethical awareness. Similar to part 2 and part 3, there are five questions. Part 1 to 4 use a five points scale from '1' as strongly disagree to '5' as strongly agree. The final part, covers respondent's demographic information such as gender, age, education level, working experience in the bank, total years of working experience, level of position in the department or division and job function.

Data Collection Procedure

The questionnaire survey was distributed through electronic mail and through direct face-to-face approach. A cover letter that explained the purpose and objective of the research as well as assurance that all information provided would be treated as confidential was also attached along with the questionnaire distributed. The researchers had to do follow up processes twice through email electronic with questionnaire survey as an attachment and beside that phone and face-to-face follow-up were also being conducted. A total of 162 responses were collected in this study.

Results

Preliminary Analysis

In this study, a reliability test was first performed to determine the reliability of the data chosen in this study. As shown in Table 1, the Cronbach's alpha for the overall scale is 0.921 and this indicates that the internal consistency for reliability for all 20 scaled items is excellent.

Table 1. Cronbach's Alpha

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of items
.921	.922	20

This study then proceeded to perform the skewness and kurtosis test. The values for skewness and kurtosis that range between -2 and +2 are acceptable in order to indicate a normal distribution (George & Mallory, 2010). The preference for skewness for normality is an absolute skew value > 2 and normality for kurtosis is an absolute kurtosis value > 7. As shown in Table 2, the skewness of the data is between -0.880 and 0.177 which are close to 1 and the Kurtosis values are between -0.796 and 0.345. Therefore, as large data set which sample are more than 30, the data is considered as normal data set.

Table 2. Normality Test

	Skewness	Kurtosis
Ethical Judgement	-.551	.099
Organisation Ethical Culture	1.317	4.865
Years of Experience	-.589	1.315
Ethical Awareness	-.348	1.253

Specifically, the skewness of -.551 score for ethical judgment which is less than zero indicates that the data is negatively skewed distribution which means that the tail of distribution points skewed to the left skewness or the distribution has a long-left tail. Table 2 also shows a kurtosis score of -.099 for ethical judgment which is less than zero indicates that platykurtic distribution thinner tails kurtosis or the data is slightly negatively skewed with the upper end having a higher score. The results also show a skewness shows a score of -1.317 less than zero for organisational ethical culture which indicates a negatively skewed variable distribution with the lower end having a high score. On the other hand, the kurtosis score shows a value of 4.865 more than zero that indicates that the degree of tailedness in the variable distribution of data is fatter tails with the very shaper peak and also the end of the tails having higher scores.

In terms of experience, the skewness result shows a score of -.589 less than zero in which it implies a slightly negatively skewed distribution of data. This means that the tail of distribution points slightly to the left or the distribution has a long-left tail. While the value of kurtosis based on above table shows a value of 1.315 which indicate that the variable distribution is negatively distributed where the tailedness is fatter tails kurtosis which is more than zero with the upper end tail having a higher score. For ethical culture, the skewness result shows a score of -.348 in which it implies a negatively skewed distribution of variable with the lower end is having a low score. A negatively skewed distribution of variable also shows that the distribution tail is longer on the negative direction of the number line. The kurtosis score on the other hand shows a value of 1.253 that indicates the data is positively skewed with high scores at the lower end and a positive kurtosis score also indicates that the distribution of data has a heavier or fatter tail and a sharper peak.

Descriptive Statistics

Table 3 presents the details of the descriptive statistics for all constructs of ethical judgement. The results show a high mean score for overall dependent variables which constitute 4.2617. This implies that the respondents have a high perception on ethical judgement. The item that has the highest mean score is to ensure my actions will not harm an innocent other and it constitutes 4.41. The item to ensure my actions will not harm an innocent other may significant due to the nature of the respondents' role and responsibility is to ensure all stakeholders' best interests are address before determining any course of action. Majority of the respondents also agree to ensure the dignity and welfare of people are the most important concern when determining any decision and course of action with a mean score of 4.33.

Table 3. Descriptive Statistics on Ethical Judgement

List of Construct and Measures	Min	Max	Mean	SD
1. I ensure that my actions never intentionally harm another even to a small degree	1	5	4.31	.785
2. I ensure my actions will not harm an innocent other	2	5	4.41	.685
3. I ensure zero risk tolerance, irrespective of how small the risk might be	2	5	4.00	.671
4. I ensure never emotionally or physically harm another person	2	5	4.26	.738
5. I ensure the dignity and welfare of people are the most important concern	2	5	4.33	.725
Valid N (listwise)				
TOTAL			4.2617	

(Likert scale of 1 to 5: 1 being strongly disagree; and 5 being strongly agree)

Table 4 presents the descriptive statistics for the organisation ethical culture. Table 3 shows a high mean score of 4.400 for all the measures. This indicates that the majority of the respondents perceived themselves as high ethical judgement with organisation ethical culture. The lowest mean score is relating to the concern is about the customer and public interest, this is due the first priority is concern about the organisation interest with a score of 4.21 where the maximum value is 5 and minimum value of 2. The highest mean score is 4.46 that contributed by the measure of first consideration is whether a decision violates any law with maximum value of 5 and minimum value of 2. This shows that most of the respondents agree that any decision should comply with guidelines, laws and acts as the organisation is a regulated industry under the purview Bank Negara Malaysia (BNM) and any violation or non-compliance could tantamount to financial implication or penalty.

Table 4. Descriptive Statistics on Organisation Ethical Culture

List of Construct and Measures	Min	Max	Mean	SD
1. I view team spirit as important	1	5	4.57	.706
2. I strictly obey the company's policies	2	5	4.36	.811
3. My first consideration is whether a decision violates any law	2	5	4.46	.593
4. My concern is about the customer and public interest	2	5	4.21	.646
5. I expect to comply with the law and professional standards	2	5	4.41	.587
Valid N (listwise)				
TOTAL			4.400	

(Likert scale of 1 to 5: 1 being strongly disagree; and 5 being strongly agree)

Table 5 presents the descriptive analysis of years of experience. The results show that the mean score is 3.9926 with an indication that the respondents have moderate perception on years of experience. The lowest mean score is related to the respondents' perception on the ability to provide in-depth instructions to reviewee or auditee when delivering the job scopes or work in the organisation with a score of 3.83 and maximum value of 5 and minimum value of 2. This indicates that most of the respondents' level of agreement is disagree to neutral perception about the ability to provide in-depth review or investigation to reviewee or auditee. This is because most of the respondents are from lower management position, that is assistant manager and below with lack of exposure in engaging review or investigation and usually lead and guided by the middle management position. The highest mean score of 4.28 relates to the respondents' ability to maintain confidentiality of supporting documents during review or investigation and most of the respondents agree that confidentiality is important in the organisation specially to protect the organisation's sensitive information.

Table 5. Descriptive Statistics on Years of Experience

List of Construct and Measures	Min	Max	Mean	SD
1. I am able to monitor the progress of the review or investigation	2	5	3.94	.731
2. I am able to maintain confidentiality of supporting documents during review or investigation	2	5	4.28	.711
3. I am able to suggest thorough results of the review or investigation to reviewee or auditee	2	5	3.89	.725
4. I am able to provide in-depth instructions to reviewee or auditee.	2	5	3.83	.721
5. I am able to provide clear responses during review or investigation of issue or case	2	5	4.02	.724
Valid N (listwise)				
TOTAL			3.9926	

(Likert scale of 1 to 5: 1 being strongly disagree; and 5 being strongly agree)

Table 6 present the descriptive analysis for ethical awareness. The results show that the mean score is 3.9877 which indicate that most of the respondents have moderate to agree level of agreement on ethical awareness. The measure with the lowest mean score of 3.89 with the maximum value 5 relates with the situation of ability to resolve ethical problems at work as most of the respondents below 30 years old and junior or lower management level. While the highest mean score of 4.11 relates to be more responsible individual when dealing with ethical issues as the respondents believed and practice accountability to their roles and responsibilities and job function in the organisation.

Table 6. Descriptive Statistics and Normality Test on Ethical Awareness

List of Construct and Measures	Min	Max	Mean	SD
Skewness = -.348				
Kurtosis = 1.253				
1. I am able to resolve ethical problems at work	1	5	3.89	.742
2. I am able to manage ethical problems at work	1	5	3.94	.747
3. I am able to defend my decisions on ethical issues in a convincing way	2	5	4.02	.632
4. I am able to justify my decisions on ethical issues in a convincing way	2	5	3.98	.670
5. I am more responsible individual when dealing with ethical issues	2	5	4.11	.592
Valid N (listwise)				
TOTAL			3.9877	

Correlation Analysis

Table 7 shows the results on Pearson’s correlation coefficient which is r value is between 0.430 to 0.634, where the value of DV and IV1 is 0.634, DV with IV2 is 0.430, DV with IV3 is 0.525, IV1 with IV2 is 0.509, IV1 with IV3 is 0.492 and IV2 with IV3 is 0.592. This implies that there is no multicollinearity exist since no pair of independent variables with correlation coefficient value is greater than 0.8 or less than -0.8.

Table 7. Pearson Correlation Coefficient Matrix and Level of Significance

Variable	DV	IV1	IV2	IV3
DV Pearson Correlation	1	.634**	.430**	.525**
Sig. (2-tailed)		.000	.000	.000
IV1 Pearson Correlation	.634**	1	.509**	.492**
Sig. (2-tailed)	.000		.000	.000
IV2 Pearson Correlation	.430**	.509**	1	.592**
Sig. (2-tailed)	.000	.000		.000
IV3 Pearson Correlation	.525**	.492**	.592**	1
Sig. (2-tailed)	.000	.000	.000	

** . Correlation is significant at the 0.01 level (2-tailed)

The above variables are defined as: DV = Ethical Judgement; IV1 = Organisation Ethical Culture; IV2 = Years of Experience; IV3 = Ethical Awareness

The results presented in Table 7 indicate that variable organisation ethical culture is significantly influencing ethical judgement since the value is 0.000 which is less than 0.01 (p=0.01). The coefficient of correlation, (r=0.634) suggests that there is moderately positive relationship between organisation ethical culture and ethical judgement. Years of experience is significantly correlated to influence ethical judgement since the value is 0.000 which is below 0.01 (p=0.01). However, the relationship between the variables is positively low relationship as the coefficient of correlation value is only r=0.430. While ethical awareness variable significance value is 0.000 which indicates that the variable is significance as the value is less than 0.01 (p=0.01). The coefficient of correlation, (r=0.525) indicates moderate positive relationship between ethical awareness and ethical judgement.

Regression Analyses

Table 8 presents the results of testing hypotheses in this study. Hypothesis 1 in this study is whether the organisation ethical culture affects the internal auditors' ethical judgement. The results show that the significance value shows that at 95% confidence level, variable organisation ethical culture is significant to influence internal auditor's ethical judgement since the value is 0.000 which is less than 0.05 ($p=0.05$). The 0.634 coefficient of correlation ($R=0.634$) and positive value of B_0 ($B_0=0.685$) indicates that there is positive moderate relationship between organisation ethical culture and internal auditor's ethical judgement. The 0.402 coefficient of determination ($R^2=0.402$) refers that 40.2% of the total variation in and internal auditor's ethical judgement can be explained by organisation ethical culture and the remaining 59.8% is explained by other factors. At 0.05 level of significance, with degree of freedom df of 79 ($N-2$), the t -critical value is 2.000 while t -statistics value is 7.285. At this instance, since the t -statistics value (7.285) is greater than t -critical value (2.000), hence reject null hypothesis. This study concludes that there is a positive significant relationship between organisation ethical culture and the occurrence of internal auditor's ethical judgement. The p -value also is less than 0.05 ($p=0.05$) where null hypothesis is rejected. As such, H_1 is supported where there is significant linear relationship where the respondents' ethical judgement activities are influenced by organisation ethical culture.

Table 8. Multiple Regression

Variable					
	Sig.	R	R^2	B_0	t
Organisation ethical culture	0.000	0.634	0.402	0.685	7.285
Years of experience	0.000	0.430	0.185	0.395	4.238
Ethical awareness	0.000	0.525	0.276	0.513	5.482

The second research hypothesis in this study is to determine whether audit experience influence the auditors' ethical judgment. The results are shown in Table 8. The result shows a significant at 95% where its significance value is equal to 0.000 which below than 0.05 ($p=0.05$). Positive B_0 indicates that there is positive relationship between both variables. However, the relationship between the variables is low as the coefficient of correlation value is only 0.430 ($R=0.430$). Referring to coefficient of determination 0.185 ($R^2=0.185$), the total variation in internal auditor's ethical judgement can be explained by years of experience is slightly low which is only by 18.5%. At 0.05 level of significance, with degree of freedom df of 79 ($N-2$), the t -critical value is 2.000 while t -statistics value is 4.238. At this instance, since the t -statistics value (4.238) is greater than t -critical value (2.000), hence the null hypothesis is rejected. This study concludes that there is a positive significant relationship between years of experience and the occurrence of internal auditor's ethical judgement. The p -value also is 0.000 and less than 0.05 ($p=0.05$) where the null hypothesis is rejected. As such, H_2 is supported. This study also implies that there is significant linear relationship where the respondents' ethical judgement activities are influenced by years of audit experience. Such finding is consistent with prior researches (Rest et al., 1999) as experience lead to betterment of developments in ethical decision-making and judgement. Additionally, according to other studies found that the more work experience led to sterner ethical judgments (Kidwell et al., 1987).

The third research hypothesis in this study is to determine whether ethical awareness influences auditors' ethical judgment. The results are shown in Table 10. Based on Table 10, the significance value for variable ethical awareness is 0.000 and this indicates that the variable is significant at 95% confident level as the value is less than 0.05 ($p=0.05$). The R equal 0.525 and positive B_0 tells that there is positive relationship between ethical awareness and internal auditor's ethical judgement, the relationship shows moderate. It is supported by 0.276 R^2 value which indicates 27.6% of ethical awareness in internal auditor's ethical judgement. At 0.05 level of significance, with degree of freedom df of 79 ($N-2$), the t -critical value is 2.000 while t -statistics value is 5.482. At this instance, since the t -statistics value (5.482) is more than t -critical value (2.000), null hypothesis is rejected. This study concludes that there is significant relationship between ethical awareness and the occurrence of internal auditor's ethical judgement. The p -value also is less than 0.05 ($p=0.05$) where null hypothesis is rejected. As such, H_3 is supported. Hence the third objective is achieved. This study also implies that there is significant linear relationship where the respondents' ethical judgement activities are influenced by ethical awareness. The finding is consistent with results from other researches that recognised the need of ethic training as well as awareness has a positive effect on auditors' ethical judgment skills (Eynon et al., 1997; Pillalamarri, 2014).

Conclusion

This study aims to examine the factors influence internal auditors' ethical judgement. Specifically, this study examines the effect of organisational ethical culture, audit experience and ethical awareness on internal auditor's ethical judgement in a bank in Malaysia. The findings in this study show significant linear relationship between organisation ethical culture, audit experience and ethical awareness on ethical judgement. The significant value for organization ethical culture, years of experience and ethical awareness on ethical judgement shows significant influence on ethical judgement. Based on the findings, it can also be observed that for every change in organisation culture, the ethical judgement occurrences would increase by 0.402 while for every change in years of experience, the ethical judgement occurrences would increase by 0.185 and every change in ethical awareness, the ethical judgement occurrences would increase by 0.276.

This study is not without limitations. First, the respondents of this study consist of only 162 employees. The number of respondents also considerably low as a high number of respondents would lead to a more concrete analysis and findings. Secondly, all the respondents are attached to a bank. Although the bank has 46 branches throughout Malaysia, the findings of this study may not be able to generalised to other banks. Hence it is suggested that in future a greater number of respondents involved allowing the researchers to generalise the entire population of selected group of respondents.

This study contributes to the practice as it provides more insights on internal auditors' ethical judgement to the management team of the bank. The results from the findings of this research will help the management team in executing effective control measures, establishing appropriate policies and procedures as well as strengthening the governance structure in order to continuously promote the importance of ethical judgement at all levels. In addition, the result of the finding will assist the Human Resource Department (Operations Division), Internal Auditor Division, Compliance Division and Risk Management Division of the bank in developing and planning appropriate processes of improvements and trainings that can strengthen and enhance the internal auditors' ethical judgement when dealing with any ethical issues and making ethical decision-making. This study would also add values to the

existing literature on the internal auditors' ethical judgement and the factors that influence it in the context of a newly developed financial institution.

In sum, this study could also provide more insights on internal auditors' ethical judgement to the management team of companies, particularly banks. The awareness pertaining to internal auditors' ethical judgement and the factors influencing the ethical judgement are vital to the management team of the company. Therefore, proactive actions could be planned and taken to improve the level of the internal auditors' ethical judgement in carrying out their roles and responsibilities.

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