

Ethical Dilemmas and Professional Decision Making of Auditors in the Era of Digital Disruption: A Phenomenological Study of Public Accounting Firms

Nur Islamiati Sulaiman¹, Sri Trisnaningsih^{2*}
Universitas Pembangunan Nasional Veteran Jawa Timur, Surabaya Indonesia
*Corresponding Author: trisna.ak@upnjatim.ac.id

Abstract : This study aims to explore how auditors experience ethical dilemmas and make professional decisions in auditing practices in the digital era. The study uses a qualitative approach with a social phenomenological perspective to understand auditors' subjective experiences in facing conflicts arising from demands for efficiency, data limitations, and professional responsibility. Data were collected through in-depth interviews with auditors at a Public Accounting Firm and analyzed using phenomenological techniques supported by NVivo software. The results show that the main ethical dilemma arises in the form of a conflict between speed and caution, where auditors must choose between completing work quickly or ensuring the sufficiency and reliability of audit evidence. Despite the increasing use of technology, auditors do not rely entirely on system results but rather prioritize professional judgment shaped by experience, social interactions, and ethical values. This study confirms that technology plays a role as a tool, not a determinant of decisions, and that ethics remains the main foundation of auditor decision-making in the era of digital disruption.

Keywords: digital audit, ethical dilemma, professional judgment, phenomenology, auditor decision making

I. Introduction

The digital era has brought significant changes to various sectors, including the audit profession. The rapid development of information technology has given rise to the phenomenon of digital disruption, transforming audit practices from traditional approaches to technology- and data-driven ones (Lutfianisa et al., 2025). In this context, the use of Computer-Assisted Audit Techniques (CAATs), data analytics, and cloud-based systems has become an integral part of the audit process. This transformation enables auditors to improve efficiency, accuracy, and analytical capabilities for large amounts of data. However, these changes are not merely technical in nature; they also impact how auditors exercise professional judgment and apply professional ethical values in audit practice (Leoc, 2025).

In digital auditing practices, auditors are no longer limited to physical documents, but also to information systems, electronic data, and various digital risks such as cybersecurity, data integrity, and potential system manipulation (Saliha et al., 2025). This creates new complexities that require auditors to possess not only technical competence but also the ability to maintain integrity, objectivity, and independence. Furthermore, the use of technology in auditing also has the potential to create ethical dilemmas, such as overreliance on system results, algorithmic bias in data analysis, pressure to expedite the audit process, and the potential for neglecting professional procedures due to the assumption that system output is completely accurate (Arifin Siregar & Hasanah, 2024).

This phenomenon demonstrates that ethical dilemmas in digital auditing are not merely normative issues but have become a real part of the auditor's professional experience. The Institute of Internal Auditors' Risk in Focus 2025 report indicates that digital disruption is a key factor impacting modern audit practice, with the majority of auditors considering it a significant risk to their work. While technology offers convenience and efficiency, it also has the potential to undermine professional skepticism and impact the quality of auditor decision-making (Zaleha & Novita, 2020).

Although the issue of auditor professional ethics in the digital era has been widely discussed in various studies, most studies are still dominated by quantitative approaches that focus on measuring perceptions or levels of ethical understanding (Ariadi et al., 2022; Lutfianisa et al., 2025). Furthermore, some studies emphasize conceptual studies and literature reviews related to auditor ethics in the context of digital transformation (Da Costa et al., 2025; Widyakusuma et al., 2025). These approaches are unable to fully explain how auditors directly experience and respond to ethical dilemmas in technology-based audit practices. Therefore, research using a phenomenological approach that explores auditors' subjective experiences in facing ethical dilemmas and how these experiences influence professional decision-making remains relatively limited. This indicates a research gap, particularly in understanding the dimensions of auditor experience in the context of digital audits.

Based on this background, this study aims to explore how auditors experience and respond to ethical dilemmas in digital audit practices, and how these experiences shape auditors' professional decision-

making. Using a phenomenological approach, this study is expected to uncover the essential meaning of auditors' experiences in facing ethical dilemmas in the era of digital disruption. The findings of this study are expected to provide theoretical contributions to the development of studies on auditor professional ethics, as well as practical contributions to Public Accounting Firms, professional associations, and regulators in strengthening accountable, transparent, and adaptive audit practices to technological developments.

II. Literature Review

Social Phenomenology Theory

This research is based on the theory of social phenomenology developed by Alfred Schutz (1967), which emphasizes that social reality is shaped through individual subjective experiences. From this perspective, human actions are understood based on meanings constructed from lived experiences and the individual's stock of knowledge. Stock of knowledge encompasses the accumulation of experiences, values, and interpretations that shape how individuals understand their social world (Wu et al., 2026).

In the context of the audit profession, knowledge stock encompasses audit experience, an understanding of professional ethics, interactions with clients, and adaptation to digital technology developments (Abigail et al., 2025). When auditors face ethical dilemmas in digital auditing practice, decisions are based not only on formal rules but also on subjective experiences and interpretations of the situation.

Schutz also introduced the concept of lifeworld, the everyday world in which individuals interact and construct meaning. In this study, the auditor's lifeworld encompasses technology-based audit practices, the use of data analytics, efficiency pressures, and the dynamics of professional relationships within a public accounting firm. Furthermore, the concept of intersubjectivity explains that auditors' ethical understanding is also shaped through social interactions, such as team discussions, organizational culture, and professional expectations (Saliha et al., 2025). Thus, social phenomenology provides a framework for understanding how auditors experience and interpret ethical dilemmas and how these experiences influence professional decision-making.

Auditor Professional Ethics

Auditor professional ethics is a set of moral principles that govern auditor behavior in carrying out their professional duties, with the aim of maintaining public trust (IFAC, 2020). The International Code of Ethics for Professional Accountants establishes five fundamental principles: integrity, objectivity, professional competence and due care, confidentiality, and professional conduct.

In digital auditing practice, the application of these principles faces new challenges. Integrity relates not only to honesty in reporting but also to interpreting digital system output. Objectivity is challenged by the potential for overreliance on technology, while professional competence requires auditors to understand digital-based information systems and audit tools. Furthermore, the principle of confidentiality is further complicated by the risk of digital data breaches and the use of cloud-based systems.

Several studies have shown that audit digitalization increases efficiency, but also raises ethical risks. Reliance on technology can reduce professional skepticism and affect the quality of auditor decision-making (Said et al., 2022). Furthermore, auditors are required to reinterpret ethical principles in an ever-evolving digital context (Lutfianisa et al., 2023; Widyakusuma et al., 2025). Therefore, professional ethics is not only normative but also contextual and interpretive in the face of technological change.

Audit Practices in the Era of Digital Disruption

Technological advancements have transformed audit practices into a more data-driven and digital system. Auditors now utilize various tools such as data analytics, computer-based audit applications, and cloud-based storage to improve the efficiency and effectiveness of the audit process (Djasuli et al., 2025).

Although technology facilitates data processing and audit documentation, the auditor's role remains crucial in verification, interpretation, and decision-making. Technology does not replace the auditor's professional judgment, but rather serves as a tool in the audit process. However, the use of technology also carries risks, such as system errors, algorithmic limitations, and reliance on digital output (Riyanto et al., 2025). Furthermore, digital disruption also increases auditor work pressure, particularly regarding the speed and efficiency of audit completion. This situation has the potential to impact the quality of professional judgment and increase the risk of ethical dilemmas in audit practice (Romero-Carazas et al., 2024).

Ethical Dilemmas and Auditor Decision Making

Ethical dilemmas arise when auditors are faced with situations involving conflicts between professional values, external pressures, and demands for efficiency. In the digital age, these dilemmas are increasingly complex because auditors must balance the results of technological analysis with their own professional judgment.

The use of digital tools in audits can create situations where system results contradict the auditor's intuition or experience. In such situations, auditors must make professional decisions that consider ethical aspects, risks, and public responsibility. Furthermore, client pressure to expedite the audit process can also impact auditor independence and objectivity (Bima et al., 2024).

Previous research has shown that ethical dilemmas in digital auditing often relate to overreliance on technology, algorithmic bias, and challenges in maintaining data confidentiality (Mauludina et al., 2024). In these situations, auditor decision-making is influenced not only by formal rules but also by subjective experiences and the social context in which auditors work.

III. Research Method

This study uses a qualitative approach with a phenomenological method to understand auditors' experiences in facing ethical dilemmas and professional decision-making in the era of digital disruption. The phenomenological approach was chosen because this study focuses on the subjective meanings (lived experiences) of auditors in technology-based audit practices (Creswell & Poth, 2018). This study adopts Schutz's (1967) social phenomenology perspective, which emphasizes that individual experiences are shaped through knowledge stocks, social interactions (intersubjectivity), and everyday life contexts (lifeworld).

The research was conducted at a Public Accounting Firm (KAP) in Surabaya using a purposive sampling technique, selecting informants with experience in digital-based audits and who had faced ethical dilemmas. The participants comprised auditors at various levels, including partners and senior auditors. Data were collected through in-depth interviews as the primary source, supported by limited observation and documentation to strengthen the research context.

Data analysis was conducted using a phenomenological approach through the stages of transcription, thorough reading, identification of important statements (horizontalization), grouping of meaning units and themes, compiling textural and structural descriptions, and synthesizing the essential meaning of auditors' experiences. Furthermore, the results of the analysis were interpreted using a social phenomenological perspective to understand how auditors construct meaning in facing ethical dilemmas and professional decision-making. To ensure data validity, this study utilized source triangulation and was supported by the use of NVivo software in the process of systematically coding and organizing the data.

IV. Results and Discussion

Results

The research findings indicate that the ethical dilemmas experienced by auditors in digital auditing arise from the tension between the demands of efficiency, data limitations, and professional responsibility to produce a quality audit. This dilemma is not merely technical in nature, but is the auditor's subjective experience in dealing with uncertain conditions that require careful professional judgment. Auditors are often faced with situations where available data is incomplete or not entirely reliable, leading to decisions about whether the audit can be continued or whether additional testing is required. As one informant put it, "when the client's data is incomplete, we have to decide whether it is sufficient or whether we need to request additional data" (Asha). Another informant also emphasized the choice between continuing the audit or postponing it to obtain more sufficient evidence.

In addition to data limitations, ethical dilemmas also arise from the use of digital audit technology. The analytical results produced by audit tools often appear consistent, but do not always reflect the actual situation. This places auditors in a dilemma between following the system's results or conducting additional audits. One informant stated that "the results from the tools appear consistent, but upon further analysis, they turn out to be different from the actual situation" (Harti). This finding suggests that technology cannot completely replace the role of auditors, and professional judgment remains a key factor in decision-making.

Ethical dilemmas are further complicated by time pressures and client demands. Auditors are faced with the need to complete work quickly, while simultaneously ensuring the sufficiency and reliability of audit evidence. This creates a conflict between efficiency and audit quality. An informant stated that "there is pressure to complete quickly, while the data is not yet fully convincing" (Wahyudi). This situation demonstrates that auditors must be able to balance work demands with their professional responsibilities.

Furthermore, ethical dilemmas can also be understood through the motives for action, namely the "because motive" and the "in-order-to motive." The "because motive" reflects the factors underlying the dilemma, such as work pressure, technology use, and data limitations. Meanwhile, the "in-order-to motive" describes the auditor's goal in making decisions, namely to maintain audit quality and ensure professional accountability. These findings indicate that even though auditors face pressure to work faster, they still prioritize audit quality as their primary goal.

The analysis using NVivo reinforces these findings by demonstrating the dominance of the terms "technology," "work," and "analysis" in the context of ethical dilemmas. This indicates that auditors' ethical dilemmas are heavily influenced by the use of technology and work pressures in digital auditing practices. However, the presence of the terms "decision" and "experience" suggests that decision-making remains dependent on the auditor's professional judgment and experience. Thus, technology plays a role as a trigger for dilemma complexity, but not as a decision-maker.

Overall, this study shows that ethical dilemmas in digital auditing reflect a conflict between demands for efficiency and professional responsibility. Although technology accelerates the audit process, auditors still strive to maintain audit integrity and quality by prioritizing the principle of prudence. These findings contribute by confirming that in the era of digital disruption, the role of professional ethics is not diminishing, but rather becoming increasingly crucial in guiding auditor decision-making.

V. Conclusion

This study aims to understand how auditors face ethical dilemmas and make professional decisions in audit practice in the era of digital disruption. The results show that ethical dilemmas arise not only from technical aspects, but also from the tension between demands for efficiency, data limitations, and professional responsibility to maintain audit quality. This dilemma is reflected in the primary conflict between speed and prudence, where auditors are faced with the choice between completing work quickly or ensuring the sufficiency and reliability of audit evidence. In such conditions, auditors tend to prioritize the principle of prudence by prioritizing the quality and integrity of audit results, despite being under time pressure and client demands.

This study demonstrates that auditors' professional decision-making does not solely depend on the results of digital audit technology analysis, but is more influenced by professional judgment formed through experience, social interaction, and the internalization of professional ethical values. Technology acts as a tool that increases efficiency, but does not replace the auditor's role in making final decisions. Theoretically, this study confirms that the ethical dilemma in digital auditing is a conflict between efficiency and professional responsibility, and reinforces the importance of ethics as a primary foundation for auditor decision-making amidst the complexity of the digital environment.

References

- Abigail, C., Da, R., Salim, S., Akuntansi, P. P., Ekonomi, F., & Tarumanagara, U. (2025). Auditor independence and ethical challenges in the era of audit digitalization. *JIMEA | Jurnal Ilmiah MEA (Management, Economics, and Accounting)*, 9(2), 3023–3036.
- Creswell, J. W. (2018). *Qualitative inquiry & research design: Choosing among five approaches* (4th ed.). Sage Publications.
- Djasuli, M., & Indarti, N. (2025). Professional ethics and social pressure on auditors in carrying out audit assignments. *Journal of Accounting & Finance*, 17(1), 33–45.
- Fauzan, M., & Pradipta, Y. (2023). Digital transformation in auditing: Ethical challenges and auditor adaptation. *Journal of Accounting and Auditing Research*, 20(1), 22–35.
- IESBA. (2021). *Handbook of the International Code of Ethics for Professional Accountants*. International Ethics Standards Board for Accountants.
- Laine, J., Minkkinen, M., & Matti, M. (2024). Ethics-based AI auditing: A systematic literature review on conceptualizations of ethical principles and stakeholder implications. *Information & Management*, 61.
- Leoc, D. (2025). Auditors in the digital age: A systematic literature review. 4(1), 5–20. <https://doi.org/10.1108/DTS-02-2024-0014>
- Lutfianisa, A., Indriaty, L., & Rahayu, D. (2025). The influence of digital tools transformation, auditor integrity, and auditor professional skepticism on audit quality at Public Accounting Firms (KAP) in East Jakarta. 8(3), 333–343.
- Nurhayati, S., & Mahmud, S. (2022). Utilization of digital technology and its implications for audit quality. *Multiparadigma Accounting Journal*, 13(3), 560–574.

- Romero-Carazas , R. , Chavez-Diaz , J. M. , Ochoa-Tataje , F. A. , Segovia-Abarca , E. , Monterroso-Unuysuncco , I. , Ocupa-Julca , N. , Chavez-Choque , M. E. , & Bernedo-Moreira , D. H. (2024). The ethics of the public accountant: A phenomenological study, 339–353.
- Saliha, Rahayu, Indriaty, & Mahzumi. (2025). The influence of information technology, auditor accountability, and auditor ethics on audit quality at KAP Central Jakarta. *IKRA-ITH Ekonomika*, 9(1), 18–29.
- Schutz, A. (1967). *The phenomenology of the social world*. Northwestern University Press.
- Sugiyono. (2020). *Qualitative research methods*. Alfabeta.
- Widyakusuma, A., Luneto, A., & Djuri, N. (2025). Utilization of artificial intelligence in financial statement audits: A functional and ethical review. *ECONOMICus*, 4(1), 41–52.
- Zaleha, R., & Novita, N. (2020). Threats to auditor independence in the digital era. *Journal of Professional Ethics*, 2(2), 55–68.