

# Cultural Values and Perceived Audit Quality: A Conceptual Framework

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## ABSTRACT

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In accounting and auditing, the concept of cultural relativism was promoted by Riahi-Belkaoui (1995). He developed a cultural relativism in accounting model based on a cognitive perspective view. This theory suggests that different cultural groups “create different cognitions or systems of knowledge for intracultural communications and/or intercultural communications” (Riahi-Belkaoui, 1995, p. 53). Differences in culture can be seen in terms of the value systems held by a culture. Of the values-based conceptions of culture, one of the most important and useful for empirical research was provided by Geert Hofstede (Patel, 2004). Hofstede (1980a) and Hofstede, et al. (2010) developed six cultural factors: (1) individualism versus collectivism; (2) large versus small power distance; (3) strong versus weak uncertainty avoidance; (4) masculinity versus femininity; (5) long-term versus short-term orientation; and (6) indulgence versus restraint. The long-term/short-term orientation was developed based on the concept of Confucian dynamism, which is closely related to the teachings of Confucius and can be interpreted as having a pragmatic future-oriented perspective rather than a conventional historical short-term point of view (Hofstede, et al., 2010). Meanwhile, the sixth dimension (indulgence versus restraint) was developed from the literature on “happiness research” (Hofstede, et al., 2010). These last two aspect are still not widely understood and are also not directly correlated to the topic of this study. Therefore, these dimension are excluded from the investigation. In addition, the first four Hofstede’s taxonomy has been applied comprehensively in cross-cultural accounting research. According to Hofstede (1984), there is solid evidence that the four factors he proposes are universal, even though the original data they are based on were taken from the values scored by multinational corporation employees. Although the data can also be assumed to be up to date, according to Jones (2007, p. 7): ...more research is needed to capture the shifting cultural maps which are influenced by, and influence, globalisation and technology, however this is difficult to achieve and may have temporal value. As a result the work of Hofstede will continue to have value now and into the future. This paper presents the conceptual framework based on the findings in the reviewed literature. In auditing, the influence of culture has been investigated widely in relation to audit and financial reporting judgments (Chan, et al., 2003; Haniffa & Cooke, 2002; Lin & Fraser, 2008), auditor independence (Agacer & Douppnik, 1991; Patel & Psaros, 2000; Stevenson, 2002), and ethical perception (Arnold, et al., 2007; Ge & Thomas, 2008; Smith & Hume, 2005). However, cultural research on particular aspects of audit quality perceptions has not been analysed closely, even though cultural values are likely to have

a strong impact on perceptions of audit quality. Recognizing the effect of culture on perceived audit quality can make regulators aware of market expectation. As a result, they will be able to improve actual audit quality through the legal and accounting standards they set. In this study, the authors collect data from selected journal articles that mostly provide a comprehensive view of cultural values map and their impact on perceptions. Every journal has a different view. The author participates in comparing these sources of information to create a comprehensive framework. Thus, this study used content analysis both relationship analysis and conceptual analysis. The authors collect data from the theoretical concepts of cultural dimensions and relational relationships of that variable that influence audit quality. Key findings derived from the qualitative study confirmed that the differences in perceptions of the importance of audit quality factors in one country could be due to differences in cultural characteristics. For further consideration, it is necessary to develop a questionnaire instrument or a list of interview questions to measure each indicator of a framework that has been developed and tested as a reliable instrument.

***Keywords:*** culture; cultural values; perception; audit quality