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### Does Gender Affect Audit Quality: A Literature Review

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#### ABSTRACT

This study investigates the connection between audit quality and the gender of the auditor (auditor sex). This literature review is to collect data. This can be done by doing a simple search on Google Scholar. With the data collected from the last ten years (2013–2023), we got 59 articles, but we took only 25 because they were the most suitable for our study. Results: Gender's impact on audit quality is complex and context-specific. Mixed findings suggest that male auditors may exhibit superior quality in certain scenarios, but overall, the relationship between gender and audit quality is influenced by factors such as competence, ethics, and gender stereotypes.

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## 1. INTRODUCTION

In the last few years, business and commerce have grown quickly, which has changed many things, including the audit area. There have also been big changes in the auditing field. Every company now has to make financial statements as a way to be accountable to all the people who own shares in the business. When this condition is met, a financial audit is done to make sure that the financial records are accurate and do not contain any signs of fraud (PANE, 2021). From time to time, the number of internal and external accountants who need auditing services goes up. This has a lot to do with the fact that people who use financial accounts want financial information that doesn't include useless details (Abdul Karim & Syamsuddin, Indah Syamsuddin; Jumarding, 2022). Researchers are becoming more interested in how the personal traits of the auditor who does the auditing affect the auditing process. This is because auditors' tendencies to make judgments and decisions across different levels of task complexity may be affected by their personal traits (Hossain & Chapple, 2016).

Audit quality is the extent to which an auditor identifies misstatements in a company's financial statements, as well as the probability that these findings are reported and incorporated into the auditor's opinion. Management utilizes the company's financial statements to account for company activities to the company's owners or other stakeholders (Syahrudin & Karim, 2019). Therefore, the financial statements must be trustworthy and their quality must be assured, and the auditor who prepares the report must adhere to the Professional Standards of Public Accountants (Lee et al., 2016). There are numerous situations in which an auditor is required. The quality of an auditor is an expectation for consumers of audit services, particularly the public and stakeholders who wish for their financial statements to be free of material misstatements, whether intentional or unintentional.

The antidiscrimination movement, which started in the US in the late 1960s and fought against job segregation, seems to have been a big part of why it's hard to get organizations to be more diverse by gender. Since then, this has become a common theme in the literature, and the growing internationalization of the business world and global competition have made organizations more worried about the diversity of their workforces (Montenegro & Bras, 2015). Mary Wollstonecraft started the fight for equality between men and women, which has been going on for a long time. Raden Ajeng Kartini was the first person to start feminism in Indonesia in 1904. Since then, women's rights have gotten better and there are more great women, especially in school and work. But women are still fighting for equality and fairness. Most people don't think women are smart, especially when they are in high positions at work, like in reviewing (Rudyanto & Handojo, 2013). Having more women become auditors has changed how men and women are represented in the job market in Indonesia. The rise of female auditors poses problems and opens the door for study into hidden assumptions about a female auditor's motivation, life path, and social relationships. Gender mainstreaming, a set of government policies, has taught us a lot about the roles of men and women. But it still shows that we don't know enough about how women become skilled auditors over the course of their lives (Juliantini et al., 2019).

According to the workplace socialization theory, there are no longer any differences between men and women who work in the same place (Muñoz-Izquierdo et al., 2022). This study investigates the connection between audit quality and the gender of the auditor (auditor sex). Hardies et al., (2016) says that study from outside the field of accounting strongly suggests that sex differences should be taken into account in accounting research because "studies have reported significant gender-related differences in areas such as risk taking." A small number of behavioral accounting studies show that these kinds of differences between men and women can have an effect on audit decisions.

### **Audit quality**

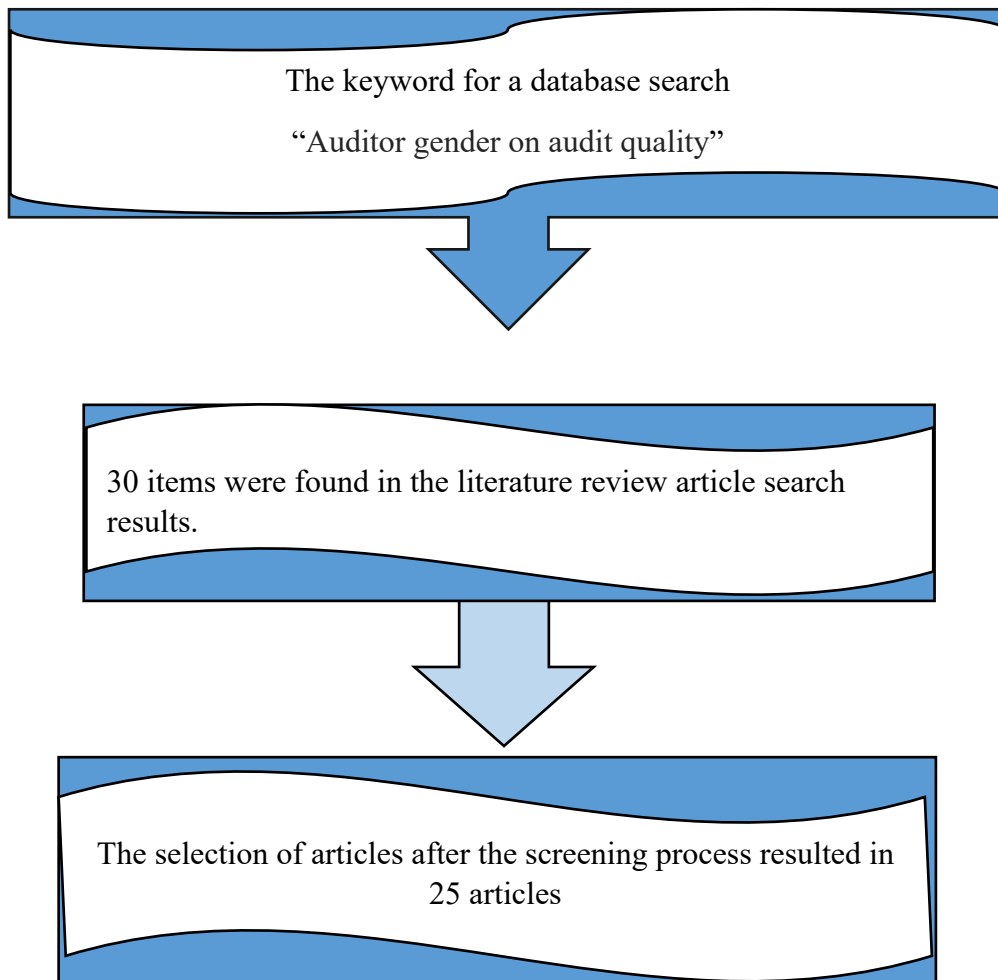
Auditing standards say that accountants have to plan and carry out audits to get a good idea of whether or not there are any major errors in the financial statements and to give their opinion on how well the financial statements are presented (Christensen et al., 2016). Audit quality is shown by whether or not the client is following generally accepted accounting standards (GAAP) in the right way. A trained auditor has to write a proper audit report for every audit check he or she does. He or she tries to find a flaw in the accounting system of the client and tells the people who use the financial statement about it. The quality of the audit goes up the more likely it is that an inspector will find the breach (Lanszweert, 2016). Cardinaels et al., (2021) says when audit firms want to improve audit efficiency and effectiveness, they should match their clients with the right "lead auditors" (auditors who manage and lead the engagement team) based on the auditor's expertise level, industry specialization, and other factors that improve audit efficiency and quality. Virginus, (2020) says that the increased transparency about the audit that was conducted, hence increasing the value of the auditor's report. Hasan, (2017) also says that big accounting firms like The Big Four, which have a lot of auditors, will show better financial statements than small accounting companies.

### **Auditor Gender**

Theories based on gender problems have been studied using a number of different theoretical methods. These include the theories of gender socialization and job socialization. Gender socialization theory says that there are big differences in how men and women think and feel about what is right and wrong (Owusu et al., 2022). Considering what has been written about gender differences in the workplace, there are some differences between male and female public accountants (Dubois, 2023). There are gender inequalities in financial reporting, risk management, and auditing. Women, for example, are more sensitive to risk, perceive greater dangers, engage in less dangerous behavior, and make fewer risky decisions (Abdelfattah et al., 2021). Studies outside of accounting show that men tend to be more positive than women when they think about the future. For example, men are much more optimistic than women about how key economic success measures and the stock market will do in the future (Jones et al., 2019). There are differences in audit quality between male and female inspectors, and this is acknowledged in the literature. Many studies have found that female auditors do a better job than male auditors, but other studies have found that male auditors do a better job than female auditors (Owusu, 2022).

## **2. METHOD**

The first step of this literature review is to collect data. This can be done by doing a simple search on the Google Scholar using the words "Auditor gender on audit quality" from the source above. This will bring up an average of 89 articles and we chose Search for English results only we get 59 articles from different national and international journals, and data from the last ten years 2013-2023 will be used so that the articles are relevant and the research topics are more up-to-date. The search process is described as follows:



These 25 articles were chosen because they are the most suitable for our study.

### 3. RESULTS AND DISCUSSION

According to Peprah & Ph, (2019) Today's world scrutinizes audits. Audit quality may be attained, maintained, and assured. Audit quality is examined from the perspective of intellectual capital and auditor gender. Human, rational, and structural capital make up intellectual capital, whereas auditors' competence and independence make up audit quality. This correlational study used self-constructed questionnaires for intellectual capital and audit quality with Cronbach alphas of 0.82 and 0.75, respectively. This study used 354 (8%) of 4,390 Chartered Institute of Accountants, Ghana (ICA, GH) registered chartered accountants who were practicing auditors. 191 (54%) of the study's respondents were male, and 163 were female. 210 (59.3%) had degrees, and 144 (40.7%) had MBAs. PROCESS v3.2 and Andrew Hays model 1 were used to determine regression and moderation. The study found a 53.68% correlation between intellectual capital and audit quality. Gender moderates the association between intellectual capital and audit quality, although not statistically significantly. The study suggests that auditors' intellectual capital and audit quality should be considered together. To do a quality audit, the auditor's gender should not be considered.

According to Ismail & Mohamed, (2022) this research extends Sutton and Lampe (1991) to establish a quantitative and dependable measure of audit quality (AQ) and hypothesizes

that audit partner demographics affect AQ. We tested hypotheses using quasi-experimental data from 2014–2017 EGX-listed firms. The results imply that the suggested quantitative measure of the AQ would assist stakeholders objectively examine the AQ and whether auditor partner demographic variables like gender, age, experience, education, and culture affect it. The results show that auditor demographics like gender and age negatively impact audit quality.

According to Rahim et al., (2022) this study examined how competence, independence, and honesty affect audit quality using gender stereotypes as a moderator. South Sulawesi Province's finance and development supervisory agency's representative office performed this research with 36 respondents. Multiple linear regressions with Smart PLS 3.0 software test the hypothesis. The results show that (1) competence, (2) independence, (3) integrity, and (4) gender stereotypes strengthen the effect of auditor competence on audit quality. (5) Gender stereotypes promote auditor independence and impair auditor integrity on audit quality.

Many studies on auditor-specific traits use data from psychology studies that show there are differences between people based on their gender. The goal of this study is to find out if there are differences between men and women in terms of risk profile, problem-solving skills, and independence. These are three important traits that could affect the auditor's judgment and the quality of the audit. It is not clear that stereotypes about men and women are true or that findings from studies about the general population can be applied to auditors. For the study, 115 accountants, 175 accounting students, 112 management students, and 114 students who didn't study accounting or management were used as samples for the independent sample test and mann-whitney u test. The results showed that there is no difference between male and female inspectors, but there is a difference between male and female risk profiles generally. The conclusion is that there is no difference in survey quality based on gender( Rudyanto & Handojo, 2013).

According to Yang et al., (2018) this study develops a comprehensive index for measuring audit quality, taking into account both discretionary accrual and audit opinions. Using empathy theory and gender role socialization theory, this study examines the effect of auditors' gender on audit quality. The study reveals substantial gender differences in audit quality by analyzing a large dataset containing 9 861 auditor-firm-year observations from Chinese A-share-listed companies from 2011 to 2015. Contrary to previous findings, male auditors exhibit superior audit quality compared to female auditors. However, when earnings were increased by the client, no significant gender differences were observed, indicating a comparable perception of audit risk. When earnings were adjusted downward, however, female auditors demonstrated substantially lower audit quality than their male counterparts, indicating a lower audit risk. In addition, the study indicates that gender differences in audit quality diminish or disappear when auditors are 45 or older or hold managerial positions. These findings are consistent with the theories of empathy and gender role socialization.

According to Indah & Erina, (2019) the goal of this study was to find out how competence, independence, and ethics affect audit quality and to see how gender affects competence, independence, and ethics in the Finance and Development Supervision Body (BPKP) inspector of East Java Representative. 163 East Java Representative BPKP inspectors made up the research population. In this study, 163 East Java Representative BPKP inspectors were used as samples. The results of this study showed that competence, independence, and ethics have no effect on audit quality. Ethics had a good effect on audit quality, and gender did not change the effects of competence, independence, and ethics on audit quality.

#### 4. CONCLUSION

This literature review on "Does Gender Affect Audit Quality" provide mixed findings. Found that gender moderates the association between intellectual capital and audit quality but not statistically significantly. Suggest that gender negatively impacts audit quality, with male auditors exhibiting superior quality in certain scenarios. Indicate that gender stereotypes can strengthen the effect of auditor competence on audit quality. However, the found that gender does not change the effects of competence, independence, and ethics on audit quality. Overall, the relationship between gender and audit quality is complex and context-specific, and it is crucial to consider other factors such as competence, ethics, and gender stereotypes in understanding this relationship.

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