

## AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE

Oleh:

**Rahmad Haqqi<sup>1</sup>**

**Yusnaini Yusnaini<sup>2</sup>**

Sriwijaya University

Address: JL. Sriwijaya Negara, Bukit Lama, Kec. Ilir Bar. I, Kota Palembang, Sumatera Selatan 30128

*Korespondensi Penulis: [yusnaini@fe.unsri.ac.id](mailto:yusnaini@fe.unsri.ac.id), [rahmadhaqqi.1412.06@gmail.com](mailto:rahmadhaqqi.1412.06@gmail.com)*

**Abstract.** Auditor independence is the cornerstone of financial reporting integrity, yet its position is frequently threatened by conflicting interests. This study aims to map how auditor independence stands as a "fortress of defense" or conversely dissolves into a mere "illusion of compliance" within a whirlpool of conflict of interest. Using a Systematic Literature Review (SLR) method on 25 global research articles from the 2021–2026 period, this study analyzes various variables affecting auditor objectivity. The mapping results indicate that independence can become a sturdy fortress when supported by personal integrity, audit staff satisfaction, and the oversight of expert audit committees. In contrast, independence tends to become an illusion when auditors are trapped by firm economic pressures, non-audit service dependence, as well as social and geographical biases. These findings provide a theoretical contribution regarding the importance of synergy between formal regulation and the strengthening of intrinsic motivation to safeguard the dignity of the auditing profession in the future.

**Keywords:** Auditor Independence, Conflict of Interest, Audit Tenure, Non-Audit Services, and Client Importance

# AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE

**Abstrak.** *Independensi auditor merupakan landasan integritas pelaporan keuangan, namun posisinya seringkali terancam oleh konflik kepentingan. Studi ini bertujuan untuk memetakan bagaimana independensi auditor berdiri sebagai "benteng pertahanan" atau sebaliknya larut menjadi sekadar "ilusi kepatuhan" di tengah pusaran konflik kepentingan. Dengan menggunakan metode Tinjauan Literatur Sistematis (SLR) pada 25 artikel penelitian global dari periode 2021–2026, studi ini menganalisis berbagai variabel yang memengaruhi objektivitas auditor. Hasil pemetaan menunjukkan bahwa independensi dapat menjadi benteng yang kokoh ketika didukung oleh integritas pribadi, kepuasan staf audit, dan pengawasan komite audit ahli. Sebaliknya, independensi cenderung menjadi ilusi ketika auditor terperangkap oleh tekanan ekonomi perusahaan, ketergantungan pada layanan non-audit, serta bias sosial dan geografis. Temuan ini memberikan kontribusi teoritis mengenai pentingnya sinergi antara regulasi formal dan penguatan motivasi intrinsik untuk menjaga martabat profesi auditing di masa depan.*

**Kata Kunci:** *Independensi Auditor, Konflik Kepentingan, Masa Jabatan Auditor, Layanan Non-Audit, dan Pentingnya Klien*

## INTRODUCTION

Credible financial statements serve as the primary pillar in maintaining investor confidence and global capital market stability amidst economic uncertainty. External auditors play a crucial role as independent parties who ensure that such financial information is free from material misstatement and fraudulent practices that could harm stakeholders (Quick et al., 2024). However, the history of the accounting profession has frequently been marked by major ethical scandals that have tarnished the reputation of prominent public accounting firms, such as leadership ethics violations that have shaken global firms (Johri & Singh, 2024 ;McKenna et al., 2025). These audit failures are often rooted in the loss of auditor objectivity due to interest pressures that systematically infiltrate the scope of their professional work (Das et al., 2025; McKenna et al., 2025). Therefore, the discourse on whether independence truly functions as a sturdy fortress of defense or merely as a formal illusion of compliance becomes highly relevant to explore in greater depth (Das et al., 2025; McKenna et al., 2025; Quick et al., 2024).

The whirlpool of conflict of interest in the auditing world emerges from various highly complex dimensions, ranging from economic dependency to personal emotional

attachments. The practice of simultaneously providing non-audit services, such as tax consultancy, frequently creates dual loyalty for auditors in maintaining their critical stance toward client management (Chen et al., 2023; Mescall & Schmidt, 2025). This issue is further exacerbated by familiarity bias arising from excessively long auditor tenures or geographical proximity and 'place attachment' between the auditor and the audited entity (Elkelani et al., 2026; Yuan et al., 2023). Interpersonal relationships established through shared alumni networks or common cultural backgrounds have also been proven to weaken professional skepticism, which should serve as the auditor's primary weapon in performing their duties (Khurana et al., 2026; Zhao et al., 2025). These relational dynamics can gradually erode the integrity of the audit process, such that independence visible on the surface often fails to reflect the true mental reality in the field (Elkelani et al., 2026; Khurana et al., 2026; Mescall & Schmidt, 2025; Yuan et al., 2023).

Pressures from the internal structure of public accounting firms and personal career ambitions also contribute significantly to the vulnerability of an auditor's position when facing major clients. Division-based profit-sharing systems frequently encourage audit managers to prioritize client retention over enforcing rigid reporting standards to secure personal bonuses (Das et al., 2025). The promotion process to become a partner in Big 4 firms is also heavily influenced by the accumulation of social capital and the auditor's ability to manage commercial relationships with clients (Downar et al., 2021). Furthermore, price competition in the audit market, especially when facing external pressures such as natural disasters, forces firms to provide fee discounts that risk lowering the quality of fieldwork (Perry et al., 2024; Yu et al., 2026). These various structural and financial pressures place auditors in a dilemmatic position, where ethical compromises are often considered a way out for the sake of the firm's business continuity (Das et al., 2025; Downar et al., 2021; Yu et al., 2026).

Regulations and corporate governance mechanisms continue to evolve as instruments to restore public trust in the auditing profession, which has begun to fade. The implementation of mandatory audit firm rotation policies and the strengthening of the role of audit committees with accounting expertise serve as crucial preventive measures in mitigating the risk of earnings manipulation (Bala et al., 2022; Nurhidayah et al., 2024). Beyond regulatory aspects, intrinsic motivation factors such as audit staff job satisfaction have been proven to bolster the moral resilience of auditors when facing

# **AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE**

pressures from non-audit services (Carey et al., 2025; Li et al., 2025). The emergence of new challenges in carbon emission assurance and the utilization of cutting-edge information technology demand that auditors constantly update their ethical standards and skepticism adaptively (Johri & Singh, 2024; Li et al., 2025). Through a Systematic Literature Review (SLR) approach, this article aims to map how these variables interact in determining whether auditor independence remains a fortress of truth or has become trapped in a whirlpool of conflict of interest (Bala et al., 2022; Carey et al., 2025; Johri & Singh, 2024; Quick et al., 2024).

## **LITERATURE REVIEW**

### **Agency Theory**

Agency theory explains the contractual relationship between company owners (principals) and management (agents) who tend to have a separation of interests. Management, as the operator, possesses broader access to information than the owners, thus creating information asymmetry that potentially triggers opportunistic behavior for the agent's personal gain (Khalil, 2022; Quick et al., 2024). In this context, external auditors function as a monitoring mechanism to ensure that financial statements reflect actual economic conditions and are free from manipulation (Bala et al., 2022). Agency conflicts occur not only between owners and managers but also extend to the relationship between auditors and clients, where auditors are often trapped in a dilemma of meeting management demands to maintain audit contracts (Ocak et al., 2021; Khalil, 2022). Therefore, the success of the auditor as an information 'gatekeeper' highly depends on their ability to mitigate agency costs through impartial objectivity (Bala et al., 2022) (Bala et al., 2022; Quick et al., 2024).

### **Auditor Independence: A fortress of Professional Integrity**

Independence is the most crucial attribute that determines the essence of the auditing profession as a credible service provider. Theoretically, independence is divided into two profound dimensions: independence in mind, which is mental in nature, and independence in appearance, which is perceptual (Quick et al., 2024; Zhao et al., 2025). Individual characteristics such as ethical identity, cultural background, and the job satisfaction level of audit staff serve as important determinants that strengthen

independence as a fortress of defense against external pressures (Carey et al., 2025; Zhao et al., 2025) Professional standards require auditors to always maintain an appropriate distance from the auditee to ensure that professional skepticism remains sharp in detecting material misstatements or fraud (Elkelani et al., 2026; Khurana et al., 2026). Without substantial independence, the audit process will only become an administrative ritual that loses its informative value in the eyes of stakeholders (Carey et al., 2025; Quick et al., 2024).

### **Conflict of Interest: A Vortex Creating an Illusion of Compliance**

Conflict of interest emerges as a systemic threat that can transform auditor independence into a mere illusion of formal compliance. This phenomenon occurs when secondary interests, such as economic motives or social relationships, intervene in the auditor's primary responsibility toward the public interest (Das et al., 2025; Yu et al., 2026). This whirlpool of conflict is triggered by various driving factors, ranging from dependency on contingent audit fees and the provision of joint tax services to internal firm bonus schemes based on divisional profits (Das et al., 2025; Mescall & Schmidt, 2025). Beyond financial aspects, conflict of interest is further exacerbated by psychological biases arising from alumni connections, geographical proximity, and excessively long tenures that create misplaced 'cultural trust' toward clients (Khurana et al., 2026; Yuan et al., 2023; Zhao et al., 2025). When these conflicts of interest dominate, auditors tend to make concessions regarding audit findings, resulting in reports that offer only a false sense of security while masking the actual risks for investors (Das et al., 2025; Yu et al., 2026; Yuan et al., 2023).

### **METHODOLOGY**

The method applied in this study is a Systematic Literature Review (SLR), an approach used to identify, evaluate, and synthesize all research findings relevant to independence and conflict of interest within the accounting and economic realms. All stages of literature selection in this research were conducted systematically by referring to the PRISMA 2020 standard protocol. Data collection was performed through various leading electronic databases, including Taylor & Francis, ScienceDirect, Emerald Insight, Google Scholar, and Semantic Scholar. The researcher conducted the search using the

# **AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE**

keywords “*Auditor Independence*”, “*Audit Tenure*”, “*Audit Quality*”, “*Non-Audit Services*”, and “*Client Importance*”. The criteria established for screening the literature are as follows:

## **Inclusion Criteria:**

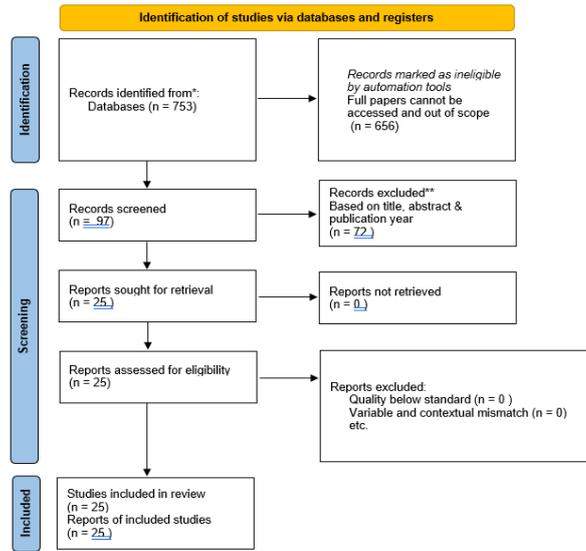
- Document Type: Research articles.
- Publication Period: Articles published between 2021 and 2026.
- Scope: Limited to the fields of economics, accounting, finance, and auditing.
- Accreditation/Ranking: Articles must be indexed at least in Sinta 3 or Scopus (Q3).
- Relevance: Articles that are strictly relevant to the predetermined keywords.

## **Exclusion Criteria:**

- Accessibility: Articles that are not accessible in full-text format.
- Irrelevance: Articles that do not align with the predetermined keywords.
- Topic Mismatch: Articles whose discussions or findings are inconsistent with the research topic.

Based on the literature selection flow, the initial database search yielded a total of 743 articles. During the identification stage, 656 articles were immediately eliminated using automation tools due to restricted access and misalignment with the specified fields of study. The process then continued to the screening stage for the remaining 97 articles, where the researcher conducted a manual review of titles, abstracts, and publication years, resulting in the exclusion of 72 irrelevant articles. At the eligibility stage, an in-depth assessment was performed on the 25 full-text articles. Through this process, 25 articles were obtained that met all the criteria for further analysis in this study.

Picture I. PRISMA Flow Diagram



## Research on Independence and Conflict of Interest

Table I. Prior Research

Journal	Indeks	Research		
		No.	Author(s) (Year)	Article Title
European Research on Management and Business Economics	Q1	1	Reiner Quick, Daniel Sánchez Toledano, dan Joaquín Sánchez Toledano (2024)	Measures for enhancing auditor independence: Perceptions of Spanish non-professional investors and auditors
International Review of Economics and Finance	Q1	2	Pu Zhao, Yongtao Liu, dan Jing Shi (2025)	One's name represents oneself: Auditor's given names and audit quality
		3	Sarah Elkelani, Feras M. Salama, Abed Al-Nasser Abdallah, Kimberly Gleason, dan Eid M. Alotaibi (2026)	The effect of auditor characteristics on the quality of segment disclosures of diversified firms
Asia Pacific Management Review	Q1	4	Umar Farooq Khalil (2022)	Auditor choice and its impact on financial reporting quality: A case of banking industry of Pakistan
Journal of Accounting and Public Policy	Q1	5	Devan Mescall dan Regan N. Schmidt (2025)	The impact of joint provision of audit and tax services on the advice of tax professionals
The British Accounting Review	Q1	6	Francine McKenna, Mikhail Pevzner, Amy G.	Audit quality in the face of a crisis: Evidence from the audit inspection scandal

# AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE

			Sheneman, dan Tzachi Zach (2025)	
Critical Perspectives on Accounting	Q1	7	Neil J. Dunne, Niamh M. Brennan, dan Collette E. Kirwan (2025)	Uncovering the nature of framing: The Big Four audit firms versus a competition regulator
		8	Neil J. Dunne, Niamh M. Brennan, dan Collette E. Kirwan (2023)	How the Big Four maintain and defend logic equilibrium at concurrent performances
Borsa İstanbul Review	Q1	9	Murat Ocak, Ali Kablan, dan Günay Deniz Dursun (2021)	Does auditing multiple clients affiliated with the same business group reduce audit quality? Evidence from an emerging market
Accounting, Organizations and Society	Q1	10	Benedikt Downar, Jürgen Ernstberger, dan Christopher Koch (2021)	Who makes partner in Big 4 audit firms? – Evidence from Germany
European Accounting Review	Q1	11	Jeff Zeyun Chen, Anastasios Elmes, dan Gerald J. Lobo (2023)	David versus Goliath: The Relation between Auditor Size and Audit Quality for U.K. Private Firms
		12	Peter Carey, Brigitte Eierle, dan Sven Hartlieb (2025)	Audit Staff Satisfaction and Audit Quality: Evidence from the Private Client Market Segment
Journal of Accounting and Economics	Q1	13	Inder K. Khurana, Bing Li, Kelvin Yeung, dan Elisha J. Yu (2026)	Audit partners' cultural trust and audit outcomes
China Journal of Accounting Research	Q2	14	Chen Qiao, Guojian Zheng, dan Ying Zheng (2023)	Can industry information disclosure improve audit quality?
		15	Wenwen Li, Ting Li, dan Hongjun Zhu (2025)	Annual report audit, ESG report assurance and audit quality: Evidence from the same accounting firm.
		16	Du Yu, Ziwen Sun, Junwei Lu, dan Laifeng Yang (2026)	IPO audit contingent fees and earnings reversal
		17	Md Mustafizur Rahaman dan Md. Rezaul Karim (2023)	How do board features and auditor characteristics shape key audit matters disclosures? Evidence from emerging economies
Cogent Business & Management	Q2	18	Hasan Mansur, Abdul Aziz Abdul Rahman, Abdelrhman	The perceptions of external auditors on the relationship between audit fees and audit quality

			Meero, dan Ahmad Shatnawi (2022)	
		19	Nurhidayah Nurhidayah, Made Sudarma, Ali Djamhuri, dan Sari Atmini (2024)	Audit opinion research: overview and research agenda
		20	Hussaini Bala, Waqar Ahmad, Ghousia Khatoon, dan Abubakar Balarabe Karaye (2022)	Audit firm attributes and income smoothing: the moderating influence of audit committee accounting expertise
		21	Osama Abouelela, Ahmed Diab, dan Safaa Saleh (2025)	The determinants of the relationship between auditor tenure and audit report lag: evidence from an emerging market
		22	Amar Johri dan Raj Kumar Singh (2024)	A systematic literature review of Auditing Practices research landscape and future research propositions using bibliometric analysis
Journal of Contemporary Accounting and Economics	Q2	23	Shuai Yuan, Wuxue Zhang, dan Kaiwen Zhu (2023)	Place attachment, audit pricing and audit quality
Accounting and Business Research	Q2	24	Yumin Karen Zhang Perry, Christofer Adrian, Fang Hu, dan Cameron Truong (2024)	Natural disasters and audit fees
Advances in Accounting	Q2	25	Abhijit Das, Vincent K. Chong, Stijn Masschelein, Isabel Z. Wang, dan David R. Woodliff (2025)	The effects of performance-based profit-sharing schemes and client pressure on auditors' pre-negotiation judgments

## RESULTS AND DISCUSSION

### Result

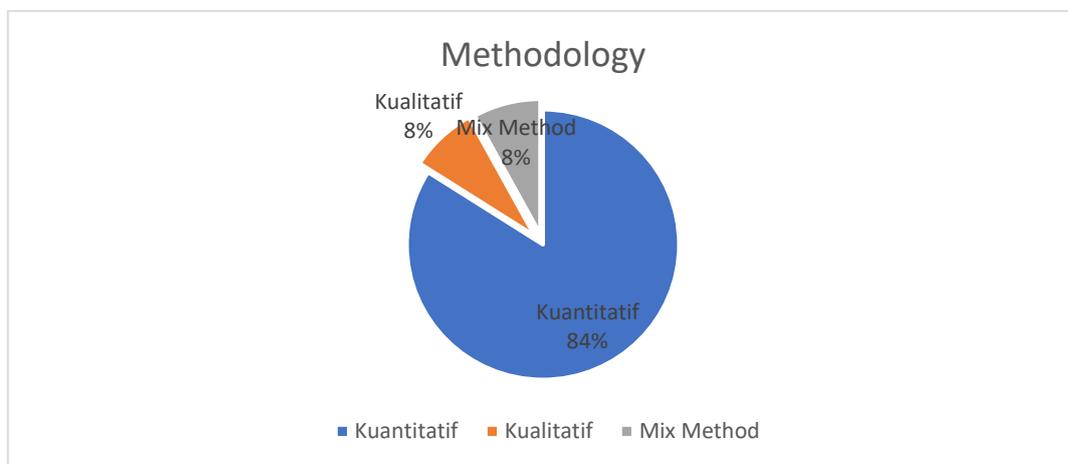
#### Methodology

The data in the diagram below illustrates the classification of methodologies employed in this collection of research literature. It is observed that quantitative methods dominate the majority of studies on auditor independence, accounting for 21 articles (84%), which indicates a strong reliance on secondary data and statistical analysis to test

# AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE

relationships between variables. Meanwhile, the use of qualitative and mixed methods, each representing 2 articles (8%), provides a significant contribution by exploring the behavioral aspects and perceptions of auditors in greater depth within the field. This categorization proves that the literature selected for this review encompasses a diverse range of methodological perspectives, ensuring that the resulting synthesis is more comprehensive in capturing the phenomenon of independence from both numerical data and the subjective narratives of practitioners.

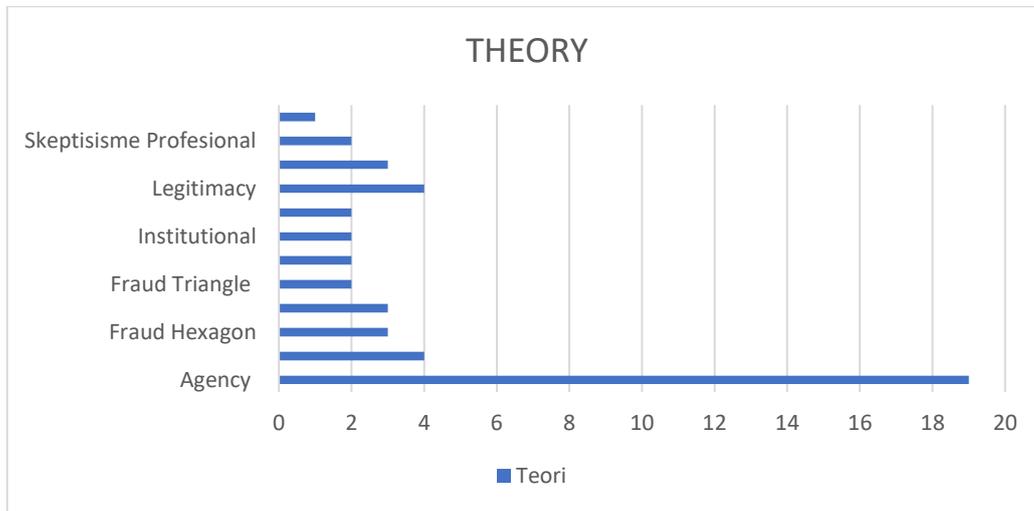
Picture II. Research Paradigm



## Theoretical Framework

There are 22 theories employed across the 25 articles reviewed. Agency Theory serves as the dominant theoretical foundation, utilized by 19 articles, followed by Attribution Theory and Legitimacy Theory, which provide the theoretical basis for 4 articles each. Additionally, several theories frequently utilized include Fraud Hexagon Theory, Theory of Planned Behavior, and Signaling Theory. Various other theories are also used in one to two articles. The frequency of theoretical applications exceeding the total number of articles reviewed indicates that several studies employ more than one theory to examine the relationships between variables.

Picture III. Research Theories



### Summary of Literature Review Results

The table below presents the mapping results from various literatures collected in this study. All articles are categorized into five main topics to identify current challenges to auditor independence. Through this categorization, we can more easily understand how emerging issues, such as blockchain technology and sustainability reporting, are beginning to integrate into and influence auditor independence amidst existing conflicts of interest.

Table 2. Summary of Topics and Challenges to Auditor Independence in Audit Research

Influence on Independence			
Variable Name	Article	Role	Description
Supervisory actions & sanctions	1	+	External verification and whistleblowing are considered very effective
Auditor ethical name & name structure	2,3	+	Auditors with ethical cultural identities/names are more resistant to pressure
Alumni connections	4	-	Emotional proximity weakens independence
Industry specialization & audit firm size	5, 11	+	Specialist auditors and large audit firms are more independent
Tenure	6	-	Excessively long tenure decreases independence
Joint audit & tax services	7, 8	+/-	Can increase efficiency, but risks ethical compromise
Ethical Scandal (KPMG 2017)	9	+	Becomes a trigger for improvement
Business group audit & ownership	10, 24	-	Business group structures often intervene in independence
Place attachment (geografis)	12	-	Location proximity creates familiarity bias

# AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE

Contingent fee (IPO)	13	-	Highly damaging to independence (for the sake of the fee)
Division bonus scheme	25	-	Auditors are more likely to comply if bonuses are based on divisional profit
<b>Independence: Fortress of Defense or Illusion</b>			
<b>Variable Name</b>	<b>Article</b>	<b>Role (Description)</b>	
Auditor independence	1, 13	Main focus between perception vs. mental reality	
Audit quality	5, 9, 21	Main proxy for the success of independence	
Earnings management	15, 17	Indicator of "compliance illusion" (if high, independence fails)	
Opini going concern	19	Evidence of auditor courage (fortress of defense)	
CSR/ESG Disclosure Quality	22	Indicator of transparency driven by auditor independence	
<b>Mediating Factors</b>			
Tax uncertainty assessment	7	Connecting tax services with client strategy	
Audit firm size	14	Explaining the relationship between audit fees and audit quality	
Audit effort	18, 22	Connecting ESG/IID assurance with audit quality	
<b>Moderating Factors</b>			
Audit committee expertise	16	Strengthens: Mitigating the adverse effects of long tenure	
Cultural trust	20	Weakens: Excessive trust in partners can lead to auditor negligence	
Audit staff job satisfaction	23	Strengthens: Satisfied staff are more courageous in maintaining independence	
Client pressure	25	Weakens: Direct pressure drastically damages independence	

## Discussion

### Personal Character and Culture as a Shield for Independence

Auditor independence is the lifeblood of financial report credibility, which remains non-negotiable in professional practice. Fundamentally, this independence is highly influenced by the auditor's internal integrity, shaped by cultural background and ethical identity, even as simply as the influence of names containing specific moral values (Zhao et al., 2025). These internal values function as a strong fortress of defense, enabling auditors to resist pressure from corporate management through mature moral judgment (Quick et al., 2024). However, this personal fortress still requires the support of external oversight systems in the form of strict sanctions to ensure audit quality remains maintained in the public eye. The synergy between individual character with integrity and stringent regulations is proven to create professional standards that are difficult to breach by the temptation of momentary interests (Quick et al., 2024; Zhao et al., 2025).

### **Social Relations, Geography, and Trust Bias Traps**

Conflict of interest often emerges subtly through social closeness that blurs an auditor's objectivity. The emergence of the alumni connection phenomenon or emotional relationships between auditors and their former colleagues at client companies risks creating dual loyalty that damages audit quality (Zhao et al., 2025). This issue becomes more complex when combined with place attachment factors, where the proximity of office locations or shared campus origins between the auditor and the client triggers a familiarity bias that decreases professional skepticism (Elkelani et al., 2026; Yuan et al., 2023). Furthermore, excessive cultural trust in working partners can cause auditors to become less critical and more tolerant of subtle earnings manipulation practices carried out by clients (Khurana et al., 2026). These emotional relationships and excessive trust often undermine the auditor's obligation to consistently question management assertions for the sake of the public interest (Elkelani et al., 2026; Yuan et al., 2023; Zhao et al., 2025).

### **Economic Dependence: Between Professionalism and Firm Needs**

Economic pressure is often the most dominant factor that transforms auditor independence into a mere formality on paper. The practice of contingent fees, especially in the Initial Public Offering (IPO) process, clearly damages objectivity because auditors have a financial interest in the success of their client's transactions (Yu et al., 2026). This risk becomes more evident when Public Accounting Firms provide both audit and tax services, which potentially triggers interest bias in financial risk assessments (Chen et al., 2023; Mescall & Schmidt, 2025). Auditors in private companies even tend to provide space for clients to engage in aggressive tax avoidance compared to public companies that have stricter oversight (Chen et al., 2023). High dependence on audit fees and non-audit services creates a condition where auditors appear to be compliant by regulation, but in substance, they have lost their independence (Chen et al., 2023; Mescall & Schmidt, 2025; Nurhidayah et al., 2024; Yu et al., 2026).

### **Internal Structural Pressure and Auditor Career Ambition**

Pressure from client management often undermines independence through the utilization of existing incentive structures within the Public Accounting Firm itself.

# **AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE**

Auditors whose bonus systems are based on divisional profits (Divisional Profit-sharing) tend to yield more easily to client demands compared to those using a head-office bonus system (Das et al., 2025). This is inseparable from the ambition to be promoted to partner, which in practice is often influenced by the auditor's ability to manage social capital and retain major clients (Downar et al., 2021). This issue becomes more evident in the audit of affiliated business groups, where a single auditor handles many entities under the same management control, making intervention easier to carry out (Ocak et al., 2021). Audit fee adjustments due to external factors such as natural disaster threats also demonstrate how dynamic the economic pressures are that auditors must face in maintaining the quality of their work (Perry et al., 2024).

## **Restoring Independence through Corporate Governance Functions**

Strengthening corporate governance is the primary key to restoring the role of independence as a guardian of capital market transparency. The presence of an audit committee with expertise in accounting is proven capable of mitigating the negative impacts of excessively long auditor tenures on earnings manipulation practices (Bala et al., 2022). Transparency in the auditor selection process and the effectiveness of the audit committee can significantly accelerate financial reporting timelines and increase investor confidence (Abouelela et al., 2025; Khalil, 2022). Big 4 firms and industry specialist auditors have major reputations to uphold; thus, they have stronger motivation to resist pressure from management (Elkelani et al., 2026; Qiao et al., 2023). The synergy between a competent audit committee and sound internal oversight serves as the last bastion in ensuring that auditors continue to operate within ethical boundaries (Bala et al., 2022; Khalil, 2022; Qiao et al., 2023).

## **ESG Assurance Challenges and the Future Work Environment**

The implementation of environmental disclosure standards (ESG Assurance) and technological developments require auditors to be more adaptive in facing information asymmetry risks. Auditors today are required to have the courage to provide objective opinions on sustainability data to prevent greenwashing practices by companies (Li et al., 2025; Johri & Singh, 2024) In addition to technological factors, the job satisfaction of audit staff also plays a crucial role in maintaining integrity during the field examination

process. Staff who feel satisfied with their work environment tend to be more courageous in maintaining objectivity despite facing pressure from clients or long tenures (Carey et al., 2025). This proves that audit quality is not only determined by technical compliance but also by professional environmental support and readiness in facing the latest global issues (Li et al., 2025; Carey et al., 2025) Johri & Singh, 2024).

### **Ethics Lessons from Scandals and Regulatory Evolution**

History records that improvements in audit quality are often born from regulatory pressure following systemic failures or major scandals. Learning from the 2017 KPMG inspection scandal, massive audit quality enhancements were undertaken as a firm-wide effort to repair work culture and restore public trust (McKenna 2025). Mandatory audit firm rotation policies in various countries also aim to break excessively deep ties between auditors and clients, although these policies still spark debate regarding cost efficiency (Nurhidayah et al., 2024). Big 4 firms even frequently employ specific communication strategies to balance their professional interests with commercial market demands (Dunne et al., 2025; Dunne et al., 2023). In general, auditor independence will always be tested within a vortex of conflict of interest, and its success depends heavily on individual integrity, governance systems, and the firmness of legal regulations (Dunne et al., 2025; Dunne et al., 2023; McKenna et al., 2025; Quick et al., 2024).

### **CONCLUSION**

This study concludes that auditor independence is a dynamic concept that remains in a constant struggle between being a sturdy fortress of defense or a mere illusion of compliance. The status of such independence is highly determined by the complex interaction between internal individual factors, firm economic pressures, and the effectiveness of governance structures.

#### **1. Independence as a Fortress of Defense:**

Independence successfully becomes a real fortress when driven by intrinsic motivation and the auditor's personal character (such as ethical and cultural identity), and supported by a satisfying work environment. The presence of expert audit committees, industry specialization, and the reputation of Big 4 firms are proven to be reinforcing

# AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE

pillars capable of mitigating management pressure and keeping professional skepticism sharp, especially regarding emerging issues like ESG assurance.

## 2. Independence as an Illusion of Compliance:

Independence tends to shift into an illusion when auditors are trapped in a vortex of economic and social conflicts of interest. Factors such as dependence on audit fees, the provision of combined tax services, division-based bonus schemes, and relational proximity (alumni, geography, and long tenure) create biases that lead auditors to make concessions or compromises. In this condition, auditors often appear administratively compliant, but in substance, they have lost their objectivity.

## 3. Implications and Expectations:

These findings emphasize that to ensure independence does not merely become jargon, multi-layered oversight is required that relies not only on formal rules (such as mandatory rotation) but also pays attention to staff welfare and the improvement of the firm's internal culture (tone at the top). Regulators and stakeholders must realize that the integrity of financial statements heavily depends on the auditor's ability to navigate the vortex of conflict of interest without sacrificing their professional responsibility to the public.

## REFERENCE

- Abouelela, O., Diab, A., & Saleh, S. (2025). The determinants of the relationship between auditor tenure and audit report lag: evidence from an emerging market. *Cogent Business and Management*, 12(1). <https://doi.org/10.1080/23311975.2024.2444553>
- Bala, H., Ahmad, W., Kathoon, G., & Karaye, A. B. (2022). Audit firm attributes and income smoothing: the moderating influence of audit committee accounting expertise. *Cogent Business and Management*, 9(1). <https://doi.org/10.1080/23311975.2022.2127194>
- Carey, P., Eierle, B., & Hartlieb, S. (2025). Audit Staff Satisfaction and Audit Quality: Evidence from the Private Client Market Segment. *European Accounting Review*, 34(3), 1029–1056. <https://doi.org/10.1080/09638180.2024.2321344>
- Chen, J. Z., Elemes, A., & Lobo, G. J. (2023). David versus Goliath: The Relation between Auditor Size and Audit Quality for U.K. Private Firms. *European*

*Accounting Review*, 32(2), 447–480.  
<https://doi.org/10.1080/09638180.2021.1986090>

- Das, A., Chong, V. K., Masschelein, S., Wang, I. Z., & Woodliff, D. R. (2025). The effects of performance-based profit-sharing schemes and client pressure on auditors' pre-negotiation judgments. *Advances in Accounting*, 68. <https://doi.org/10.1016/j.adiac.2024.100781>
- Downar, B., Ernstberger, J., & Koch, C. (2021). Who makes partner in Big 4 audit firms? – Evidence from Germany. *Accounting, Organizations and Society*, 91. <https://doi.org/10.1016/j.aos.2020.101176>
- Dunne, N. J., Brennan, N. M., & Kirwan, C. E. (2023). How the Big Four maintain and defend logic equilibrium at concurrent performances. *Critical Perspectives on Accounting*, 94. <https://doi.org/10.1016/j.cpa.2022.102479>
- Dunne, N. J., Brennan, N. M., & Kirwan, C. E. (2025). Uncovering the nature of framing: The Big Four audit firms versus a competition regulator. *Critical Perspectives on Accounting*, 102. <https://doi.org/10.1016/j.cpa.2025.102822>
- Elkelani, S., Salama, F. M., Al-Nasser Abdallah, A., Gleason, K., & Alotaibi, E. M. (2026). The effect of auditor characteristics on the quality of segment disclosures of diversified firms. *International Review of Economics and Finance*, 106. <https://doi.org/10.1016/j.iref.2026.104984>
- Johri, A., & Singh, R. K. (2024). A systematic literature review of Auditing Practices research landscape and future research propositions using bibliometric analysis. In *Cogent Business and Management* (Vol. 11, Number 1). Cogent OA. <https://doi.org/10.1080/23311975.2024.2344743>
- Khalil, U. F. (2022). Auditor choice and its impact on financial reporting quality: A case of banking industry of Pakistan. *Asia Pacific Management Review*, 27(4), 292–302. <https://doi.org/10.1016/j.apmr.2021.12.001>
- Khurana, I. K., Li, B., Yeung, K., & Yu, E. J. (2026). Audit partners' cultural trust and audit outcomes. *Journal of Accounting and Economics*. <https://doi.org/10.1016/j.jacceco.2026.101872>
- Li, W., Li, T., & Zhu, H. (2025). Annual report audit, ESG report assurance and audit quality: Evidence from the same accounting firm. *China Journal of Accounting Research*, 18(3). <https://doi.org/10.1016/j.cjar.2025.100434>

# AUDITOR INDEPENDENCE IN THE VORTEX OF CONFLICT OF INTEREST: A FORTRESS OF DEFENSE OR A MERE ILLUSION OF COMPLIANCE

- Mansur, H., Abdul Rahman, A. A., Meero, A., & Shatnawi, A. (2022). The perceptions of external auditors on the relationship between audit fees and audit quality. *Cogent Business and Management*, 9(1). <https://doi.org/10.1080/23311975.2022.2113203>
- McKenna, F., Pevzner, M., Sheneman, A. G., & Zach, T. (2025). Audit quality in the face of a crisis: Evidence from the audit inspection scandal. *British Accounting Review*. <https://doi.org/10.1016/j.bar.2025.101729>
- Mescall, D., & Schmidt, R. N. (2025). The impact of joint provision of audit and tax services on the advice of tax professionals. *Journal of Accounting and Public Policy*, 50. <https://doi.org/10.1016/j.jaccpubpol.2025.107293>
- Nurhidayah, N., Sudarma, M., Djamhuri, A., & Atmini, S. (2024). Audit opinion research: overview and research agenda. In *Cogent Business and Management* (Vol. 11, Number 1). Cogent OA. <https://doi.org/10.1080/23311975.2023.2301134>
- Ocak, M., Kablan, A., & Dursun, G. D. (2021). Does auditing multiple clients affiliated with the same business group reduce audit quality? Evidence from an emerging market. *Borsa Istanbul Review*, 21(1), 1–22. <https://doi.org/10.1016/j.bir.2020.06.001>
- Perry, Y. K. Z., Adrian, C., Hu, F., & Truong, C. (2024). Natural disasters and audit fees. *Accounting and Business Research*, 54(1), 55–86. <https://doi.org/10.1080/00014788.2023.2181752>
- Qiao, C., Zheng, G., & Zheng, Y. (2023). Can industry information disclosure improve audit quality? *China Journal of Accounting Research*, 16(4). <https://doi.org/10.1016/j.cjar.2023.100327>
- Quick, R., Sánchez Toledano, D., & Sánchez Toledano, J. (2024). Measures for enhancing auditor independence: Perceptions of spanish non-professional investors and auditors. *European Research on Management and Business Economics*, 30(2). <https://doi.org/10.1016/j.iedeen.2024.100250>
- Rahaman, M. M., & Karim, M. R. (2023). How do board features and auditor characteristics shape key audit matters disclosures? Evidence from emerging economies. *China Journal of Accounting Research*, 16(4). <https://doi.org/10.1016/j.cjar.2023.100331>

- Yu, D., Sun, Z., Lu, J., & Yang, L. (2026). IPO audit contingent fees and earnings reversal. *China Journal of Accounting Research*, 19(2), 100465.  
<https://doi.org/10.1016/j.cjar.2025.100465>
- Yuan, S., Zhang, W., & Zhu, K. (2023). Place attachment, audit pricing and audit quality. *Journal of Contemporary Accounting and Economics*, 19(2).  
<https://doi.org/10.1016/j.jcae.2023.100365>
- Zhao, P., Liu, Y., & Shi, J. (2025). One's name represents oneself: Auditor's given names and audit quality. *International Review of Economics and Finance*, 104.  
<https://doi.org/10.1016/j.iref.2025.104617>