



Benchmarking the Ethics of Internal Auditors: A Comparative Analysis of Private and Public Sector

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Abstract

The main purpose of the paper is to benchmark the ethical behavior of internal auditors in Greece proposing a theoretical framework for ‘ethics’ based on principles and rules of professional conduct. Furthermore, the paper aims at comparing internal auditors’ ethical behavior among the public and private sector, highlighting possible similarities and differences. The quantitative research approach was employed with the use of a well-structured questionnaire. A total of 138 internal auditors from private and public organization participated in this research. They each resolved nine ethical dilemmas based on real-life situations. The internal consistency reliability of the primary data was estimated through Kuder and Richardson formula 21 (KR-21). The results indicate that the majority of internal auditors pose a high level of ethical behavior and also public sector auditors are more compliant with the Code of Ethics than those of private one. Lastly, the divergent answers are not negligible and it is vital to interpret them in a proper sense and not identify them as unethical behavior.

Keywords: Internal Auditors, Code of Ethics, Ethical Dilemmas, Public and Private Sector, Greece.

JEL Classification: M42, L29.

1. Introduction

In the contemporary economic landscape, the formation of a transparent and reliable control mechanism that is applicable to both the private and public sector is of great importance. From an entrepreneurial perspective, the adoption of a strong and stable internal audit system prevents opacity, suspicion, corruption, and fraud (Nicolaescu, 2013; Khan, 2006). From the point of public bodies, the institutionalization of internal control framework, with respect to the international audit standards and principles, supports fiscal consolidation, debt reduction and public expenditure rationalization as well as qualitative public services (Asaolu et.al. 2016; Rendon and Rendon, 2015; Spillan and Ziemnowicz, 2011; Basheka and Bisangabasaija 2010).

An effective internal audit process cannot be achieved without the existence of ethics in internal auditors' attitude. This consists of an uninterrupted influence of principles and values that guide internal auditor's behavior. Therefore, irrespective of the legal form, purpose, size, complexity, structure, and location of the organization, internal auditors are called upon to construct a moral environment as to fulfill their professional duties. Audit failures and corporate scandals will be eliminated only if auditors are dedicated to their professional role and responsibilities (Barrainkua and Espinosa-Pike, 2018).

Certainly, the moral of internal auditors is not only a matter that can be enforceable by law but it is also a matter of personal commitment and choice. In other words, internal auditors are not only able to comply with legal provisions and explicitly formulated rules, but to promote exemplary behavior, focusing on the role and mission they are called upon to daily work. This means that ethics becomes a very sensitive issue for internal auditors when executing their mission. Internal auditors are frequently faced with ethical dilemmas which can challenge their ethical standards (Woodbine and Liu, 2010; O' Leary and Stewart, 2007; Larkin, 2000). Their ethical decision-making ability depends on their own personal morals when attempting to resolve a real situation. But each internal auditor may have a different solution when it comes to following their own ethical value system. That is why almost all firms and public organizations need a code of ethics as an objective guideline that clarifies internal auditors' actions.

The purpose of the study is to benchmark the ethics of internal auditors and then to make a comparison between the internal auditors of the private and public sector. Although the moral dimension of internal auditors employed in the private sector has triggered the most fertile theoretical quests and has contributed to the most fruitful scientific concerns, however, several fields of research and empirical investigation have gaps and shortcomings. On the other hand, in the public sector, there is a particularly virgin research ground for assessing internal auditors' ethical attitude. A target population that is difficult to access. Thus, to the best of our knowledge, the study contributes to the auditing literature, as it provides an initial empirical investigation of the comparative ethical attitude of internal auditors in the private and public sector.

The study has practical implications for the improvement of ethical decision-making in public organizations and audit firms. The results can assist with the identification of gaps and deficiencies in auditor's education, training, and management of the internal audit department regarding the embeddedness of the Code of Ethics within the workplace. Moreover, the findings show that ethical behavior is of utmost importance for auditors who work as a servant for the public interest. If internal auditors rely on the integrity, objectivity, confidentiality, and competence, undoubtedly the trust of society will be increased, downsizing the opportunities for unethical behavior.

The remainder of this paper is as follows. In the second section, the ethical framework of the study is discussed. The third section reviews prior literature in the context of ethical behavior of internal auditors. The fourth section presents the research methodology. The results are reported in the following (fifth) section. The last section provides some concluding remarks and offers fruitful directions for future research.

2. The Ethical Framework of Internal Auditors

Auditing is a dynamic branch of Economic Science that supplies us with a theoretical arsenal of general principles and rules as well as with practical procedures and methods for conducting the internal audit in businesses and public organizations. A widely accepted

definition of internal auditing refers to the Institute of Internal Auditors (IIA) (2011) as “an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

Internal audit units are an essential part of the internal control structure. They operate as separate units for assuring the adequacy of a body's management and control systems, using structured methodologies that mainly aim at improving the effectiveness of the processes that govern its operation, risk management, and control processes. In Greece, internal audit units have been a common practice in the private sector (eg banks (Filos, 2000); listed enterprises (Koutoupis, 2009) since the early 1990s. However, in the Public Administration, internal audit units were established recently by virtue of Law 3492/2006 and were upgraded by the Law 3871/2010. The aforementioned law instituted the establishment of internal audit units at all ministries and regions of the country, as well as the bodies supervised by ministries and regions with a budget exceeding EUR 3 million.

Individuals who work in internal audit units by performing financial, operational and compliance audits are called internal auditors. As other professionals do, internal auditors need ethical rules to perform their duties diligently and safeguard the interests of the organization they belong to.

The term ‘ethics’ is globally recognized and etymologically derived from the Ancient Greek word ‘ethikos’, which derives from the word ‘ethos’, a basic element of Aristotelian rhetoric. It refers to the set of institutionalized rules that define the behavior of individuals based on socially acceptable actions. For the need of this research, the ethics of internal auditors is identified by the Code of Ethics. Thus, the Code of Ethics states the expectations concerning the behavior of individuals and organizations in the conduct of internal audit engagements (Ruud, et. al, 2011). Namely, it describes the minimum requirements for conduct, and behavioral rather than specific actions and it is designed to promote the profession of internal auditor (Kontogeorgis and Filos, 2012).

The Code of Ethics is commonly divided into two essential components: The Principles of Ethics and the Rules of Conduct (IIA, 2011). The Principles sphere focuses on the profession and practice of internal auditing. Internal auditors are expected to apply and uphold the following values and principles at their daily work:

1. *Integrity* establishes trust and thus provides the basis for reliance on their judgment.
2. *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 judgments.
3. *Confidentiality* means that 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.
4. *Competency* in terms of knowledge, skills, and experience needed in the performance of internal audit services.

These four Principles are supplemented by twelve Rules of Conduct that describes behaviors and norms expected of internal auditors. These rules are used to interpret the Principles into practical applications and they are intended to guide the ethical conduct of internal auditors.

1. Integrity implies that internal auditors:
 - 1.1 Shall perform their work with honesty, diligence, and responsibility.
 - 1.2 Shall observe the law and make disclosures expected by the law and the profession.
 - 1.3 Shall not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organization.
 - 1.4 Finally, shall respect and contribute to the legitimate and ethical objectives of the organization.
2. Objectivity implies that internal auditors:
 - 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
 - 2.3 Shall not accept anything that may impair or be presumed to impair their professional judgment.
 - 2.4 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
3. Confidentiality implies that internal auditors:
 - 3.1 Shall be prudent in the use and protection of the information acquired in the course of their duties.
 - 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.
4. Competency implies that internal auditors:
 - 4.1 Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
 - 4.2 Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards).
 - 4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

The conceptual framework of the study, as depicted in Figure 1, describes the existence of internal audit in both private and public sector. Internal auditors of each sector have a leading role in executing internal auditing. Their actions and behavior should be governed by ethics, namely certain principles and rules of conduct.

Figure 1: The Conceptual Framework



3. Literature Review

Ethical conduct in auditing draws its justification and basic nature from the general theory of ethics (Mautz and Sharaf, 2006:30) that is divided into three broad areas. First, consequentialist theories are primarily concerned with the ethical consequences or results of an action. The most common approach to making ethical decisions is utilitarianism (Bonde and Firenze, 2013). The utilitarian concept is focused on the tenet that individual actions are morally right if “it produces the greatest good for the greatest number of people... the net benefits over costs are greatest for all affected, compared with the net benefits of all other possible choices... its benefits are greatest for each individual and if these benefits outweigh the costs and benefits of the alternatives” (Weiss, 2004: 59).

Second, non-consequentialist theories tend to be broadly concerned with the intentions of the person making ethical decisions about particular actions (Bonde and Firenze, 2013). The duty-based approach, also called deontological ethics, is most commonly associated with duty or moral obligation (Preuss, 1998) and based on justice, rights, fairness, honesty, and respect (Weiss, 2004). Third, agent-centered theories, which are more concerned with the overall ethical status of individuals, or agents, and are less concerned to identify the morality of particular actions (Bonde and Firenze, 2013). The Virtue approach is the most important contribution to agent-centered theories as ethical actions should be consistent with certain human virtues and character traits.

In the auditing context, the background of many ethical issues and dilemmas starts out from the above theories. A substantial body of literature has explored the leading role of ethical aspects in performing internal auditing in the private sector. However, only a few studies have been conducted regarding the ethics of internal auditors within the public sector and even more, paucity is the scholarly research on a comparison of internal auditors ethics between private and public sector.

The survey of Ismail and Yuhanis (2018) focused on the public sector auditors in Malaysia and based on nine ethical work-related vignettes. The results revealed that the law climate had a negative influence on unethical behavior. In other words, auditors respond well to an ethical climate that emphasizes the strict adherence of uniform professional codes and policies. Contrary to these findings, Everett, et. al. (2018:12) outlined that “these (professional codes of conduct) tend to only outline basic prohibitions regarding what one shall not do”. Thus, in a moral complex problem, such codes are inadequate.

The controversial relationship between the code of ethics and ethical behavior is also pointed out by Kyriakogkonas and Alexiou (2017). Many researchers observed the positive impact of a code of conduct to ethical dilemmas (McKinney, et. al. 2010; Adams, et al. 2001; Somers, 2001; Stohs and Brannick, 1999). While, others found that the code of conduct has no impact on unethical choices (Kish - Gephart et al. 2010; McKendall et al. 2002; Clark and Leonard, 1998).

Pramitasari, et. al. (2017) noted that the ethical aspects of auditors positively influence their fraud detection capability. This result indicates that auditors who apply the Code of Ethics show high willingness to perform fraud detection by developing information search of fraud symptoms. This finding is also in line with Okpanti (2016) which explains that auditor’s perception of professional ethics influences his fraud detection capability.

Many studies examine the individual characteristics of auditors (competence, qualifications, training, and professional experience) in ethical decision making. Hermanson and Rama (2016) suggest that internal auditors with more auditing experience are better attuned to unethical behavior. O’Leary and Stuart (2007) find that more experienced internal auditors

consider inaction (in responding to an ethical dilemma) to be more unethical than less experienced internal auditors. Larkin (2000) concludes that more experienced internal auditors (those with greater than five years of experience) identify unethical behavior more clearly than less experienced auditors.

The findings of Svanberg and Öhman (2016) about the relationship between ethical culture and auditor objectivity support those of Sweeney, et al (2010). Using the responses of 281 practicing auditors, the findings indicate that auditors in firms with a strong ethical culture are more likely to maintain auditor objectivity than are auditors in less supportive cultures. In other words, auditors are more likely to make objective judgments in ethical cultures characterized by the rewarding (punishing) of ethical (unethical) behavior, the prevalence of ethical norms, visible ethical leadership, and low emphasis on obedience to authority.

Dawuda, et. al (2015) investigate the organizational independence of internal auditors at the local government level in Ghana. Their research highlights that the most serious threats to internal auditors' independence include intimidation and familiarity threats. As a result, internal auditors present insufficient and inappropriate audit evidence. Thus, their independence would be reassured by not engaging themselves in activities that would create a conflict of interest.

The study of Haron, et. al. (2014) examined empirically the factors that influence the ethical judgment of auditors in Malaysia. From the 76 responses, the level of the ethical judgment of auditors is below average. Therefore, Malaysian auditors tend to make unethical judgments. So, stricter rules, regulations and good enforcement of laws will affect the decision of auditors regarding unethical acts.

A conceptual paper on the development of internal audit ethics that follow specific stages was published by Plant (2008). Namely, planning and performing of ethics audit, reporting the results and monitoring the progress by considering corrective actions. The nature of these steps should be a balance of compliance procedures (rules-driven) and integrity tests (values-driven) conducted by the internal auditors.

A comprehensive review of the empirical literature on ethical decision-making from 1996 to 2003 has been published by O'Fallon and Butterfield (2005). Studies are sorted by the effects of the code of ethics (conduct) on awareness, judgment, intent, and behavior. More specific, Weaver and Trevino (1999) revealed that value and compliance ethics program were both significant and positive predictors of ethical awareness. Moreover, the majority of studies support the idea that the existence of a code of ethics is positively related to ethical judgments (Mc Devitt and Hise, 2002; Weaver and Trevino, 1999), with few notable exceptions (Sims and Keon, 1999; Clark and Leonard, 1998). Lastly, unethical behavior is less prevalent in organizations that have a code of ethics versus organizations that do not (McCabe, et. al. 1996; Somers 2001; Peterson 2002).

4. Research Methodology

4.1 Participants and Questionnaire

The target group of the study composed of members who work as internal auditors in the private and public sector in Greece. Primary data were collected from a self-administered questionnaire, as a widely recognized research instrument in the auditing literature (Drogalas, et.al 2015; Dawuda, et. al, 2015; Bekiaris et. al 2013; Bamber & Iyer, 2007; O'Leary, Jenny Stewart, 2007; Filos, 2000; Larkin, 2000). The self-administered questionnaire was pilot tested by passing it on to four authorized internal auditors to find out if the questions were

clear and concise to answer. This led to the revision of the questionnaire due to some minor modifications. The questionnaire was in the Greek language and was created online by using the “Google Forms” survey tool. The responses were provided online from August to September 2017. Filling out the questionnaire is estimated to take 15 minutes. Confidentiality was considered critical in order to encourage participation and integrity of responses, as well as the fact that information would be used only for scientific purposes.

The online survey questionnaire contains two parts. The first part solicits profile information of internal auditors such as gender, age, education level, working experience and organization type (private/public). The second part consists of nine short ethical cases that internal auditors encounter during the performance of their duties. These cases cannot cover every possible situation. Instead, they outline the fundamental principles of integrity, objectivity, confidentiality, and competency that are in line with the Code of Ethics provided by the Institute of Internal Auditors (2011). These ethical cases are closed-ended questions which can have two possible answers (yes/no) and presented in Table 1.

4.2 Descriptive analysis of the sample

The key characteristics of the survey population are described in Table 2. Of the 138 responses received, with the use of snowball sampling method, 65.2% was internal auditors from the private sector and 34.8% from the public sector. In terms of gender, more male than female (male=73.9%) participated in the survey. Besides that, looking at the age group, 41.3% of the respondents were within the range of 31 to 40-year-old age group. Moreover, almost all the participants possessed educational qualifications, with 78.3% educated to master degree level. Lastly, the highest number of respondents (33.3%) has been working in auditing for 11-15 years.

Table 1: Benchmarks for assessing the ethics

Elements of Ethics	Measures (Ethical Cases)
<p style="text-align: center;">A. Integrity</p>	<p>A1. An auditor asks for some data from the Organization in order to complete an audit. The Organization refuses to reveal some of the data, due to legal impediment, since they contain sensitive personal data. The auditor completed his/her findings without taking into account and/or evaluating the undisclosed data he/she requested. Was his/her action correct?</p> <p>A2. An auditor discovers that an Executive of the Organization undergoing an audit is a family member of another person whose Company provides services to the Organization. The relationship between the Organization and the Company is not an audit issue at the moment. The auditor informs the Internal Audit Department Manager and completes the audit but does not follow up on the audit’s course. Do you find the audit complete</p> <hr/> <p>A3. “An auditor receives extremely bad reviews about his/her professional competencies in a blog composed by the CEO of an Organization, in which he had performed his duties in the past. The auditor takes it personally and answers back to the CEO mentioning that he/she had behaved unethically and he/she had repeatedly deceived the Organization he/she was directing. Does the auditor have the right to respond like that in order to defend his/her professional status and himself/herself?”</p> <hr/> <p>A4. “An auditor posts very provocative and indecent photographs from his/her summer holidays on his/her personal profile page on “Facebook” social media. Do you consider this particular behavior to be acceptable within the context of personal development and free will?”</p>
<p style="text-align: center;">B. Objectivity</p>	<p>B1. “One employee is transferred at the Department of Internal Audit and assigned the post of Auditor. One month after the transfer, he/she was given a file to examine which contained his/her own past activities when he/she was a simple employee. The auditor undertakes the task. Do you agree with his/her decision?”</p> <hr/> <p>B2. “Nine months after an audit, the auditor receives a gift from the audited Organization’s CEO to spend a short holiday break at a luxurious hotel. The auditor accepts the invitation and spends the weekend at the luxurious hotel with his/her spouse. Do you agree with the auditor’s decision?”</p>
<p style="text-align: center;">C. Confidentiality</p>	<p>C1. “An auditor is informed that a Company providing services to the Organization in which he performs his duties will submit a bankruptcy petition at the time of the audit. The auditor informs the Manager of the bank which has granted the Company a loan. Do you agree with the auditor’s action?”</p> <hr/> <p>C2. “An auditor also saves the data for the undergoing audit on his/her USB which he/she plans to use as a back-up in case the original source of the saved data is lost. Does the auditor act in agreement to correct practices?”</p>
<p style="text-align: center;">D. Competency</p>	<p>D1. “An auditor discontinues the specialized training program for the third time in a row due to heavy workload. Do you think he/she took the right decision? ”</p>

Source: Field research

Table 2: Key characteristics of the survey population

Demographic characteristics	Dimensions	Descriptive statistics of respondents					
		Private sector		Public sector		Total	
		(n=90)	%	(n=48)	%	(n=138)	%
Gender	Male	72	80.0	30	62.5	102	73.9
	Female	18	20.0	18	37.5	36	26.1
Age	Under 30	9	10.0	1	2.1	10	7.2
	31-40	37	41.1	20	41.7	57	41.3
	41-50	33	36.7	17	35.4	50	36.2
	51-60	9	10.0	8	16.7	17	12.3
	Over 61	2	2.2	2	4.2	4	2.9
Educational level	High School	0	0.0	1	2.1	1	0.7
	University	13	14.4	6	12.5	19	13.8
	Master	72	80.0	36	75.0	108	78.3
	Phd	5	5.6	5	10.4	10	7.2
Years of experience as internal auditors	Under 5	11	12.2	1	2.1	12	8.7
	6-10	9	10.0	5	10.4	14	10.1
	11-15	31	34.4	15	31.3	46	33.3
	16-20	20	22.2	11	22.9	31	22.5
	Over 21	19	21.1	16	33.3	35	25.4

Source: Field research

5. Results

5.1 Internal consistency reliability

The Kuder-Richardson Formula 21 (KR-21), first published by Kuder and Richardson (1937), is the appropriate coefficient to measure internal consistency reliability (Gravetter and Forzano, 2018; Jacob, 2017; Allen and Yen, 2001). It is a special case of Cronbach's Alpha, computed for dichotomous variables (that is, questions with two possible answers, yes and no).

Based on the formula:
$$KR21 = \left[\frac{n}{n-1} * \left[1 - \frac{M*(n-M)}{(n*Var)} \right] \right]$$

where n = sample size,

Var = variance for the test,

M = mean score for the test

we found the internal consistency coefficient to be 0.811 (above the conventional 0.7), that is an indicative of good internal consistency.

5.2 Research cases concerning Integrity

Table 3: Integrity

Items	Percent agree		Percent disagree	
	Private	Public	Private	Public
A1	10.0	16.7	90.0	83.3
A2	46.7	50.0	53.3	50.0
A3	14.4	16.7	85.6	83.3
A4	18.9	12.5	81.1	87.5

Source: *Field research*

This section investigates the similarities and differences between private and public sector about internal auditor’s integrity. Based on the findings of the research case A1, the majority of respondents from both sectors (90% and 83.3%, respectively) perform their work with honesty, diligence, and responsibility (integrity, rule 1.1) and they disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review (objectivity, rule 2.3). Specifically, 16.7% of internal auditors from the public sector have answered contrary to the rule and even lower is the percentage of those of the private sector (10.0%).

Concerning the second research case only 46.7% and 50.0% of the respondents observe the law and make only those disclosures expected by the law and the profession (integrity, rule 1.2). The private sector exceeds the limits of its duties (53.3%) even more than the public sector (50.0%). The research case A3 implies that the majority of respondents (85.6% and 83.3%) are not knowingly being a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization (integrity, rule 1.3). A significant amount of internal auditors, especially in the public sector (16.7%), do not know the ethical limitations of their behavior.

Lastly, the research case A4 reveals that the majority of respondents (81.1% and 87.5%) are not knowingly being a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization (integrity, rule 1.3). A significant amount of internal auditors, especially in the private sector (18.9%), do not know their ethical limitations.

5.3 Research cases concerning Objectivity

Table 4: Objectivity

Items	Percent agree		Percent disagree	
	Private	Public	Private	Public
B1	10.0	2.1	90.0	97.9
B2	3.3	2.1	96.7	97.9

Source: *Field research*

Objectivity is approached through the research case B1 and B2. With regard to the first one, it is obvious that the vast majority of respondents (90.0% and 97.9%) answered negatively, meaning that they would not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment (objectivity, rule 2.1). Moreover, they would not accept anything that may impair or be presumed to impair their professional judgment (objectivity, rule 2.2). With regard to the research case B2 the vast majority of respondents

(96.7% and 97.9%) would not accept anything that may impair or be presumed to impair their professional judgment (objectivity, rule 2.2). Consequently, the objectivity of internal auditors will be exhibited in an impartial and unprejudiced attitude. As a result, internal auditors should achieve their objectives objectively and independently avoiding conflicts of interest.

5.4 Research cases concerning Confidentiality

Table 5: Confidentiality

Items	Percent agree		Percent disagree	
	Private	Public	Private	Public
C1	21.1	14.6	78.9	85.4
C2	28.9	39.6	71.1	60.4

Source: *Field research*

In relation to the confidentiality, the research case C1 reveals that the majority of respondents (78.9% and 85.4%) are prudent in the use and protection of information acquired in the course of their duties (confidentiality, rule 3.1), and they do not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization (confidentiality, rule 3.2). Furthermore, the internal auditors of private and public sector perform efficiently the duty of professional secrecy, with some exceptions (21.1% and 14.6% respectively).

Also, in the research case C2, the respondents (71.1% and 60.4%) are prudent in the use and protection of information acquired in the course of their duties (confidentiality, rule 3.1). The private sector (28.9%) and the public one to a greater extent (39.6%), seems to ignore the importance of security and protection measures for the setting in which they work

Overall, internal auditors keep the professional secrecy related to the information and documents used in performing their audit tasks. None of them can be used to satisfy personal interests or benefit any third party. Such information may only be disclosed unless there is a legal order or professional duty.

5.5 Research case concerning Competency

Table 6: Competency

Items	Percent agree		Percent disagree	
	Private	Public	Private	Public
D1	11.1	4.2	88.9	95.8

Source: *Field research*

Last but not least, in the research case D1, the majority of internal auditors from both private and public sector engage only in those services for which they have the necessary knowledge, skills, and experience (competency, rule 4.1) and they continually improve their proficiency and the effectiveness and quality of their services (competency, rule 4.3). The public sector seems to be little more devoted to training programs (95.8%) than the private one (88.9%). Thus, internal auditors from both sectors enrich their professional duties with professionalism, competence, and impartiality following the international professional standards.

6. Concluding Remarks

The general conclusion of the study is that auditing profession, irrespective of the type of entity, is based on four basic principles, namely integrity, objectivity, confidentiality, and competency. Internal auditors are able to follow these principles as to mitigate ethical dilemmas derived from audit clients and audit firm or organization itself. The high level of auditors' moral judgment leads to a strong degree of audit quality (such as unbiased auditing reports, reliable audit task, and rigorous audit process).

Specifically, the survey responses revealed that the internal auditors possess a high level of ethical behavior. However, the divergent answers are not negligible. So, it is vitally important to interpret the meaning of these answers. For instance, the result of the research case A3 does not demonstrate a lack of integrity, but some confusion about the limits of internal auditors' competences. Furthermore, the result of the research case C2 does not demonstrate a lack of confidentiality, but some lack of awareness about the importance of security measures.

Another crucial point is that the internal auditors of the public sector are more compliant with the Code of Ethics than those of private one when facing ethical dilemmas. One possible explanation is that internal auditors of the public sector have more strict laws, written policies and clear regulations to which they must abide. In some way, public sector auditors treat the Code of Ethics not as a 'soft' law but as a legal obligation, the breach of which has strong legal penalties. Also, the public sector auditors are exposed to a wider variety and maybe to more intense ethical dilemmas than those of the private sector.

The study has some limitations which have to be noted. Firstly, the sample consists mainly of Greek internal auditors. Thus, we are unable to point out country differences and similarities in ethical decision making and even more generalize our findings. Secondly, the use of more survey cases of a broad range of ethical dilemmas will ensure the internal validity of cases that internal auditors encounter in practice.

Last but not least, some future research directions could estimate the influence of specific individual characteristics on ethical behavior. For instance, it is worth examining whether gender differences are likely to engage in unethical behavior. Similarly, more research should shed light on the linkage between multiple age groups of internal auditors and ethical attitude. Moreover, the statement that auditing experience has a positive impact on an ethical judgment is under examination.

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