

How does Narcissism Influence Auditing? A Systematic Literature Review

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Abstract

The rise in accounting scandals in recent years has significantly increased public awareness regarding the critical nature of audit quality. High-quality audits are essential for improving the quality of financial reporting by ensuring the accuracy and transparency of financial information. Evaluations conducted by auditors can uncover errors, irregularities, and fraudulent activities, thereby enhancing the quality and credibility of financial reports. Conversely, dysfunctional behaviors exhibited by narcissistic auditors can diminish audit quality and compromise the auditing process. In audited companies, strong leadership plays a crucial role in shaping the workplace environment, establishing norms, and fostering professionalism, ethics, and accountability. In contrast, narcissistic leadership characterized by self-absorption, self-importance, and manipulation can negatively impact auditor behavior. This study reviews research on the impact of narcissistic personality on auditing. By searching the Web of Science and Scopus databases, we identified 21 relevant studies. Upon analysis and summarization, we categorized the research into two types: client narcissism and auditor narcissism. Most findings from the review indicate that client narcissism significantly influences auditor risk assessments, including fraud risk assessment and material misstatement risk assessment. Auditor narcissism is primarily related to audit quality. The impact of narcissistic characteristics on audit outcomes, should attract the attention of auditors, accounting firms, clients, and regulators. Therefore, this study can provide some inspiration for the recruitment and promotion of accounting firms, and can also help client managers find high-quality auditors.

Keywords: Auditor Narcissism, Client Narcissism, Personality, Audit Quality, Auditing.

Introduction

The exposure of accounting scandals significantly impacts stakeholders and society, highlighting the importance of auditing for the public (Khaksar, Salehi, & Lari DashtBayaz, 2022a). Auditors are responsible for detecting financial fraud and ensuring the credibility of a company's financial statements (Johnson, Lowe, & Reckers, 2021). The auditor's personal characteristics affect the audit process, and the results of the audit process (the audit report) are important to the financial statements (Khaksar, Salehi, & Lari DashtBayaz, 2022b). Some

scholars also call for attention to research on auditors' personal characteristics and audit quality (Chou, Pittman, & Zhuang, 2021). In addition, in recent years, the study of corporate executives' personalities has become popular in the fields of management, finance, and accounting. The personality characteristics of managers significantly influence audit outcomes (Judd, Olsen, & Stekelberg, 2017). Consequently, the personality traits of auditors, as well as those of the managers of audited clients, may be associated with audit results.

This study examines the personality trait of narcissism, as it significantly impacts individual decision-making and organizational outcomes (Ham, Lang, Seybert, & Wang, 2017). While audit research typically emphasizes auditors' judgments and decision-making during testing procedures (Francis, 2023), which ultimately affect the final audit outcomes, the influence of narcissism within the auditing context remains underexplored. Previous research has highlighted the complexity of narcissism, indicating that narcissistic personality traits can be both beneficial and detrimental (Salehi, Rouhi, Usefi Moghadam, & Faramarzi, 2022). The phenomenon of narcissistic personality has been extensively examined within the realm of business, with a particular focus on CEOs and CFOs who exhibit narcissistic traits. CFOs are responsible for guiding financial statements and are notably adept at manipulating accounting data. Meanwhile, CEOs play a crucial role in the daily operations of enterprises and influence the quality of accounting information (Xiang & Song, 2021). Therefore, their behavior may contribute to financial fraud. Narcissistic clients affect auditors' overall fraud risk assessments (Johnson, Kuhn, Apostolou, & Hassell, 2013), and more extreme forms of narcissism can lead to unethical or fraudulent behavior, which poses particular concerns for auditors.

Auditor-client interactions are inevitable, as the auditor must conduct essential inquiries directed at the client's management. As narcissism becomes more prevalent in the business environment, interactions with narcissistic individuals are becoming increasingly common (Kaszak, Johnson, Reckers, & Reinstein, 2024). Although personality tests are not commonly used in the audit industry, they are frequently employed in corporate interviews and training (Hobson, Stern, & Zimbelman, 2020). Regarding career choice, Kerckhofs, Hardies, Vandenhoute, and Ceustermans (2021), found that business students exhibiting elevated levels of narcissism are more inclined to commence their professional journeys at the BIG4 accounting firms. Compared with non-BIG4 accounting firms, the prestige of the BIG4 accounting firms is more attractive to narcissistic graduates. It can be inferred that narcissists are not uncommon in the audit profession. Auditors often need to deal with client managers because of their professional characteristics, interestingly, both auditors and clients may have narcissistic characteristics.

Client narcissism is different from auditor narcissism. Previous research has explained that CEO narcissism may lead to more risky behavior and decisions, while auditor narcissism may lead to some different audit outcomes, but auditors still need to comply with auditing standards. Thus, one characteristic of narcissistic personalities, the tendency to sacrifice the interests of the organization for their own benefits, may be less evident in auditors (Chou et al., 2021).

The objective of this study is to provide a current and comprehensive overview of the role of narcissism in the field of auditing. This study categorizes the relevant literature into two

topics: client narcissism and auditor narcissism, and discusses the impact of their narcissistic personality on audit. Given the increasing focus on narcissism research within business and management, of which auditing is an important part, research on the impact of narcissism on auditing has practical implications for accounting firms, companies, and regulators.

Literature Review

Narcissism

Narcissism is extensively discussed in clinical and psychiatric literature, where it is classified as a personality disorder (Campbell, Hoffman, Campbell, & Marchisio, 2010). However, most research emphasizes narcissistic personality traits rather than disorder (Campbell, Goodie, & Foster, 2004). In social personality studies, narcissism is predicted by desires for power, admiration, and fantasies of success (Miller & Campbell, 2008). As one of the Dark Triad personality traits—alongside psychopathy and Machiavellianism—narcissism has garnered considerable interest among scholars in the fields of accounting and business studies (Bailey, 2017). Narcissism is viewed as a complex personality trait (Choi & Phan, 2022). On the one hand, narcissists' positive self-view leads them to strive for status and respect; on the other hand, narcissists may distort their decision-making to serve an inflated self-image (Campbell et al., 2004).

Campbell et al (2010), distinguished between grandiose narcissism and vulnerable narcissism. Grandiose narcissists appear in the workplace. They are overconfident and charismatic, have high self-esteem, but also lack empathy and are arrogant. Vulnerable narcissists, on the other hand, are full of hostility and have high levels of psychological power, along with low self-esteem, depression, and anxiety (Miller & Campbell, 2008). Narcissism, the psychological characteristic of wanting to be superior to others and gain admiration from others, makes them not afraid of failure and, to a certain extent, may promote them to succeed (Salehi, Rouhi, Usefi Moghadam, & Faramarzi, 2021). But narcissists' excessive self-esteem and desire for recognition may lead them to take risks in pursuit of their goals, leading to unfavorable results (Bepari & Mollik, 2023).

This study discusses client narcissism and auditor narcissism. Rijsenbilt and Commandeur (2013), described narcissism as a natural relationship with CEOs. CEOs are high in the organization, and their power and influence satisfy narcissistic needs. The same relationship applies to senior managers and leaders. In addition, narcissism as a personality trait influences auditor decision-making and, consequently, the quality of audit reports (Salehi, Dalwai, & Arianpoor, 2023).

Auditing

Auditing serves as an independent assurance of the credibility of accounting information. Conducting research on auditing is essential for accounting firms, users of accounting information, and regulatory institutions (DeFond & Zhang, 2014; Francis, 2023). There are two important observable results of an audit: the audited client's financial statements and the audit report on the audited financial statements (Francis, 2023). Knechel, Thomas, and Driskill (2020) highlighted that auditing is a service that involves the auditor, organizational managers, employees within the organization, the audit committee, and all those involved in financial reporting who jointly output the financial report.

Audit quality is a multifaceted notion influenced by various factors, including audit inputs, audit processes, accounting firms, the audit industry and market, institutions, and the economic consequences of audit results (Francis, 2011). Francis (2023) pointed out that although auditors are all required to follow the same auditing standards, there are differences in audit quality. Audit quality was initially thought to be solely determined by the auditor, but later scholars believed that the client's ability and expertise also affected audit quality (Knechel et al., 2020).

Auditing is a judgment process. Both the managers of the audited clients and the auditors need to make judgments and decisions within the audit service period, which will affect the company's financial report and audit report (Khaksar et al., 2022b). Personal psychological characteristics will directly affect people's decisions. Therefore, during the audit process, the narcissistic character of auditors or managers may affect their decision-making and judgment.

Research Method

Search Strategy

According to the research objective, this article uses a systematic literature review method to summarize existing academic articles related to narcissism and auditing. First, the researchers searched for keywords related to narcissism and the audit industry on the Web of Science and Scopus. The search utilized the keyword "narcis*" to capture various forms, including "narcissistic" and "narcissism." For the audit industry, the term "audit*" was used to encompass its variants, and "accounting firm" was included since accounting firms are predominantly associated with auditing. The search period ends on September 24, 2024, and yielded 152 articles, which were then screened to determine the final articles that fit the purpose of the study.

Criteria for Inclusion and Exclusion

In selecting articles, the first criterion was to retain only literature from academic and peer-reviewed journals, excluding non-English articles, conference proceedings, and literature reviews. This process resulted in the exclusion of 21 articles. The second criterion is that the subject of the article must be business-related, literature on medicine, neurology, and another subject will be excluded. This step excluded 43 articles. These two steps were conducted on the database search page, followed by the import of articles from both databases into EndNote software, where 33 duplicate articles were removed. The third criterion is that the research topic of the article must involve both narcissistic personality traits and auditing. In order to better screen, the researchers first conducted preliminary exclusion through abstracts, and then evaluated by reading the full text to screen out articles that met the purpose of this study. In addition, as mentioned before, narcissism is one of the dark triad traits. If the article only contains the keyword narcissism, it does not analyze narcissism as a separate trait (Hess, 2022; Hobson et al., 2020; Mutschmann, Hasso, & Pelster, 2022), such articles will be excluded. This process excluded 32 articles. After screening based on the above criteria, 21 articles were finally left. The literature screening process can be seen in Figure 1.

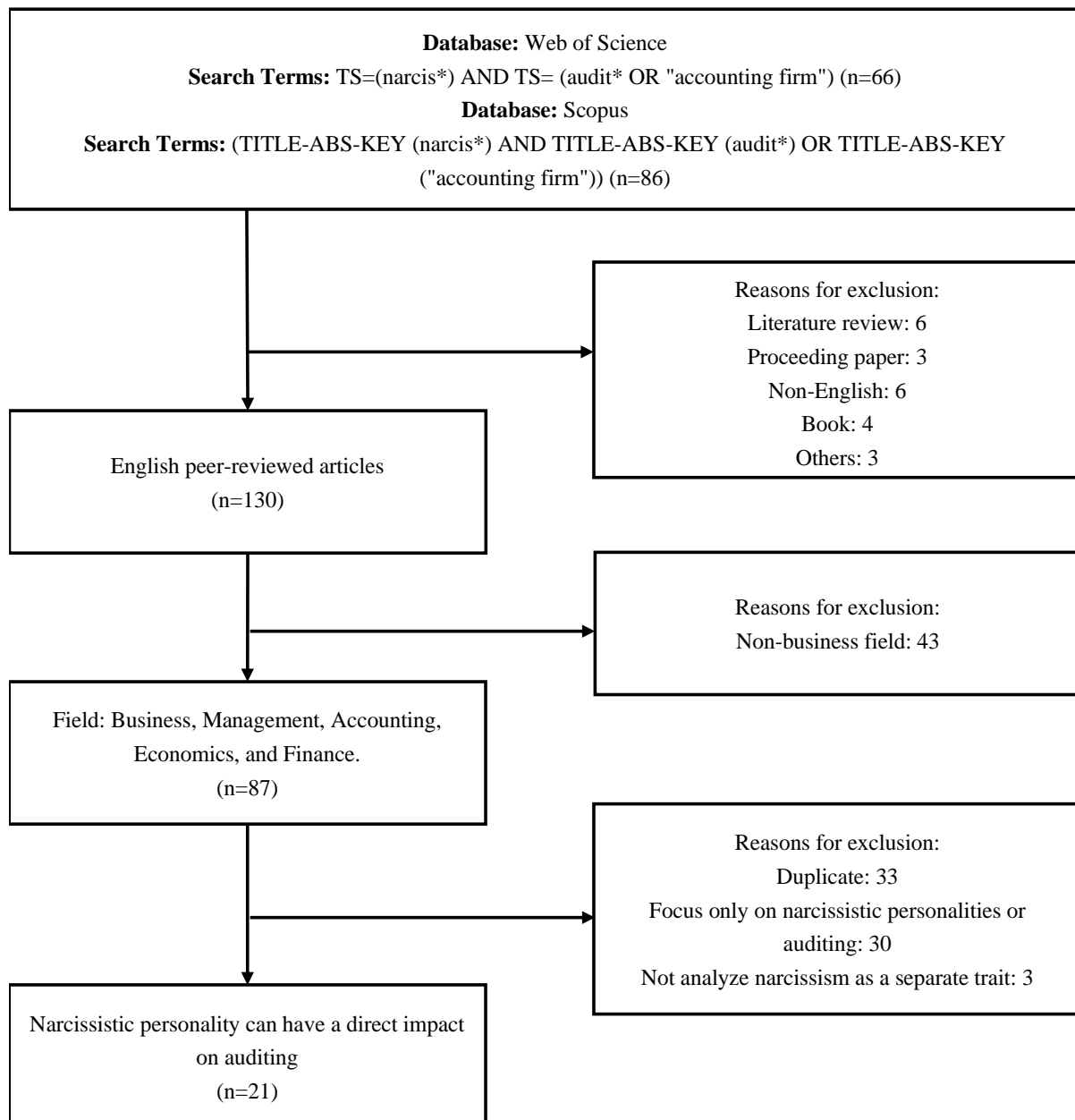


Figure 1. Flowchart of paper selection.

Results

Overview of Included studies

A total of 21 studies were included. Research was mainly conducted in Asia, Europe, North America and Oceania. Among the countries examined, Iran has the highest number of studies, with seven, followed by the United States, which has five. The summary of the included articles, as shown in Table 1. The information provided in each paper is as follows: 1. basic information (authors, publication year, location); 2. Sample; 3. Narcissistic objects studied 4. Narcissism measure; 5. Topic. Based on this information, the researchers categorized the texts and provided a concise summary of the key findings.

The research primarily concentrates on two categories when examining the influence of narcissistic personality on auditing: client narcissism and auditor narcissism. A total of 9

papers studied client narcissism, 12 papers studied auditor narcissism, and 3 papers emphasized both client and auditor narcissism.

Table 1

Summary of reviewed studies

No.	Authors Country	Sample	Narcissistic object	Narcissism measure	Topic
1	Kaszak et al. (2024), USA	172 practicing accountants (86 CPAs; 86 non-CPAs).	Clients and auditors	Client narcissism: narcissism manipulation; Auditor narcissism: Narcissistic Admiration and Rivalry Questionnaire (NARQ)	Professional skepticism; fraud risk
2	Kerckhofs, Vandenhoute, and Hardies (2023), Belgium	795 unique audit engagement partners	Audit engagement partners	Auditor's signature size	Audit reporting decisions; auditors' gender; audit fees
3	Bepari and Mollik (2023), Australia	Australian Securities Exchange 300 company audit reports from 2017-2021(n=1430)	Audit partners	Auditor's signature size	Auditors' gender; audit report; key audit matter
4	Salehi and Rouhi (2023), USA	153 individuals who are members of the American Institute of Certified Public Accountants (AICPA)	Auditors	The NPI-16 questionnaire	Team; Knowledge sharing
5	Safarzadeh and Mohammadian (2023), Iran	355 professional auditors employed in the private and public sectors in Iranian enterprises in 2022	Auditors	Narcissistic personality questionnaire (NPI-40) Auditor's signature size (Additional research)	Professional skepticism

6	Khaksar et al. (2022a), Iran	187 companies listed on the Tehran Stock Exchange from 2012 to 2018 (n=1122)	Auditors	Auditor's signature size	Fraud detection
7	Khaksar et al. (2022b), Iran	128 companies listed on the Tehran Stock Exchange from 2013 to 2018 (n=768)	Auditors	Auditor's signature size	Industry specialization; Political connections
8	Kuncoro, Soepriyanto, and Zudana (2022), Indonesia	Indonesian listed companies from 2012 to 2017 (n=435)	Clients (CEO)	CEO narcissism: CEOs' photograph size and characteristics in the annual report.	Accounting Irregularities
9	Salehi et al. (2023), Iran	116 companies listed on the Tehran Stock Exchange from 2012 to 2018 (n=1162)	Auditors	Auditor's signature size	Audit report readability
10	Mahdi Salehi et al. (2022), Iran	128 companies listed on the Tehran Stock Exchange from 2012 to 2017 (n=768)	Clients and auditors	Manager Narcissism: for CEOs, through signature, compensation and false confidence; for board members, signature size. Auditor narcissism: Auditor's signature size	Management team
11	Salehi, Zimon, and Seifzadeh (2022), Iran	Companies listed on the Tehran Stock Exchange from 2012 to 2018 (n=1004)	Clients (CEO)	CEO narcissism: Cash compensation index; CEO signature	Audit report readability

12	Chou et al. (2021), Taiwan	China	566 unique lead audit partners	Lead audit partners	Auditor's signature size	Auditor independence and auditor competence; audit reporting decisions
13	Takada, Casterella, Wong and Japan (2021)	Lau, and (2021)	843 firm-year observations from 2000-2002	Lead audit partners	Auditor's signature size	Audit engagement team
14	Johnson et al. (2021), USA		118 auditors from three international accounting firms	Clients (CFO) and auditors	CFO narcissism: narcissistic manipulation (verbal and non-verbal) Auditor narcissism: 16-item Narcissistic Personality Inventory (NPI-16)	Client risk; risk tolerance; professional skepticism
15	Xiang and Song (2021), China		6,081 valid observations of China's A-share listed enterprises between 2012 and 2017.	Clients (CFO)	CFO signature size	Audit fees
16	Zengin-Karaibrahimoglu, Emanuels, Gold, and Wallage (2021), Netherlands		112 auditors	Clients (CEO)	Narcissism Manipulation	Risks of material misstatements; audit committee
17	Mohammadi, Salehi, Arabzadeh, and Ghodrati (2021), Iran		188 firms that were listed on the Tehran Stock Exchange during 2012–2018 (n=1310)	Auditors	Auditor's signature size	Audit market competition
18	García-Meca, Ramón-Llorens, and Martínez-Ferrero (2021), Spain		148 non-financial enterprises from 2008 to 2017 (n=1303)	Clients (CEO)	CEO narcissism index	Audit committees; tax avoidance

19	Church, Kuang, and Dai, Liu (2020), China	Archival analyses:429 Chinese A-share firm-year observations from 2007 to 2013; Laboratory experiment: 196 undergraduate business students from a key university in China; Interview: Five audit partners in the United States and five audit partners in China.	Auditors	Archival analyses: auditor's signature size Laboratory experiment: 40-item narcissistic personality inventory (NPI)	Auditor-client negotiations; audit delay
20	Judd et al. (2017), USA	3,759 observations from 951 CEOs of 779 different companies between 2002 and 2013	Clients (CEO)	CEO narcissism: the relative cash compensation of the CEO, the relative non-cash compensation of the CEO, the size and prominence of the CEO photo in the company's annual report	Audit fees
21	Johnson et al. (2013), USA	101 practicing auditors	Clients	Narcissism Manipulation	Fraud risk assessment; fraud attitude risk

Source: Authors own work

Client Narcissism

The objects of client narcissism mainly refer to the management of the audited company, such as CEOs, CFOs and managers. This section discusses the impact of client narcissism on auditing in relation to risk assessment, audit report, audit fees, and the role of the audit committee.

Risk Assessment

Client narcissism can cause concern for auditors, which is often related to risk assessment. The auditor's evaluation of risk is not straightforward and requires a comprehensive understanding of the client and its control environment. Auditors must assess not only the involvement of governance bodies, such as the board of directors and internal audit committees, but also that of management to fully grasp the client's operational context. This understanding is essential for effectively addressing the client's business risks, financial statements practice, and potential aggressive accounting practices (Zengin-Karaibrahimoglu et al., 2021).

Firstly, with the emergence of global accounting scandals, auditors' assessment of fraud risks has attracted much attention. Detecting fraud is crucial for ensuring the long-term growth and stability of the audit profession (Hammersley, 2011; Johnson et al., 2021). Some narcissistic executives may engage in daring or unethical behavior to achieve their own goals or gain the admiration of others (Rijsenbilt & Commandeur, 2013), they may fabricate or exaggerate financial statements to justify creating value for the company, which may trigger financial reporting fraud. Financial reporting fraud refers to management failing to follow generally accepted accounting principles and manipulating financial statements to mislead users of financial reports (Hammersley, 2011). Mutschmann, Hasso, and Pelster (2021), also mentioned that the dark personality traits of financial and accounting managers within the company are related to fraudulent accounting actions. Therefore, detecting financial statement fraud is very important to auditors.

Johnson et al (2013), conducted an experiment on 101 practicing auditors, and the results showed that auditors will take narcissistic client behavior and fraud motives into account when making overall fraud risk assessments. Experienced auditors consider managers with high levels of narcissism as an important risk indicator for fraud attitudes. Additionally, they found that the personality traits of narcissistic client managers may also trigger potential fraud-related behaviors. Narcissistic client managers may have a low tolerance for mistakes and often attribute successes to themselves but blame subordinates for failures. This pressure can also lead subordinates to engage in fraudulent behavior in order to avoid unfair treatment by managers.

In addition, Johnson et al (2013), suggests that narcissistic traits in clients should be considered a red flag for identifying fraudulent attitudes. Fraud attitude is a state of mind that justifies fraudulent behavior. In the fraud triangle, personal characteristics (include narcissistic personality) serve as indicators of fraud attitude risk that auditors should identify and consider when determining fraud risk. Organizations are led by top executives, narcissistic traits among executives may affect the ethical climate of the entire organization, serving as a potential indicator of fraud risk (Domino, Wingreen, & Blanton, 2015). If narcissistic management adopts a more lenient attitude toward fraud, it may lead to lower employee ethics across the organization, thereby increasing the likelihood of fraudulent activities.

In addition to client managers, the personality traits of the two most important executives in a company, the CEO and the CFO, have been shown to influence auditor risk assessments (Johnson et al., 2021; Zengin-Karaibrahimoglu et al., 2021). Auditors' assessment of the risk of material misstatement is higher when the client's CEO has narcissistic traits (Zengin-

Karaibrahimoglu et al., 2021). Johnson et al (2021), conducted an experiment that manipulated CFO narcissism for verbal and non-verbal narcissism, their experimental results showed that auditors had a better impression of less narcissistic CFOs than CFOs who exhibited verbal narcissism, and auditors who were less narcissistic also had lower client risk assessments for CFOs with lower verbal narcissism.

Interestingly, Kuncoro et al (2022), found no significant relationship between CEO narcissism and accounting irregularities; however, a significant relationship was identified when the auditor was from the BIG4 accounting firms. Therefore, Kuncoro et al (2022), argues that BIG4 auditors can mitigate the manipulation of accounting data by narcissistic CEOs. This suggests that auditors from the BIG4 are better able to identify fraud by narcissistic CEOs, which improves the quality of audit reports.

Audit Report and Audit Fees

As Johnson et al (2013), highlights, narcissistic clients can lead auditors to increase their assessment of fraud risk, which may lead auditors to increase audit fees to address this risk. On the one hand, narcissistic CFOs are directly responsible for financial statements, and their narcissistic personality traits also prompt them to ensure high-quality financial information to gain a sense of superiority, which leads to a reduction in audit fees. But on the other hand, narcissistic CFOs are thought to manage financial departments that are less efficient, less capable of rectifying errors, and more prone to financial misstatements, potentially resulting in increased audit fees. The empirical research of Xiang and Song (2021) proves the latter point of view. The narcissism of CFOs of listed companies will reduce the quality of financial information, thereby increasing audit fees. Narcissistic CFOs also lead companies to choose high-reputation accounting firms, thereby increasing audit fees. Judd et al. (2017) indicates that narcissistic CEOs will increase audit risks, and auditors may have to invest more work in dealing with narcissistic CEOs and may charge a risk premium, leading to an increase in audit fees.

For audit reports, Salehi et al (2022), pointed out that management narcissism would affect the readability of audit reports, specifically, as the level of CEO narcissism increases, so too does the readability of audit reports. An effective audit report should not only reflect the real financial situation of the enterprise, but also be readable and understandable to help the users of financial statements make decisions.

Audit Commitment

The audit committee is considered to be a critical part of the corporate governance structure and an important mechanism within the enterprise (García-Meca et al., 2021; Zengin-Karaibrahimoglu et al., 2021), usually as a supervisory tool to control potential agency problems and financial misstatements in the company. Its primary responsibilities include reviewing the company's financial statements and discussing the contents with external auditors, which can mitigate irresponsible or unethical behavior by senior management (Mohd Saleh, Mohd Iskandar, & Mohid Rahmat, 2007). A strong audit committee plays a positive role in a company's high-quality financial reporting because committee members usually have extensive experience and accounting expertise. Despite the apparent authority of the audit committee, the CEO may leverage their power and social relationships to

interfere with its functions, potentially undermining its effectiveness (Bruynseels & Cardinaels, 2014; Cassell, Myers, Schmardebeck, & Zhou, 2018).

Zengin-Karaibrahimoglu et al (2021), pointed out that the audit committee cannot ensure the organization has a good control environment. The absence of professional financial and accounting expertise among audit committee members can significantly impact the auditor's evaluation of the risk of material misstatement in financial statements. It has been indicated that a robust audit committee correlates with a lower risk assessment by auditors; however, when a company exhibits CEO narcissism, the influence of the audit committee on the auditor's risk assessment becomes less pronounced. In addition, García-Meca et al. (2021) emphasized that the likelihood of a CEO engaging in tax avoidance conduct increases with their level of narcissism; however, the audit committee of the firm has a moderating influence. They also discovered that the tax evasion effects of CEO narcissism would be mitigated by a larger audit committee. In addition, the more female members of the audit committee, the less tax avoidance the company will do.

Auditor Narcissism

The auditor's primary responsibility is to protect the interests of shareholders and help managers achieve profitable results (García-Meca et al., 2021). The effects of auditor narcissism are primarily reflected in audit quality. High audit quality is strongly associated with improved financial reporting quality (DeFond & Zhang, 2014). Regarding auditor narcissism, the included literature is divided into six themes to discuss.

Auditor Independence and Auditor Competence

This section discusses how auditor narcissism affects their audit independence and competence. Scholars believe that auditor competence, independence and professional skepticism significantly enhance audit quality (Su'un & Sari, 2021). Audit independence (the likelihood of the auditor reporting violations by the auditee) and audit competence (the likelihood that the auditor will detect violations by the auditee) are common indicators for assessing audit quality (Takada et al., 2021). The former refers to the professional ethics of auditors, while the latter refers to the professional ability of auditors.

Auditors need to maintain independence, otherwise, audit quality will be compromised. Auditors are employed by the client they are auditing and have strong financial incentives to be pressured by large clients, thus being unable to maintain their independence (Tepalagul & Lin, 2014). For narcissists, compromising their professional ethics to accommodate clients' demands may be perceived as a form of submission, which contradicts their self-centered nature. Therefore, auditors with high levels of narcissism may be more adept at maintaining audit independence. Narcissistic auditors tend to stick to their opinions and remain vigilant, and are less likely to be convinced by their clients. Therefore, they are better able to detect accounting errors and fraud by the audited clients, which also means that narcissistic auditors are more competent in auditing. From the perspective of personality characteristics, narcissistic people want to show their superior abilities, so they will spend more time and energy to improve audit quality, which will also improve the auditor's competence.

Chou et al (2021), indicated that narcissistic auditors are more likely to report a breach in audited company because narcissistic auditors may want reputation and praise from their

peers rather than satisfying clients. They demonstrated that audit partner narcissism mainly improves audit quality through audit independence. They also noted that narcissistic audit partners reduce the possibility of making a Type II error (a client declaring bankruptcy within a year of the auditor issuing a clean audit opinion). This confirms the previous point that narcissistic audit partners will not sacrifice audit independence and issue overly optimistic audit opinions due to pressure from clients. Although audit partner narcissism in BIG4 accounting firms affects audit quality, this effect is primarily concentrated in non-BIG4 accounting firms. For the BIG4 accounting firms, whose audit procedures are more standardized, the relationship between auditor narcissism and audit reporting decisions is weaker (Chou et al., 2021).

Professional Skepticism

Auditors also need to have the ability to maintain professional skepticism of clients, so that they can critically evaluate accounting evidence and issue fair opinions on the accuracy and authenticity of financial reporting information, thus realizing the value of auditor authentication (Kaszak et al., 2024; Su'un & Sari, 2021). Auditor personality traits are related to professional skepticism (Samagaio & Felício, 2022). Professional skepticism in auditing is demonstrated by the auditor's discerning assessments and decisions that demonstrate a high degree of evaluation of the likelihood of an assertion being false, based on the facts accessible to the auditor (Nelson, 2009). The auditor's capacity for professional skepticism often affects their ability to detect fraud and assess risk (Hammersley, 2011). Consequently, this section also discusses the impact of auditor narcissism on risk assessment.

Safarzadeh and Mohammadian (2023), found that auditors with higher levels of narcissism are more likely to exhibit professional skepticism, thereby enhancing audit quality. It is reasonable to assume that auditors with questioning minds are similar to narcissistic auditors. Auditors with questioning minds are less susceptible to the influence of others (Hurt, Brown-Liburd, Earley, & Krishnamoorthy, 2013). Narcissistic auditors are also more confident and independent in their own judgment, and generally do not change because of other people. Johnson et al (2021), manipulated the narcissism of auditors and clients (CFOs) experimentally. They pointed out that narcissistic auditors will weaken the auditor's skepticism when encountering a highly verbally narcissistic CFO. Auditors who are less narcissistic are less likely to underestimate client risk than auditors who are narcissistic. They also stated that narcissistic people are more tolerant of similarly narcissistic people, and therefore, auditors with high levels of narcissism are more tolerant of the behaviors and attitudes of narcissistic clients, which will affect auditors' risk inferences about their clients.

Zengin-Karaibrahimoglu et al (2021), mentioned that auditor's narcissism does not affect the auditor's assessment of risk, nor does it moderate the impact between client narcissism and risk assessment. However, Khaksar et al (2022a), indicated that in the highly competitive Iranian audit market, the degree of an auditor's narcissism and their ability to detect fraud in financial reports were negatively correlated, that is, higher levels of narcissism are associated with a lower fraud detection rate. In a competitive audit market, narcissistic auditors may neglect audit quality for the sake of their own reputation and maintaining client relationships, and may not even discourage aggressive reporting by clients. Therefore, the impact of auditor narcissism on audit quality may vary across different audit market environments.

Kaszak et al (2024), discussed the impact of narcissism on auditors' professional skepticism by examining how client narcissism and auditor narcissism affect auditors' fraud risk assessments. They not only studied the effects of auditor and client narcissism on fraud risk assessment, but also classified narcissism into two forms. They found that when clients were perceived as high in agency narcissism (showing vanity, arrogance, selfishness, superiority), auditors with higher levels of antagonistic narcissism (showing self-vulnerability, high defensiveness, and extreme sensitivity to competition) perceived a relatively higher risk of financial reporting fraud and showed higher levels of professional skepticism. When clients were perceived as exhibiting higher levels of antagonistic narcissism, all auditors, regardless of their own levels of narcissism, perceived an increased risk of fraud and demonstrated greater professional skepticism.

Audit Report and Audit Fees

The audit report is signed by the partners of the audit firm and issued under the firm's name. A going-concern opinion suggests that the auditor has raised concerns regarding the organization's viability beyond the upcoming year. Some scholars utilize going concern reports as a measure of audit quality, positing that proficient auditors are more inclined to issue negative going concern reports. Conversely, other researchers argue that the accuracy of going concern reports serves as a more effective measure of audit quality (Francis, 2023).

Kerckhofs et al (2023), and Chou et al (2021), both examined the impact of auditor narcissism on audit reporting decisions, but the two studies were conducted in the context of markets dominated by private and public companies, respectively. Kerckhofs et al (2023), indicated that in a private market setting, narcissistic audit partners are more inclined to sign going concern opinions for audited companies with financial difficulties. Differently, Chou et al. (2021), showed that narcissistic audit partners do not exhibit greater conservatism when issuing going concern opinions for public companies. They further explained that auditor narcissism is not significantly related to the likelihood of issuing such opinions. This also shows that the impact of auditor narcissism may be different in different market environments. Private market companies generally receive less media attention and scrutiny from market participants compared to public companies. As a result, narcissistic audit partners may be less concerned about the reputational damage associated with audit failures. Kerckhofs et al. (2023), also showed that partners who scored high on narcissism were more likely to make Type I errors (i.e., issuing a going-concern opinion for a company that subsequently do not go bankrupt) and less likely to make Type II errors (i.e., failing to issue a going-concern opinion for a company that subsequently goes bankrupt).

The study on audit reporting decisions also considered gender differences (Bepari & Mollik, 2023; Kerckhofs et al., 2023). Women are significantly underrepresented at the top of accounting firms (Garcia-Blandon, Argilés-Bosch, & Ravenda, 2019). Male and female audit partners differ significantly in their assessment of audit risk, audit planning and professional judgment (Bepari & Mollik, 2023). Bepari and Mollik (2023), defines the annual increment and annual decrement of key audit matters (KAMs) specified in the audit report as the time variance of KAMs. Adding new KAMs in the audit report each year or replacing the previous year's KAMs makes the KAM report unstable, which requires renegotiation with the audit committee. However, the annual difference in KAMs is crucial for capturing the client's dynamic risk environment, which also reflects the audit partners are using new perspectives

and methods to identify and respond to audit risks. Based on the cognitive and psychological distinctions between male and female audit partners, Bepari and Mollik (2023) found that female audit partners are less inclined to make overall changes to previous KAMs, that is, the time variance of KAMs is more stable. However, the experience, accounting qualifications, and narcissistic traits of female partners may mitigate the disparities in KAM reporting between female and male partners. Moreover, the narcissistic audit partners are unlikely to yield to client pressure or social pressure, be more insistent on their own opinions, and have more courage to change KAMs. Therefore, narcissistic personality will reduce the risk aversion and mentality of female audit partners. Kerckhofs et al. (2023) noted that female narcissistic partners tend to make more aggressive audit reporting decisions and are less likely to commit Type I errors. In contrast, male partners are more conservative, male narcissistic partners are more likely to make Type I errors and less likely to make Type II errors.

Regarding audit fees, Kerckhofs et al (2023), found that the narcissism of audit partners is positively correlated with audit fees, suggesting that narcissists may possess greater negotiating power. However, this positive relationship varies by gender. Specifically, male narcissistic audit partners exhibit a positive correlation with audit fees, while female narcissistic audit partners demonstrate a negative correlation. Salehi et al (2023), pointed out that auditor narcissism can reduce the readability of audit reports. Narcissistic auditors may ignore rules and regulations for personal gain, and reject constructive suggestions from other employees, thus reducing the readability of reports. Poor readability of audit reports may elevate audit risks, subsequently leading to increased audit costs (Lo, Ramos, & Rogo, 2017).

Team

Most of the included studies emphasized narcissistic characteristics at the individual level. Takada et al (2021), focused on the role of narcissists at the team level, combined with the Japanese collectivist cultural background, to explain the impact of audit team partner narcissism on audit quality. In Japanese audit teams, the structure typically includes a lead audit partner and several vice partners. Client firms' ability to manipulate their results to increase revenue is limited only when the lead partner of the audit team exhibits narcissistic traits. This enhances the quality of the audit, but has varying effects in larger teams. However, narcissistic auditors may also lead to a decline in audit quality. Salehi and Rouhi (2023), found that auditors' narcissistic characteristics are negatively related to knowledge sharing. Narcissists believe more in their own abilities and seek power, and learning from their colleagues may undermine their sense of superiority. Therefore, the shortcomings of narcissistic personality may lead to the internal communication of the audit team is not coordinated, resulting in insufficient audit work, thus reducing the audit quality.

Furthermore, auditor narcissism also has an impact on the team of the audited client. Salehi et al (2022), noted that auditor narcissism is negatively related to the stability of the audited company's management team, but positively related to the relative performance of audited companies. They also studied the interaction between manager narcissism and auditor narcissism, noting that an increase in manager narcissism positively influences the relationship between auditor narcissism and the corporate management team. However, manager narcissism negatively affects the relationship between auditor narcissism and relative firm performance.

Audit Market and Industry

Francis (2011), pointed out that the accounting industry and the audit market are also units of analysis that affect audit quality. Mohammadi et al (2021), demonstrated a negative correlation between auditor narcissism and audit market competition, including its individual components: auditor concentration, client concentration, and competitive pressure. Intensified competition in the audit market increases clients' bargaining power and leads to a reduction in audit fees charged by accounting firms. In order to retain clients, auditors may collude with clients to commit fraud. Therefore, auditor narcissism inhibits competition in the audit market, thereby improving audit quality. Khaksar et al (2022b), also pointed out that audit quality and industry specialization are positively related to auditors' narcissism. They also found that corporate political connections (a business firm's ties to the state) were negatively related to auditor narcissism.

Auditor-Client Negotiations

The influence of auditor narcissism on the negotiation process between auditor and client may be multifaceted. Church et al (2020), examined the impact of auditor narcissism on negotiation using three different research methods. First, narcissists lack empathy demonstrate poor interpersonal communication skills, which can complicate the negotiation process. Church et al (2020), found that auditor narcissism affects the duration of negotiations and may cause unnecessary audit delays when the client's report is not unfair and unreasonable overall. Second, Church et al (2020), indicated that narcissistic auditors are better at resisting aggressive reports from clients during negotiations, which enhances the audit quality. Narcissistic auditors may not make concessions to the requirements of the audited company. They will care more about their own reputation and will not be dominated by their clients. Therefore, narcissistic auditors can serve as a useful tool in dealing with controversial clients.

Conclusion and Implications

Through the method of systematic literature review, this study mainly focuses on clients and auditors, integrating the research results related to the personality trait of narcissism and auditing. This study finds that within an appropriate range, individual narcissism may not be harmful, which further proves the duality of narcissism.

Research on client narcissism mainly focuses on management. There have been reviews of management narcissism in the past (Braun, 2017; Brunzel, 2020; Cragun, Olsen, & Wright, 2019), but they did not emphasize the relevant results of auditing. This study finds a link between client narcissism and audit risk assessment, which further affects audit fees. Secondly, research on auditor narcissism shows that narcissism affects audit quality. Included studies prove this from different aspects such as auditor competence, auditor independence, professional skepticism, audit report decision-making, and audit market.

The results of the review are meaningful to professional practice, and have certain implications for both client companies and accounting firms. Regarding the results of client narcissism, this study agrees with the suggestion of Zengin-Karaibrahimoglu et al (2021), that manager personality is a contingency factor in auditors' assessment of risk. Shareholders, audit committees, and investors of audited companies should also consider the issue of managerial narcissism. Furthermore, this study summarizes the impact of auditors'

narcissistic characteristics on audit outcomes, which should attract the attention of auditors themselves, accounting firms, clients, and regulators. Therefore, this study can provide some inspiration for the recruitment and promotion of accounting firms, and can also help audited clients find high-quality auditors.

Regarding the theoretical and contextual contributions, while scholars have acknowledged the impact of narcissistic personality in business, current research has primarily focused on the narcissistic traits of top executives and leaders. In contrast, there has been relatively limited research on the narcissism of a firm's key counterpart, the external auditor, with even less emphasis on the context of the auditing industry. This review systematically examines the research on narcissism between audit clients and auditors, which not only helps to understand the process of how narcissism affects audit results, but also reveals the relationship and interaction between audit clients and auditors, providing valuable guidance and inspiration for future research. Additionally, this study summarizes the impact of narcissistic personality on auditing, which not only provides insight for auditors to understand the potential negative impact of their own narcissism, but also provides some implications for auditors to deal with the narcissism of audit clients. Finally, this study expands the scope of research on the impact of narcissistic personality on audit outcomes and contributes to the relevant literature in the audit industry context.

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